Impact of Relationship Drivers Model and Trust on Customer Commitment In Life Insurance Industry in Padang City

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Abstract

Presents the previous research of customer commitment, this research purpose to examine the influence of relationship drivers model and trust on customer commitment. The relationship drivers model used in this research are: economic value, customer recognition, switching cost, confidence benefit, shared value, and preferential treatment. There are 150 respondents from life insurance industry in Padang comprehended in this research. The respondents which involved are taken by using convenience sampling. The data is analyzed by examining the questionnaires have been distributed, using SPSS program. The findings can be taken as marketer's consideration which the most valuable key motivations why customers engage in a commitment of an insurance company. The estimated impact of each relationship driver offers important financial and managerial implications to marketers who must make trade-offs of competing marketing investments to build customer relationships on the basis of maximizing customer lifetime value.

Keywords: *Relationship drivers, Trust, Customer commitment.*

I. Introduction

In economic world, insurance become one of qualified way to manage risk. There has been much research on fair valuation of embedded options in life insurance contracts, including Bacinello (2001, 2003a, 2003b), Ballotta et al. (2006b), Briys and de Varenne, (1997), Grosen and Jørgensen (2000, 2002), Hansen and Miltersen (2002), Tanskanen and Lukkarinen (2003). A comprehensive review of this literature can be found in Jorgensen (2004). These authors use the appropriate concept of risk-neutral valuation of insurance contracts to price insurance liability risk; however, they do not consider risk measurement or management strategies within this process. Insurance, in such circumstances, is close to betting and, as such, was attractive in a society already well known for its love of gambling (Ruffat, Caloni and Laguerre, 1990). It sprang from the private initiative of medieval sea merchants who, having forsaken their age-old custom of travelling with their wares settled in ports and got involved with any ancillary business that appeared to offer an opportunity (Goff, 1986). The merchant would just as well go into insurance, ship ownership, banking or brokerage, if such opportunities arose. Versatility was a crucial element in diversifying their business and reducing their exposure to risk. Insurance industry will become profitable (Kompas, 2008). By looking the market population who really understand to the function of insurance is only 5 percent, the real policyholder is 17 percent (Rochma, 2007), it will be profitable to search the best way of entry insurance market. The average of annual insurance industry growth, about 25 percent (AAJI, 2007) will contribute to the successful of insurance industry. In global crisis era, insurance companies are different toward another financial institution, where they may gain "benefit" in crisis because insurance companies are risk and protection business. By looking the data of Indonesia life insurance policyholder only 34 million in 2007, it is still 15% from the total of population of Indonesia (Kompas, 2008). It becomes excellent opportunity if discuss about insurance industry because the percentage is still small, thus, if we know the appropriate strategy, involving in insurance industry will become profitable.

In order to increase the insurance awareness in Padang, it can be searched by discussing with the loyal policyholder in insurance company. The research can be done by using Relationship Drivers Model which demonstrates that the process of rapport building is fundamentally shaped by the relationship's contents (Morgan, 2000). The framework of the model argues that it is the combination of economic, social and resource drivers that result in customer commitment, through the application of the commitment-trust theory of relationship marketing (Morgan and Hunt, 1994).

II. Literature Review

Relationship marketing has the potential to improve marketing productivity and create mutual values by increasing marketing effectiveness and/or improving marketing efficiencies (Sheth and Parvatiyar 1995a; Sheth and Sisodia 1995). Relationship Drivers Model is proposed for linking key motivations regarding why customers engage in marketing relationship to their level of commitment to the firm and this framework is examined across three different customer relationship levels in two business-to-consumer (B2C) settings (e.g., Garbarino and Johnson 1999; Hennig-Thurau, Gwinner, and Gremler 2002; Iacobucci and Hibbard 1999; O'Malley and Prothero 2004; San Martin, Gutierrez, and Camarero 2004). The Relationship Drivers Model demonstrates that the process of rapport building is fundamentally shaped by relationship's contents (Morgan, 2004). The Relationship Drivers Model demonstrates that the process of rapport building is fundamentally shaped by relationship's contents (Morgan, 2004).

