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Attribute to Loyalty Attitude of Customers in Life Insurance: A Study for Vietnam

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Abstract

The main objective of this study is to identify, evaluate and measure the attributes of customer loyalty in the life insurance sector: from attitude to behavior, through a quantitative survey study according to a convenient sampling form with a small scale of 246 current customers of insurance companies in Vietnam at present. Using statistical tools, Cronbach's alpha analysis, factor analysis, and correlation analysis. Research results show that conative loyalty is critical for customers to maintain life insurance policies, while cognitive product loyalty and affective loyalty is not the core factor. The research results suggest some implications for the life insurance company to increase customer loyalty.

1. Introduction

Customer loyalty has long been considered the key to a company's success (Rai and Srivastava, 2012) [21]. However, few studies have provided a clear conceptual understanding of loyalty formation in previous studies, and there needs to be more conceptual consistency to explain loyalty formation. true loyalty. Customer loyalty is especially important to insurers because the cost of acquiring a new customer is not recovered until the third or fourth year of the valid contract (Tsoukatos and Rand, 2006) [22]. Although the existing service marketing literature has extensively studied customer loyalty and revealed several customer loyalty premises, such as the discovery of trust (Alam *et al.*, 2021) [2], customer value (Ishaq, 2012) [16], service value (Li and Green, 2011) [18], and most notably, satisfaction (Akbar and Parvez, 2009) [1]. However, studies specifically addressing such loyalty in relation to the features of the insurance sector are scarce (Guillen *et al.*, 2008) [11]. Unlike the repetitive purchase behavior towards conventional products, loyalty to different insurance products can be reflected in the commitment to maintain the contract for a long time (5, 10 years or more) instead of canceling the contract. Besides financing risk, life insurance contracts play the role as a financial service of accumulation and savings. So that customers can buy many contracts for themselves and their families. Therefore, the premise of loyalty in the insurance sector needs to be further studied.

The original methods to assess customer loyalty focused on repeat purchase behavior or behavioral frequency (Anderson and Srinivasan, 2003) [3]. This behavior-based approach is not sufficient to capture true loyalty where a person's frequency of repeat or repeat purchases does not always stem from a person's psychological commitment to a particular product or brand through an evaluation/decision-making process (Anderson and Srinivasan, 2003, Dick and Basu, 1994, Han and Back, 2008) [3, 7, 13].

Researchers in the literature have previously tested the four-stage loyalty theory verifying cognitive, affective, conative, and action associations (Back and Parks, 2003, Evanschitzky and Wunderlich, 2006, Yuksel *et al.*, 2010) [4, 8, 24]. Therefore, to better understand the theoretical mechanism of loyalty formation, it is necessary to broaden and deepen the relationship between the key aspects of loyalty. In addition, loyalty behavior is verified in different contexts, showing the influence relationship of these variables also differs in certain situations (Anderson and Srinivasan, 2003, Han and Ryu, 2009) [3, 15]. The main focus of previous research has focused on these variables as direct drivers of attitudinal/behavioral loyalty, with little consideration of its indirect effects on loyalty formation loyal. In previous studies, Attitude-based or behavior-based approaches were insufficient to capture customer loyalty. Therefore, it is necessary to explore the deeper relationship of these variables to the attitude and behavior of allegiance.

Based on previous studies in the literature, this study tried to apply four-stage loyalty model of Oliver (1999) [19] by integrating multi-dimensional structures for each loyalty stage to the theory's original framework to understand better customers' loyalty formation in the life insurance sector.

2. Literature Review
Loyalty
Customer loyalty is a customer's commitment to continue patronizing a product or service, regardless of marketing efforts to change his/her buying interest (Oliver, 1999) [19]. Walsh *et al.* (2008) [23] defined loyalty as a "deep commitment to consistently repurchase or re-patronize a preferred product or service in the future, which induces a purchase of the same brand or the same repeated trademarks, despite all situational influences and caring efforts that may induce switching behavior."

Customer loyalty is proven to have a substantial impact on business profit (Kandampully and Suhartanto, 2000) [17], and it is also a primary objective for a business to survive and thrive and maintain its competitive advantage (Li and Green, 2011) [18].

Customer loyalty is a psychological trait formed by long-term customer satisfaction and the emotional attachment to the service provider leading to a state of readiness and consistency in customer service relationships with incentives, patronage, and premiums (Rai and Srivastava, 2013) [21].

