

Impact of Perceived Company's Innovativeness, Service Quality and Customer Satisfaction on Repurchase of Life Insurance

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ABSTRACT

The study attempts to increase the knowledge of how customers' perception of a company's innovativeness and service quality has influenced their repurchase of life insurance. This research aims to investigate, develop and validate a causal relationship model of life insurance repurchase by means of structural equation modelling (SEM) analysis. The sample group of 400 people who had bought insurance policies from companies in Thailand was approached to answer a structured questionnaire. Results revealed that repurchase of life insurance was directly affected by customers' perceived company's innovativeness and customer satisfaction, and indirectly affected by service quality of insurance agents. From previous studies related to correlation between service quality elements and repurchase, the correlation between corporate image and repurchase was well clarified, the interrelationship among the factors related to insurance company's innovativeness was not well illustrated. Thus, this research has developed a generic model of life insurance repurchase by means of structural equation modelling, which has value for its originality.

Keywords: Perceived company innovativeness, life insurance purchase, service quality, satisfaction

INTRODUCTION

For life insurance business, an increase in sales revenue may come from two possibilities, either from sales and promotions to the new target markets, or from the repurchase of existing customers. As for the latter option, a key factor that influences life insurance repurchase is brand loyalty (Bernett & Palmer, 1984, as cited in Zietz, 2003), which results from customers' satisfaction and effective customer relationship management.

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Murrawat and Nasershariati (2011) obtained a conclusion from their study that in life insurance business, 1% of loyal customers might increase 30% of profits. Several studies conducted on purchasing behaviour of life insurance in Thailand found that a customer who was satisfied with insurance agent's service quality and consistent relationship management would likely make a repeat purchase from the same sales agent.

Although the focus to encourage repeat purchase among existing customers is very important, there are very limited studies conducted to study factors that influence life insurance repeat purchase, while available studies did not sufficiently integrate involved perspectives into account. For instance, Zietz (2003) reviewed some factors that impact on life insurance purchase and discovered a conclusion from the past research such as demographic factors, psychographic factors, as well as trust and customer loyalty in relation to life insurance purchase. In details, it was found that life insurance purchase was related to gender, age, marital status, life cycle of marriage, family life cycle and number of dependents, career, income, personality and lifestyle (Duker, 1969; Berekson, 1972; Anderson & Nevie, 1975; Ferber & Lee, 1980; Miller, 1985; Showers & Shotick, 1994; Chen, Wong, & Lee, 2001, as cited in Zeit, 2003). The conclusion mainly focused on customers' individual characteristics.

As for the repurchase of existing insurance customers, the study by Taylor (2001) found that perceived service quality

had an impact on repurchase intention. Similarly, the study by Gera (2011) in India found that service quality resulted in insurance repurchase. The study by Tsoukatos and Rand (2006) found that in Greece, service quality was related to insurance customer loyalty. The study by Rao (2008) revealed that life insurance company's product innovations had an impact on Indian customers' repurchase decisions. The study by Iptimehin (2011) in Nigeria indicated that innovation is the factor that creates competitive advantage for life insurance business. The study by Yu (2013) obtained a summary from structural equation modelling analysis that in Taiwan, service quality, effective relationship management and customer satisfaction had influence on customers' loyalty. Thus, it can be concluded that customer's insurance repurchase resulted from service quality, company's innovation, customer relationship management and customers' satisfaction.

The literature review mentioned above indicated that there is no study that has brought in three major factors, namely, perceived company's innovativeness, the service quality of insurance agents and customers' satisfaction to jointly explain customer's repurchase behaviour. This, as a result, became the lead question leading to this study.

RESEARCH OBJECTIVE

The objective of this study is to develop and validate the causal relationship model

on the influence of perceived company's innovativeness, insurance agents' service quality and customer satisfaction on repurchase of life insurance.

LITERATURE REVIEW

Smith (2010, p. 25) classifies innovation into three types according to their application objectives: product innovation, service innovation and process innovation. Consumers obtained direct benefits from product and service innovation, whereas process innovation boosted efficiency in production and service delivery, which are beneficial for manufacturers or service providers.

The study by Gadrey et al. (1995) classified innovation of business consultancy service into product innovation, process innovation, organisational innovation and marketing innovation. The study also classified innovation of life insurance business into: 1) service, product innovation which focused on life insurance products or conditions of insurance policies, 2) architectural innovation such as the addition or separation of conditions into or out of existing insurance policies, and 3) process innovation.