2.1.1 Economic Drivers

Economic drivers are in development of the foundations for building customer commitment. Economic driver variables employed in this model are:

1. Economic value;
   Values can be defined as fundamental and enduring features of both people and organizations (Chatman, 1989). Individual values direct behavior, whereas organizational values provide ground rules for acceptable forms of behavior (Chatman, 1989). Economic value defined as the consumer's perceptions of the worth of goods and services provided in the marketing exchange. Customers must perceive receiving value at a lower cost in order to engage in a marketing relationship (Parvatiyar and Sheth, 2000). Economic value is strengthened when returning customers are rewarded with monetary enticements, such as discounted prices and other forms of pricing incentives.
2. Switching cost; describe as consumer perceptions of time, money and effort required to change brands, firms, or service providers (Jones, Mothersbaugh and Beatty, 2000). Switching costs may include any non-transferable assets, relationship-specific investments, search costs, learning costs and termination expenses. Chen (1997) and Taylor (1998) consider the possibility of competitive firms recognizing their previous customer in the context of switching costs, which brings additional dynamic effects into the analysis.

2.1.2 Social Drivers

Customers may initiate marketing relationship due to appealing economic value, but, social value must be present for marketing relationships to develop and continue. Social drivers variable consist of:

1. Customer recognition; the level of individual identification or recollection a customer receives from a firm and its employees.
2. Shared values; the extent to which goals, policies, and beliefs held by the exchange parties are consistent or compatible (Morgan and Hunt, 1994). Shared values are shown when a firm is perceived to be acting on behalf of its customers' best interests and by the way the firm treats its customers.

2.1.3 Resource Drivers

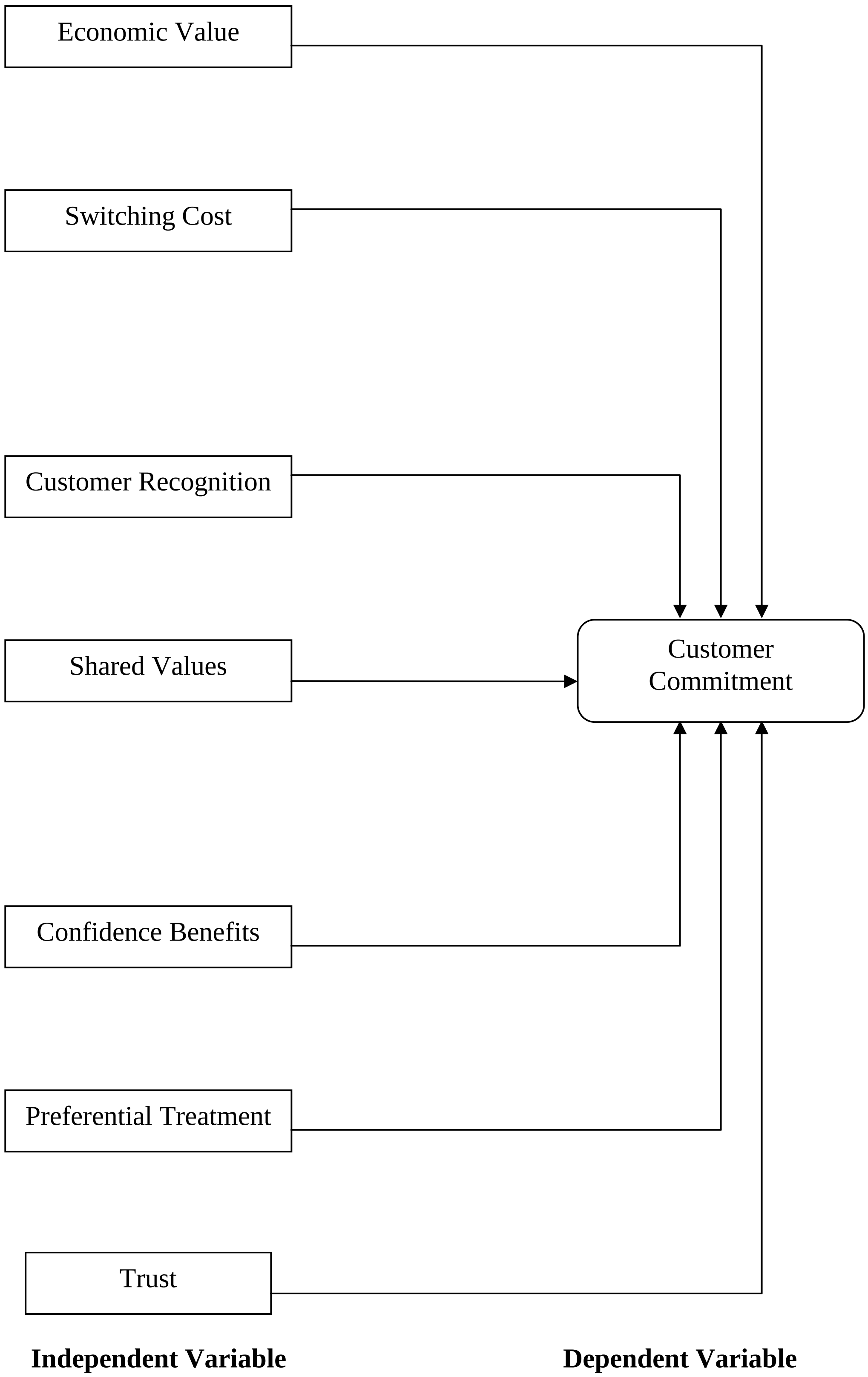
Resource drivers examine the reassurance, conviction, and level of enhanced services customers gain by engaging in marketing relationship. Resource drivers employed by:

