

# Life Insurance Customer Loyalty: Perspectives of Agent Character, Relational Selling Behavior, and Relationship Quality

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## ABSTRACT

As global insurance rises in recent years, the opportunity of life insurance tends to be growing as well. However, life insurance in Indonesia shows the contrary situation with a phenomenon of declining customer loyalty. Hence, there were some pressures for the insurance companies to highly focus on the quality of insurance agents that still play a crucial role in retaining the customers of life insurance. Previous studies still lacked the focus of the insurance agent to influence customer loyalty in the life insurance sector. Thus, this research aims to analyze the influence of agent character and relational selling behavior, mediated by relationship quality, on customer loyalty of 100 customers of life insurance products in Jakarta. Using quantitative analysis, this research utilized Partial Least Square Structural Equation Modelling (PLS-SEM) with SmartPLS version 3.2.7 to analyze the data. The findings signify that there is a positive and significant relationship between variables. Similarly, the agent character and relational selling behavior have positive and significant influence on relationship quality. Furthermore, the relationship quality has positive and significant influence on customer loyalty. This study presented the implications towards life-insurance companies to educate the agent to be more customer focused.

**Keywords:** *Life Insurance, Agent Character, Relational Selling Behavior, Relationship Quality, Customer Loyalty.*

## 1. INTRODUCTION

In the last few years, the global insurance industry has been growing in a positive direction. Deloitte Insurance Outlook report in 2020 [1] stated that the growth of this industry around the world will continue, and overall profitability is maintained despite upheaval in the global economy. These include the phenomena of Brexit, the outcome of the 2020 US election, possible trade war, or even the most current pandemic state. However, the situation of Indonesian life insurance market was totally in the opposite state of affairs whereas in 2018, the penetration of life insurance fell from the previous year to 1,3% [2]. This clearly presents that there is a big hole of deterioration of the level of customer loyalty in the life insurance industry in Indonesia, particularly in the segment of individual life insurance. Retaining the customers (customer loyalty) is crucial for life insurers in the perspective of insurance agents who become the key element as the direct touch point for most customers to sell the life insurance

product [3]. The researcher found out that one of the reasons the low level of customer loyalty in life insurance exists is due to the characteristics of insurance as a highly complex intangible product that leads to customers bias towards the product until they are really getting into it [4]. Therefore, agents play a key role in the transaction process to rectify misunderstandings rising among the customers of which many customers still believe that life insurance is too expensive, difficult to understand, and a hassle to obtain [5, 6]. However, there are still shortcomings of the previous studies about the focus of agent or salesperson (agent character, relational behavior and relationship quality) as the antecedents of customer loyalty, especially in the life insurance sector.

As has been explained before, in order to build on the potential that exists in the Indonesian life insurance industry, and fix the current issues related to low levels of customer loyalty, the role of agents is undeniably significant. Agents according to [7, 8] are people who interact with potential customers and often the

customers depend on them to provide accurate and reliable information, and proper guidance [9]. Also, the achievement of the long-term relationship is commonly executed by a salesperson that is eventually very crucial to enhance the customer retention [3]. It also indicates there is an urgency to improve the quality of distribution channels through agency forces as it is significant for life insurers to build and maintain bonds of long-lasting loyalty with the individual customers. Moreover, it is important to extend an understanding of how a salesperson influences customer loyalty. Comprehending the relationship between variables can provide useful insights for developing strategies that allow life insurers to retain customers. Therefore, this research aims to analyze the influence of agent character on relationship quality; to analyze the influence of relational selling behavior on relationship quality; and to analyze the influence of relationship quality on customer loyalty of individual life insurance customers in Jakarta, Indonesia.

## **2. LITERATURE REVIEW**

### ***2.1. Agent Character***

The individual salesperson or agent is defined as someone who interacts with potential customers [10] and connects with customers [5, 11]. The role of agents has become crucial and important in companies because agents can create a competitive advantage by having the ability to fully understand the needs of the customers and overcome any problems to ensure customer's satisfaction. The character of an agent can be perceived as the personal characteristics of the sales representative/salesperson that is constructed by several attributes. These attributes create individual personality traits, types, and behaviors that have been considered significant for the relationship between sellers and buyers [12]. There are several dimensions measured and become the main attributes of agent character which are expertise, likeability, and similarity [13]. Based on that study, it is approved that agent character is constructed by expertise, likeability, and similarity positively and significantly influence on the relationship quality. This statement is supported by other previous studies [10, 14] that believed the level of a salesperson's expertise vitally determines the relationship quality. Hence, the first hypothesis can be constructed:

*H1: Agent character has a significant and positive influence on the relationship quality*

### ***2.2. Relational Selling Behavior***

The role of relational selling behavior is to support maintaining customers, developing relationships as well as making the relationship with customers become more attractive [15]. According to several studies [3, 16],

relational selling behaviors constructed by 3 dimensions consist of the behaviors of the salesperson to share information, mutual disclosure, and have frequent interaction with customers. Therefore, the creation of data sharing administrations for clients can aid in decreasing vulnerability inside some organizations [13]. Based on the study, it is approved that relational selling behavior constructed by information sharing, mutual disclosure, and interaction frequency positively and significantly influence the relationship quality [13]. The meaningful and timely information shared between salesperson and buyer will influence the buyer's perception that ultimately influenced them to maintain the relationship [17]. Hence, the second hypothesis can be constructed:

*H2: Relational selling behavior have a significant and positive influence on relationship quality*

### ***2.3. Relationship Quality and Customer Loyalty***

According to studies of consumer marketing, the relationship quality is constructed by trust, satisfaction [18], and also commitment [19, 20], by these three dimensions involved in a long-term orientation and connectivity with customers [21]. At most marketing studies, it was mentioned that firms should focus on the aspect of customer satisfaction, trust and commitment in order to drive to a long-term relationship by conducting customer-oriented selling [3]. Customer satisfaction has been defined differently. According to Hao et al. (2012), satisfaction refers to the feeling or emotion of a person perceived by their expectations and wishes. It is essential for a company to create and maintain customers' trust [22] as it is a necessary ingredient for a long-term salesperson-customer relationship [23, 24] and for the development of long-term business [25].

Customer loyalty can be seen as a crucial component for business process and practice including life insurance [26]. More than that, customer loyalty has continuously played a critical part in keeping up and expanding deals [27]. Meanwhile, according to [28] customer loyalty within the service company can be conceptualized as a combination of a customer's intention to take care of an ongoing relationship and to recommend it to other customers. The behavior of service providers and the enhancement of relationship-risk practice lead to the increasing trust in the salesperson followed by the escalation of customer's loyalty [29]. In the world of life insurance industry, the involvement of relationship quality strengthens the relationship between agent and customer which leads to the improvement of customer's repurchase intention and willingness to recommend that turns out increase the profit of the insurance company [30, 31]. Hence, the hypothesis can be developed as follow:

*H3: Relationship quality has a significant and positive influence on customer loyalty*

Therefore, the research model of this study can be seen as follow:

**3. RESEARCH METHODOLOGY**

**3.1. Research Design**

With the aim to obtain the results taken from the perspective of individual life insurance buyers towards the relationship within the theoretical framework, then the study is categorized as explanatory research. This research is also categorized as cross-sectional study since the data was collected in one series of time by which the data are gathered over a period of days or weeks or months, in order to answer the research questions [32].

**3.2. Structural Equation Modelling – Partial Least Square**

According to [33, 34], SEM is a second-generation multivariate data analysis method that can support linear and additive causal models to be tested theoretically. PLS-SEM was applied for conditions in which only a weak theory exists, thus a set of different possible influences must be analyzed [35]. Moreover, PLS-SEM can operate with all measurement scales, such as nominal, ordinal, interval, ratio scale, and binary-coded data with a specific limitation. SEM-PLS usually involves an outer model which specifies the relationship between indicators and latent variables. The value of average variance extracted (AVE) must be greater than 0.5 to indicate a sufficient convergent validity [36]. Additionally, the reliability test is utilized to check how reliable the questionnaire is, using Cronbach’s Alpha as the coefficient to assess the positive relations between variables in a model, and composite reliability (CR) that is valued between 0 to 1 of which the higher the value

**Table 1.** Respondents’ Characteristics

Characteristic		Percentage (%)
Age	45-54 years old	30%
Gender	Male	63%
Last Education	Bachelor	59%
Job Occupation	Private Employee	43%
Monthly Income	Rp20,000,000- Rp25,000,000	35%
Type of Life Insurance	Unit-Linked	39%
Objective of Buying	Financial Management	28%

of composite reliability, the higher level of reliability of the measurement model [37]. A variable is said to be reliable if it has a Cronbach Alpha value >0.7 [36]. For inner model analysis, the study will use coefficient determination (R-Square) and Stone Geisser (Q-Square) to predict the goodness of fit [38]. Furthermore, SmartPLS can generate T-statistics for significance testing of both the inner and outer model, using a procedure called bootstrapping [32].