Johne and Davies (2000) studied innovations within the medium-sized life insurance companies and obtained a conclusion that innovations in medium-sized life insurance companies could be classified as product innovation, service innovation and process innovation. Those highly successful companies normally gave

the first priority to marketing innovation, followed by product innovation and process innovation, respectively.

For organisations, "innovativeness" can be defined as the abilities to develop or invent something new (Hult et al., 2004). Company's innovativeness can be measured by various factors such as sales share of research and development expenditures, number of patents in relation to sales, sales share of improved or new products, economic assessment of innovations, etc. (Hollenstein, 1996).

Regarding the correlation between company's innovation and customers' satisfaction, Stock (2011) cited several studies that mentioned the correlation between company's innovation and customers' satisfaction (Langerak et al., 2004; Luo & Bhattacharya, 2006; Tatikonda & Montoya-Weiss, 2011), influence of company's innovation on customers' loyalty (Wallenburg, 2009), service innovation's influence on customers' satisfaction (Atuahene-Gima, 1996; Lievens & Moenaert, 2000) or the effect of product innovation on customers' satisfaction (Fidler & Johnson, 1984; Jedidi & Zhang, 2002) and drew a conclusion from empirical data that customers' satisfaction increased but not in proportion with company's innovativeness.

As for service quality, Gronroos (1990, as cited in Li, 2011) defined service as an activity between customers and product, actions and system of service providers to solve customers' problems, whereas Payne (1993; as cited in Li, 2011) defined service

as an intangible economic activity that provides solutions to customers but does not result in ownership.

Taylor (2001) defined quality as “a measure of service operation excellence” or a comparison of obtained service with excellent standards, whereas Parasuraman, Zeitheml, and Berry (1985) developed a service quality model called “SERVQUAL” with the following measurement perspectives:

1. Tangibles of service mean physical facilities which are equipped with modern, well-functioning equipment, suitable for servicing customers.
2. Reliability means service staff is capable of delivering results, as promised to customers. This made customers feel that the company is reliable. Service is delivered with accuracy and consistency and properly delivered from the first time. The service is delivered as promised and has no record of mistake.
3. Responsiveness means service staff is ready and willing to provide the service to customers, and respond to the needs of customers correctly. For example, service staff informs the customer of service delivery time, service staff promptly provides the service to customers, service staff is willing to help and respond to customer’s requests.
4. Assurance means service provider is equipped with knowledge, skills,

capability, honesty and friendliness in delivering service to customers. Assurance consists of three major components: 1) personnel capability which means staff’s knowledge and skills to deliver the service; 2) staff’s good manners, friendliness and attention in taking care of customers and their possession; 3) customer’s safety at the point of service.

5. Empathy means attention to take care of an individual customer, understand customers’ problems and needs. Moreover, service staff should focus on providing customized service and solutions to individual customers who come with different objectives, with clear and thorough communications.

Gronroos (1984; 1993; as cited in Caceres & Paparoidamis, 2007) defined quality as customers’ experiences based on two dimensions: technical dimension and functional dimension. Technical dimension is the result of the service while functional dimension is the way a service is delivered such as manners, attention, promptness and professionalism. According to this definition, customers do not pay attention only to the results of service but also consider the service process to be important. Service quality means perceived service quality in comparison with customers’ expectation.

The studies by Siddiqui and Sherma (2010) and Sherma and Bansal (2011) measured service quality of life insurance

companies in six dimensions: assurance, personalised financial planning, competence, corporate image, tangibles and technology.

Regarding repeat purchase, Saranyapong Thiangtam (2000, p. 231) mentioned two types of repeat purchase behaviours. The first one is customers' inertia, which means customers do not change to a new brand, not because of brand loyalty. The other is repeat purchase as a result of brand loyalty which is behavioural and psychological commitments.

Zeithaml et al. (1996) reviewed previous literature and found that superior service quality positively impacts the business. Examples of positive customers' behaviour are intention to repurchase and use the service again, recommending the service to family members, and willingness to pay higher price for that particular product or service.

Bloemer (1999) studied the influence of service quality on consumers' repurchase intention by conducting a survey among customers of four types of business: supermarket, healthcare service, fast food and entertainment. The findings of the study revealed that service quality had an influence on customers' repurchase, word of mouth and less attention on pricing. All of these elements could be called service loyalty.

Taylor (2001) obtained a conclusion from the regression model on insurance industry that service quality and customer satisfaction had an influence on insurance repurchase.