1. Confidence benefits; the resource relief experienced by customers in established marketing relationship as a result of higher conviction in correct product or service performance, lower purchasing anxiety and knowing what to expert (Gwinner, Gremler and Bitner, 1998). Over multiple experiences, customers grow increasingly comfortable with their roles (Boyer and Hult, 2005)
2. Preferential treatment; the practice of giving selective customers' elevated social status and enhanced services beyond what is normally offered to customers. While controlling for individual customer characteristics, higher levels of preferential treatment are shown to positively influence relationship commitment, increased purchases, share of customer, word of mouth and customer feedback.

2.2 Trust

Trust conceptualized as existing when one party has confidence in an exchange partner's reliability and integrity. According to Moorman, Deshpandé and Zaltman (1993, p. 82), trust is defined as a willingness to rely on an exchange partner in whom one has confidence. Both definitions draw on Rotter's (1967, p. 651) classic view that trust is "a generalized expectancy held by an individual that the word of another can be relied on". Both definitions also highlight the importance of confidence. Consumer trust also defines as the expectations held by the consumer that the service provider is dependable and can be relied on to deliver on its promises (Sirdeshmukh, Singh and Sabol, 2003, p. 17).

III. Methodology



Variable	Dimension	Dimension Concept	Indicator	Scale
(X)	Economic value **(X_1)**	Defined as the consumer's perceptions of the worth of goods and services provided in the marketing exchange. (Lacey, 2007)	a. I get an excellent value for the money b. Prices charged by this company are extremely fair. c. This firm gives me the real value especially in claiming. Source: Urbany, Beraden and Weilbaker's (1988)	Five point Likert scale
	Switching costs **(X_2)**	Describe as consumer perceptions of time, money and effort required to change brands, firms, or service providers (Jones, Mothersbaugh and Beatty, 2000)	a. I would take a lot of time to switch thus I stay in this company. b. I would take a lot of effort to switch. c. I would require more time than I am willing to put forth. Source: Jones, Mothersbaugh and Beatty (2000)	Five point Likert scale
	Customer recognition **(X_3)**	The level of individual identification or recollection a customer receives from a firm and its employees. (Lacey, 2007)	a. I respect to flexible, friendly and in touch of company (agent) to customer/policyholder. b. I am personally recognized c. The people who work there are familiar with me d. The people who work there remember me. Source: Morgan and Hunt (1994)	Five point Likert Scale
	Shared value **(X_4)**	The extent to which goals, policies, and beliefs held by the exchange parties are consistent or compatible (Morgan and Hunt, 1994)	a. The company is consistent with my own personal values. b. The values in this firm reflect the type of person that I am c. The values are compatible with the things I believe in. d. The values are similar to my own. Source: Morgan and Hunt (1994)	Five point Likert Scale
	Confidence benefits **(X_5)**	The resource relief experienced by customers in established marketing relationship as a result of higher conviction in correct product or service performance, lower purchasing anxiety and knowing what to expert (Gwinner, Gremler and Bitner, 1998)	a. I believe there is less risk that something will go wrong by purchasing from (firm) b. I have less anxiety when I do business with (firm) than with other (firms in the insurance industry) c. I know what to expect when I deal to this company. Source: Gwinner, Gremler and Bitner's (1998)	Five point Likert Scale
	Preferential	The practice of giving	a. I am usually placed higher	Five