**4. RESULTS**

**4.1. Respondents’ Profile**

The data displayed in this research was collected from June 2020 until July 2020. Questionnaires as the survey instrument were distributed through an online platform in order to reach the expected number of respondents with specific criteria in a shorter period. The sample size for this research is set based on previous study [39] with a minimum of 100 respondents. Based on the data gathered, the respondents’ profile can be seen in Table 1.

**Table 2.** Outer Loading Analysis

Variables	AVE First Order (0.5)	2 <sup>nd</sup> Order Dimension	AVE Second Order (>0.5)	Composite Reliability (0.6)	Cronbach Alpha (>0.7)
Agent Character	0.780	Expertise	0.910	0.969	0.964
		Likeability	0.923		
		Similarity	0.842		
Relational Selling Behavior	0.709	Information Sharing	0.910	0.967	0.962
		Mutual Disclosure	0.825		
		Interaction Frequency	0.837		
Relationship Quality	0.849	Satisfaction	0.931	0.981	0.978
		Trust	0.935		
		Commitment	0.896		
Customer Loyalty	0.812	Repurchase Intention	0.896	0.963	0.953
		Willingness to Recommend	0.959		

**Table 3.** Goodness of Fit

Variable	R-Square	Q-Square
Relationship Quality	0.878	$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2)$ $Q^2 = 1 - (1 - 0.878^2)(1 - 0.842^2)$
Customer Loyalty	0.842	$Q^2 = 1 - (0.229116)(0.291036)$ $Q^2 = 1 - 0.06668$ $Q^2 = 0.93332$

**4.2 Outer Model Results**

The figure below explains the acceptance loading factor at 0.5 of each latent variable (first order and second order analysis). This means all the indicators indicate its latent variables. Based on Table 2, it can be concluded that all the outer loading elements passed the statistical requirements and this analysis can be further analyzed to the inner model analysis. Hence, AVE, Composite Reliability and Cronbach Alpha can be seen on Table 2.

**4.2 Inner Model Results**

The inner model analysis starts with calculating the coefficient determination (R-Square) and Stone Geisser (Q2) to prove the goodness of fit and the global acceptance of the model [38]. The results show higher R-square and Q2, as seen on Table 3. The hypotheses results can be seen in Table 4. Based on the findings and data analysis, the researchers can conclude that the customer loyalty of life insurance products is influenced by relationship quality wherein the relationship quality is influenced by agent character and relational selling behavior in accordance with previous researches. Relational selling behavior has a greater influence than agent character with a path coefficient value of 0.690.

**5. DISCUSSION**

The results of the study support the previous studies [13]. It was stated that the agent character which is constructed by the expertise, likeability, and similarity positively impacts on the relationship quality. Hence, the study shows that salespeople who share meaningful information, provide best possible service, and are honest with customers can establish and maintain a good relationship because their actions tend to simplify the process of problem-solving and ultimately reduce uncertainty [40, 22, 17]. Furthermore, [30] stated that involvement of relationship quality strengthens the relationship between salesperson and customer which leads to the improvement of customer’s repurchase intention and willingness to recommend. This might happen because when the customers get something that is more than what they expect, it tends to create such a good emotion that leads to a feeling of satisfaction. In the area of insurance, trust is an important element, particularly for the dealing process that involves signing

**Table 4.** Hypotheses Results

Hypothesis	Path Coeff.	Standard Deviation	T-Statistic	Result
Agent character → Relationship Quality	0.301	0.057	5.262	Supported
Relational selling behavior → relationship quality (Hypothesis is accepted)	0.690	0.067	10.326	Supported
Relationship quality → customer loyalty (Hypothesis is accepted)	0.918	0.015	60.791	Supported

the policy and calculating premiums [29, 41] which can successfully happen if the agent shows a behavior of consistent, competent, honest, fair and responsible [42].

**6. CONCLUSION**

The decision to be loyal to the life insurance product is another case that still becomes problematic in this industry due to the complexity of life insurance systems. Hence, the role of the insurance agent is very crucial in convincing the customers to repurchase life insurance products and build a strong relationship with them [13, 7]. Agents have a task to provide guidance to the customers and create a long-term relationship that can enhance the customer retention [3]. Referring to the background, this research examines the significant influence of agent character and relational selling behavior intermediated by relationship quality on customer loyalty of individual life insurance customers in Jakarta. However, there are some limitations of this research and needs to be improved in further research by adding variables such as the influence of ethical behavior and service quality on customer loyalty [43, 44, 45].

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