Tsoukatos and Rand (2006) studied service quality, customers' satisfaction and insurance customers' loyalty in Greece by conducting a path analysis and found that company's service quality, reliability, assurance, empathy and responsiveness had influence on customers' satisfaction compared to service tangibles which did not.

Meanwhile, Gera (2011) studied positive responses which resulted from life insurance's service quality in India by conducting a path analysis and a structural modelling and found that sales agent's service quality directly and indirectly affected future positive behaviour of customers such as repurchase and recommending to new customers. Yu (2013) studied results of relationship marketing towards life insurers in Taiwan and found that service quality was positively related to customer relationship management, customers' satisfaction and commitment.

RESEARCH HYPOTHESIS

From the previous literature review, the researchers developed a causal model and set following research hypothesis:

H₁ The causal relationship model conforms with the empirical data that perceived company's innovativeness, service quality of insurance agents and customer satisfaction have influence on life insurance repurchase.

RESEARCH METHODOLOGY

This study used a quantitative approach by conducting a survey among the sample

group. The population for this study included life insurance customers who had bought insurance policies from companies in Thailand. The size of the sample of 400 was determined by the formula of Taro Yamane at 95% confidence level and maximum 5% margins of error. The researcher used multi-stage sampling to pick seven provinces in Thailand and then used accidental sampling to screen qualified people to answer the questionnaire.

Research Tools

A questionnaire was used as a tool to collect the primary data for this study. The questionnaire had five parts, as follows:

1. Personal data of the sample group
2. Customer perception of company's innovativeness
3. Service quality
4. Customer satisfaction
5. Life insurance repurchase/repurchase intention

The first part of the questionnaire used nominal scale, whereas the second, third, fourth and fifth parts used interval scale by asking the people who answered the questionnaire to give the rating in five levels by means of the Likert scale.

Reliability and validity are the two concepts used for defining and measuring bias and distortion. Validity is measured by comparing against theories and by the review and approval of some marketing professors. Reliability is measured by calculating a confidence coefficient of

Cronbach's Alpha and obtained the result that questions used rating scale had a reliability alpha of not less than 0.700; this could be concluded that research tools of this study are good enough.

The statistics used for analysing data are as follows:

1. Descriptive statistics such as frequency and percentage used for presenting general characteristics of the sample group.
2. Analysis of structural equation modelling to check the causal model's compatibility with empirical data.

RESULTS OF DATA ANALYSIS

Sample Group

Majority of the sample (61%) were females. Around 23.5% of the respondents aged between 35 and 39 years old. More than half (55.5%) of them were married, while 47.5% obtained their Bachelor's degree. Meanwhile, 33.2% of the respondents were working for private companies. About 32% had a monthly income of less than Thai Baht 20,000 (645US\$).

Factor Analysis

Based on the relationship between observed variable and latent variable in the measurement model by using confirmatory factor analysis (CFA), it was found that:

Perceived company's innovativeness consisted of four observed variables: product

innovation, service innovation, process innovation and marketing innovation. After analysing the relationship between observed variable and latent variable in the model to measure perceived company's innovativeness, the researcher obtained Kaiser-Meyer-Olkin measure of sampling adequacy, with value of 0.818 or more than 0.50, Bartlett's test of approximately Chi-Square of 920.302, df. of 6, p-value of 0.000 or less than 0.05. These could be concluded that the observed variables were properly related for analysing data with the factor loading of 0.86, 0.84, 0.81 and 0.71, respectively.

The service quality of insurance agents comprised five observed variables: reliability, assurance, tangibles, empathy and responsiveness. After analysing the relationship between observed variable and latent variable in the model to measure service quality of insurance agents, the researcher obtained Kaiser-Meyer-Olkin measure of sampling adequacy value of 0.876 or more than 0.50, Bartlett's test of approximately Chi-Square of 1695.191, df. of 10, p-value of 0.000 or less than 0.50. These could be concluded that the observed variables were properly related for analysing data with the factor loading of 0.90, 0.89 0.83, 0.83 and 0.80, respectively.