Behavioral loyalty relates to repeated, while attitudinal loyalty purchase relates to the willingness to purchase and recommend. The repurchase activities of behavioral loyalty may not necessarily arise from customer satisfaction with the products or services. However, because there are no alternatives in the market or the switching costs are too high, the customer has no choice but to continue buying the products. Such repurchase is fake loyalty, and the customers may repurchase the products even though the business has a bad reputation. Oliver (1999) [9] suggests that the loyalty stages represent a process that highlights the relationship between attitude and behavior. Baumann *et al.* (2011) [6] expressed loyalty as attitude and behavior. Customer loyalty consists of two categories: behavioral loyalty and attitudinal loyalty. Attitudinal loyalty indicates that the customers highly evaluate and are psychologically attached to the business. Loyalty is developed in three components: cognitive, affective, and conative loyalty. These three stages are consistent with general definitions of attitudes (Bagozzi, 1978, Fazio, 1990) [5, 9]. Therefore, the attitude towards loyalty will be concretized through the following three factors:

Cognitive Loyalty
Cognition refers to people's thoughts about the attitudinal object. It involves one's thoughts regarding belief in a statement of truth. Zeithaml (1988) [25] defines this perceived value as "the customer's overall assessment of the utility of a product or service based on perceptions of what is received and what is given. Loyalty in this period derives from prior/apparent knowledge or recent information based on experience (Oliver, 1999) [19].

Individuals in this stage develop loyalty through comparisons between the preferred product and alternatives based on knowledge of the product, its attributes, and its mance or information based on recent experience (Back and Parks, 2003, Evanschitzky and Wunderlich, 2006) [4, 8]. Accordingly, this study hypothesized:

Hypothesis 1 (H1): Cognitive loyalty positively affects behavioral loyalty

Affective loyalty
At this stage, the customer of affective loyalty is the pleasurable satisfaction from and favorable attitudes towards a brand product and its overall evaluation (Oliver, 1999) [19]. In this regard, researchers agree that this second phase of loyalty is mainly related to emotion and satisfaction, which are essential in forming customer loyalty (Baumann *et al.*, 2011, Han and Ryu, 2009) [6, 15]. However, customer loyalty is not fully guaranteed at the sentiment stage. it can still be affected by competition, mainly by enhancing the attractiveness of competing brands/services paintings (Han *et al.*, 2011) [14]. Therefore, product and service providers find that pushing their customers into the general loyalty phase is "an intention or commitment to behave towards a goal in a particular way (Oliver, 1999) [19]. Accordingly, this study hypothesized:

Hypothesis 2 (H2): Affective loyalty positively affects behavioral loyalty

Conative loyalty
Conative loyalty of the customer is the stage that requires a specific product/brand commitment and repurchase intention, as indicated in the definition of loyalty (Han *et al.*, 2011) [14]. During this phase, customers build more profound levels of loyalty. The next stage of loyalty development is the formation phase (behavioral intent), which is influenced by repeated stages of positive brand influence. Conation, by definition, implies a specific brand commitment to acquisition. Thus, conative loyalty is a state of loyalty that contains what, at first glance, appears to be the profound purchase commitment noted in the definition of loyalty. However, this commitment is the intention to acquire the brand and is more like motivation. Consumers want to buy again, but like any "good intention," this desire can be a tentative but unrealized action. Accordingly, this study hypothesized:

Hypothesis 3 (H3): Conative loyalty positively affects behavioral loyalty

3. Methodology
Based on the research review, the researchers later developed the theory of loyalty based on the verification of cognitive, affective, conative, and behavioral factors (Han *et al.*, 2011) [14]. The research model is shown in the following diagram:
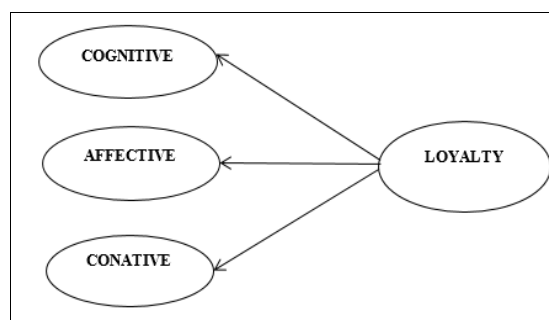

Fig 1: Research Model

The survey process was carried out with 250 existing customers of life insurers through customer conferences with the support of life insurance agents, but only 246 questionnaires met the requirements. The questionnaire was designed based on the theories introduced in the literature review. All the items used include 14 observation variables adopted from the validated scales of (Han *et al*., 2011, Rai and Srivastava, 2013) [14, 21] and adapted for the life insurance sector. The data collected through the survey is processed by SPSS 22.0 software (Hair *et al*., 2010) [12], coded, and cleaned, then the theoretical model will be tested.

4. Results
Descriptive Analysis
The gender ratio between male and female in the survey is respectively 48.5% and 51.5%, in which the number of respondents aged from 35 to 40 years old accounted for the largest proportion; 41.2 % of respondents have a university degree. This shows the trend where the life insurance products are being purchased by more educated and knowledgeable people, who mainly have an average income from 10 to 20 million VND.

Cronbach's Alpha-Reliability
In order to conduct the reliability test, Cronbach's Alpha is used as the most popular and effective tool in SPSS analysis (Hair *et al*., 2010) [12]. In this research, the Cronbach's Alpha test is applied for one dependent variable and three independent variables. Table 1 demonstrates the result of Cronbach's Alpha test. Hair *et al*. (2010) [12] also note that the Cronbach's Alpha result should be equal to or higher than 0.7 ($\geq$0.7) to be reliable enough for research. The Cronbach's Alpha results in table 1 all meet these standard requirements, which means that every item in the questionnaire has a good level of reliability and can be accepted to use for this research.