	treatment **(X_6)**	selective customers' elevated social status and enhanced services beyond what is normally offered to customers. (Lacey, 2007)	on the priority list when there is a line b. I get faster service than most customers get c. I get better treatment than most customers. d. I get special things from the company that the most customers do not get. Source: Gwinner, Gremler and Bitner's (1998)	point Likert Scale
	Trust **(X_7)**	Trust is defined as a willingness to rely on an exchange partner in whom one has confidence. (Moorman, Deshpandé and Zaltman, 1993, p. 82)	a. The company is very honest and truthful b. The company has high integrity c. The company can be trusted completely d. It can be counted on to do what is right Source: Morgan and Hunt (1994)	Five point Likert scale
(Y)	Customer commitment	Defined as an enduring attitude or desire for a particular brand or a firm (Moorman, Zaltman and Deshpande, 1992)	a. My relationship with this company is very strong and I am very committed to continuing it. b. This relationship is very important to me c. My relationship with this company is something what I really care about d. It is worth my effort to maintain Source: Morgan and Hunt (1994)	Five point Likert Scale

IV. Result

No	Variable	Result
1	Economic Value (X1)	Rejected
2	Switching Costs (X2)	Rejected
3	Customer Recognition (X3)	Rejected
4	Shared Value (X4)	Accepted
5	Confidence Benefit (X5)	Rejected
6	Preferential Treatment (X6)	Accepted
7	Trust (X7)	Accepted

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
1	(Constant)	.347	.337		1.028	.306
	X1	.101	.069	.119	1.452	.149
	X2	-.084	.051	-.114	-1.651	.101
	X3	-.036	.058	-.039	-.621	.536
	X4	.270	.104	.239	2.605	.010
	X5	-.026	.083	-.026	-.312	.756
	X6	.151	.063	.184	2.402	.018
	X7	.516	.090	.420	5.763	.000

a Dependent Variable: Y

The above table shows “trust” gives the strongest impact toward the customer commitment with the coefficient of 0.516.
Based on table , the regression formula is:

$$\mathbf{Y = 0.347 + 0.101\ X1 - 0.084\ X2 - 0.036\ X3 + 0.270\ X4 - 0.026\ X5 + 0.151\ X6 + 0.516\ X7 + e}$$

V. Implications

The research hoped will give good impact to insurance industry. It will help insurance agents to decide which factor in Relationship Model Drivers which consist of economic, social and resource that give more contribute in their loyal policyholder in order to get new policyholders easier and this will impact to their profit and market share in insurance industry competition. By looking the research the agent will know which is profitable. If they have found which part will more contribute on profit, the company will also be supported and helped in making the strategy for the future. Thus, the research hope will build up the growth of insurance industry especially in Padang by knowing the best way in reaching market. The research is in order to give theoretical contribution.

VI. Conclusion and future research

The research is conducted to observe the relationship marketing relationship toward customer commitment. The respondents are the policy holder of insurance company in Padang. According to the result and the equation regression, there are three independent variables which influence the customer commitment in insurance company. They are: trust, shared value, and preferential treatment. But the others, economic value, customer recognition, switching cost and confidence benefit, the negatives independent variables value, they do not influence the customer commitment. This research study attempt to build on existing relationship marketing theory by providing linkage between key motivations regarding why customer engage becoming a part of marketing relationship and customer commitment to the firm. From a theoretical standpoint, this research offers fellow researchers a framework for elaboration of relationship drivers of customer commitment. Practitioners of relationship marketing need to understand more fully the relationship drivers of their customers. Although Morgan and Hunt’s (1994) commitment-trust theory model has widely studied and discussed in the marketing literature, a theoretical framework to capture the potential motivations of relationship building has remained elusive (Morgan, 2000). By looking this research, marketers may consider the most valuable key motivations why customers engage in a commitment of an insurance company. The estimated impact of each relationship driver offers important financial and managerial implications to marketers who must make trade-offs of competing marketing investments to build customer relationships on the basis of maximizing customer lifetime value (Rust, Lemon and Zeithaml, 2004). In the analysis of data, the most valuable independent variable is trust. By capturing the impact of customer on relationship marketing with the firm, this research offers an expanded view regarding the individual and cumulative contribution of relationship drivers to build customer commitment.

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