Analysis of Causal Relationship Model

From the structural equation modelling analysis, the model was not a saturated with degree of freedom less than or equal zero. Then, the Model's index of consistency was compared with a set of criteria (Hooper et al., 2008). By using the maximum likelihood method in estimating the value of parameters, and using Chi-Square to test the conformity between structural equation modelling and empirical data, it was found that the structural equation modelling obtained Chi-Square = 42.461, df. = 34, p-value = 0.151, or more than 0.05. Consequently, it could be summarised that the structural equation modelling is in line with empirical data. After considering other supporting statistical values, the researcher obtained the values of CMIN/DF = 1.249, GFI = 0.981, AGFI = 0.963, CFI = 0.998, RMSEA = 0.025, PCLOSE = 0.976. Every statistical value yielded the same results as the Chi-Square test in Figure 1 and Table 1.

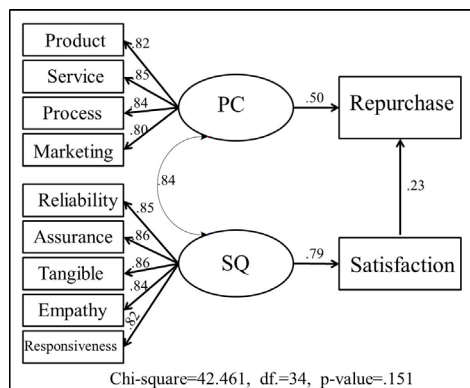


Figure 1. Outcome of the Causal Relationship Model Analysis

Symbols

PC means latent variable of perceived company’s innovativeness.

SQ means latent variable of insurance agents’ service quality.

Satisfaction means observed variable of customer satisfaction towards an insurance company.

Repurchase means observed variable of insurance repurchase intention.

Product means observed variable of product innovation.

Service means observed variable of service innovation.

Process means observed variable of process innovation.

Marketing means observed variable of marketing innovation.

Reliability means observed variable of reliability.

Assurance means observed variable of assurance.

Tangibles mean observed variables of tangibles.

Empathy means observed variable of empathy.

Responsiveness means observed variable of responsiveness.

Latent variables of perceived company’s innovativeness consist of four observed variables, ordered from the highest to the lowest weights, as follows: service innovation variable weighed 0.850, process innovation variable weighed 0.837, product innovation variable weighed 0.815 and marketing innovation weighed 0.798.

The latent variable of insurance agents’ service quality consisted of five observed variables, ordered from the highest to the lowest weights: assurance weighed 0.864, tangibles weighed 0.858, reliability weighed 0.853, empathy weighed 0.841 and responsiveness weighed 0.816.

The variable on customers’ satisfaction was found to have a direct impact from the variable on service quality of insurance agents and a significance level of 0.791. The variable on repurchase intention obtained a direct impact from the variable on perceived company’s innovativeness and customer satisfaction, with significance level of 0.496 and 0.233, respectively, and obtained an indirect impact from the variable on service quality of insurance agents, with significance level of 0.184, as shown in Table 2.

Conclusion and Suggestions

Intention to repurchase life insurance is influenced mostly by perceived company’s innovativeness, followed by service quality of insurance agents and customer satisfaction, respectively. Therefore, the researcher would recommend that an insurance company sets its corporate strategies and builds corporate image as

Table 1
Statistical values from structural equation modelling test

Statistic	Criteria	Statistical Value	Result
CMIN/DF	<2.00	1.249	passed
GFI	≥0.95	0.981	passed
AGFI	≥0.95	0.963	passed
CFI	≥0.95	0.998	passed
RMSEA	≤0.05	0.025	passed
PCLOSE	>0.05	0.976	passed

Table 2
Structural equation modelling to show direct and indirect impacts

Regression			Effect		
			Total	Direct	Indirect
Satisfaction	<---	Service Quality of Insurance Agents (SQ)	0.791	0.791	-
Repurchase	<---	Perceived Company's Innovativeness (PC)	0.496	0.496	-
Repurchase	<---	Satisfaction	0.233	0.233	-
Repurchase	<---	Service Quality of Insurance Agents (SQ)	0.184	-	0.184

having superior innovation compared to its competitors. An insurance company should focus on utilising information technology in promoting and delivering services to customers, defining new target markets in order to differentiate itself from competitors or adopting a marketing strategy that bolster its image as an innovation leader. These will not only increase its sales and service efficiency but also build an innovative business image, a key factor that influences customer purchase decision.

For future studies on this topic, the researcher would like to suggest that future study sets a quota for random sampling in order have a wide coverage of insurance customers from all geographic parts of Thailand and customers of all insurance companies in Thailand. In addition, future study should use qualitative research methods such as in-depth interview and focus group interview so as to deeply understand customers, as well as the factors that have influence on their life insurance repurchase. The information obtained will be useful for setting new variables for additional studies.

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