Table 1: Cronbach's Alpha Analysis

Variables and coding	Cronbach's Alpha	No. of items
Loyalty (LOY)	0.891	4
Affective loyalty (AFF)	0.915	3
Conative loyalty (CON)	0.797	4
Cognitive loyalty (COG)	0.788	3

Factor Analysis
George and Mallery (2016) [10] emphasize that one of the most crucial steps when analysing data with SPSS is Exploratory Factor Analysis (EFA), which identifies the correlation among observed variables and examine the validity of the set of items.

KMO and Barlett's Test
In this research, the KMO and Barlett's Test for independent variables is conducted as the result is illustrated in the Table 3. As shown, the KMO value is 0.830 (0.5 < 0.830 < 1) and the sig. value is 0.000 (<0.05), that means these values satisfied the conditions in the study (Hair *et al*., 2010) [12]. In addition, after implementing the rotation matrix, we got the followings: every determinant with factor load > 0.5, Eigenvalues is 1.328 > 1, and the Variance explained = 73.535%. It demonstrates that the factor analysis of the research data is appropriate.

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.830
Bartlett's Test of Sphericity	Approx. Chi-Square	1934.667
	Df	91
	Sig.	0.000
Total variance Explained		73.535
Total Eigenvalues		1.328

Correlations
The results of Pearson correlation analysis show that there is a strong linear correlation between the dependent and independent variables of the model (Hair *et al*., 2010) [12]. The results show that these variables all have statistically significant correlation coefficients. The results show that conative loyalty is the factor that has the strongest correlation to the behavior of loyalty, shown by the Pearson coefficient of 0.475. Similarly, the correlation between Affective loyalty and customer loyalty behavior is relatively high, with a coefficient of 0.423. Meanwhile, the impact level of Cognitive loyalty is only average and not relatively tight, with a coefficient of 0.320. This result shows that all three factors in the composition of loyalty attitude contribute to the formation of customer loyalty in life insurance. However, the contribution of the cognitive component is less than conative and affective loyalty.

In addition, the results of the correlation analysis also show that the relationship between the components of the loyalty attitude is not significant. The detailed results are shown in the following table:

Table 3: The results of correlations

		LOYA	COG	AFF	CON
LOY	Pearson Correlation	1	.475	.423	.320
	Sig. (2-tailed)		.000	.000	.000
	N	246	246	246	246
AFF	Pearson Correlation	.475	1	.292	.149
	Sig. (2-tailed)	.000		.000	.019
	N	246	246	246	246
CON	Pearson Correlation	.423	.292	1	.240
	Sig. (2-tailed)	.000	.000		.000
	N	246	246	246	246
COG	Pearson Correlation	.320	.149	.240	1
	Sig. (2-tailed)	.000	.019	.000	
	N	246	246	246	246

**. Correlation is significant at the 0.01 level (2-tailed).

5. Discussion
Research results show that a conative trend drives customer loyalty in the life insurance industry. The characteristics of life insurance products can explain this in the long term (5, 10 years). Benefits are only guaranteed when the customer encounters an insured event, or the contract expires. Canceling or changing products will cause customers significant financial loss.

Therefore, customers will continue to participate in insurance as committed to ensuring their benefits. However, this does not help drive intention or behavior to continue buying other life insurance products or positive word of mouth for customers. Therefore, it is necessary to increase customer awareness and emotions through communication activities. In addition, insurance businesses need to improve service quality to increase positive attitudes for customers, thereby promoting loyal customer behavior.

Companies should improve the quality and efficiency of

their distribution channel. It can be said that in the field of life insurance, although technology has been applied in the consulting and introducing product process, it is still the intermediaries such as insurance agents or brokers who mainly market and sell the life insurance products. This is the force that greatly supports customers in choosing and designing suitable products. Given the intangible and complex nature of the product, it is difficult for customers to fully understand the benefits and effectiveness of the product. In addition, the timing of product purchase and consumption is both uncertain and has a relatively large time lag. This leads to the situation where a level of product satisfaction is normally measured through the customer's perception of the distribution channel service quality. Therefore, it is necessary to improve the quality of the distribution channel through training and supervision activities to indirectly increase the level of customer satisfaction, thereby increasing customers' loyalty to company's products and services.

6. Conclusion

This research result has contributed to a deeper understanding of customer loyalty in the life insurance industry. The customer's behavior of renewing and repurchasing has yet to show genuine loyalty. Therefore, studying deeper aspects of loyalty attitude can help businesses develop more effective marketing strategies to promote insurance behavior by increasing customer awareness and satisfaction. However, this study has yet to explore the relationship between aspects of procedural attitudes. Further studies can approach this direction to increase a deeper understanding of customer loyalty behavior.

7. References

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