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Loyalty of Customers in Life Insurance: A Research on Demographic Aspect in Hanoi

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Abstract

The main objective of this study is to identify, evaluate, and analyze customer loyalty in the life insurance sector. Previous studies have examined the influence of factors on customer loyalty, but demographic characteristics have yet to receive much attention. Through quantitative survey research using convenient sampling with a small survey including 138 existing customers of life insurance companies in Vietnam, this study uses statistical tools, analyzes Cronbach's alpha analysis, factor analysis, and ANOVA analysis. Research results show no difference in customer loyalty in different gender groups, but there are significant differences in age, education level, and duration of insurance participation. The research results suggest some implications for life insurance companies to improve the effectiveness of communication and marketing activities in the current context.

1. Introduction

In the contemporary marketing field, the role of customer loyalty has been demonstrated in numerous research papers (Ganesh *et al*., 2000, Oliver, 1999, Verhoef, 2003) [3, 19]. Studies have shown that loyal customers, among other favorable traits, spend more, leading to cost reductions and positive corporate favors (Harris and Goode, 2004) [7]. Accordingly, customer loyalty contributes significantly to a company's financial performance (Verhoef, 2003) [19]. Customer loyalty has been considered an important source of sustainable competitive advantage in customer retention, acquisition, and long-term customer relationships (Rust *et al*., 2001) [18]. The relationship between customer loyalty and profitability has also been well-established in the management and marketing literature (Folkman Curasi and Norman Kennedy, 2002, Rundle-Thiele and Maio Mackay, 2001) [2, 17]. Therefore, many companies strive to develop and strengthen customer loyalty in search of growth and performance (Lee and Cunningham, 2001) [12]. Many studies have devoted considerable attention to customer satisfaction with company products or services as well as important determinants of customer loyalty (Oliver, 1999, Rundle-Thiele and Maio Mackay, 2001) [16, 17].

 Accordingly, in the field of life insurance, the importance of loyalty is no exception. Life insurance is a complex business; with long-term contracts, customer behavior becomes important to insurers. In addition, customer loyalty is significant for insurance because the cost of acquiring a new customer is recovered in the third or fourth year of the relationship (Zeithaml *et al*., 1996) [23]. However, Guillen *et al*. (2008) [5] note that the number of empirical studies on customer loyalty in the insurance sector is still not much. This study aims to examine the difference in the loyalty of individual customers in the field of life insurance in terms of demographics to provide policy suggestions for insurers in their strategies to communicate and market more effectively with each target group.

2. Literature Review

Life Insurance

Life insurance is a commitment between the insurer and the insured, in which the insurer will pay the participant (or the beneficiary of insurance benefits) a certain amount when predetermined events happen (the insured person dies or lives up to a specific time). The participant must pay the premium in full and on time. In other words, life insurance ensures risks related to longevity and human life. The object of participation in life insurance is extensive, including people of different ages (Nguyễn Văn Định, 2010) [15].

Loyalty

According to Homburg and Giering (2001) [10], customer loyalty was initially seen as a behavioral concept concerning repeat purchases of a product or service as measured by the sequence or rate of purchase. Bandyopadhyay and Martell (2007) [1] found that the behavioral concept of loyalty is not enough to distinguish real loyalty from false loyalty and suggested that loyalty should be assessed through behavioral and attitude measures. In addition, Oliver (1999) [16], and Walsh *et al*. (2008) [20] define loyalty as "a profound commitment to repurchase or return to favor a preferred product or service in the future, which causes repeated purchases of the same brand or same brand, regardless of any situational influences and marketing efforts that may induce conversion behavior".

In this study, customer loyalty was conceptualized to include repurchase intention and willingness to refer (sometimes defined as word of mouth) (Yu and Tseng, 2016) [22]. The concept of loyalty has a similar definition to commitment (Wang and Wu, 2012) [21]. The nature of repurchase intention is very important for insurers (Hellier *et al*., 2003) [8]. For example, customer loyalty can also reduce costs and increase profits since recruiting a new employee costs five times as much as it would cost to retain an existing customer (Wang and Wu, 2012) [21]. Therefore, product or service providers can increase profits and reduce costs as long as they can retain customers and stimulate their repurchase intention (Kuo *et al*., 2013) [11].

3. Methodology

Based on the research review and recommendations of Nguyen *et al*. (2018), Yu and Tseng (2016) [14, 22] in the Vietnam context, this study has inherited the customer loyalty scale to test the difference in customer loyalty with differences in age, education level, income, and insurance coverage duration. Based on the scale of Nguyen *et al*.

(2018) [14] with a 5-level Likert scale, the research team surveyed customers in Vietnam but only obtained 138 qualified votes. Data after cleaning are processed by SPSS 22.0 software with descriptive statistical analysis techniques, Cronbach alpha reliability analysis, EFA factor analysis, and ANOVA test to analyze the difference in loyalty of customers.

Table 1: Customer loyalty scale

CODE	Description	Sources
LOY1	I will recommend my insurance company to my friends, and family members or others.	(Nguyen *et al*., 2018, Minta, 2018, Yu and Tseng, 2016) [14, 13, 22]
LOY 2	I will speak well about my insurance company with others.	
LOY 3	Although there are many insurance companies, I will still continue with my actual insurance company.	
LOY 4	I will continue with my actual insurance company although other companies launched many promotions.	

4. Results

Descriptive Analysis

The results of the descriptive statistical analysis showed that there was not much difference in gender between the subjects. The age group with the highest survey participation rate is 31–40, followed by the 40–50 group. In addition, most of the survey respondents have college degrees or higher. Only 15.9% of customers belong to groups with "other" educational qualifications (not graduated from a university, college, or equivalent). Similarly, the proportion of customers participating in life insurance focuses on groups from 3 to 5 years and under three years. This is also one of the criteria used to evaluate the preliminary loyalty behavior of customers.

Table 2: Descriptive analysis

Variables	Category	Coding group	Frequency	Percentage (%)
Gender	Male	1	66	47.8
	Female	2	72	52.2
Age	20–30	1	23	16.7
	31–40	2	57	41.3
	41–50	3	30	21.7
	above 50	4	28	20.3
Educational level	Other	1	22	15.9
	College	2	34	24.6
	University	3	48	34.8
	Graduation Post graduate	4	34	24.6
Participation time	Under 3 years	1	44	31.9
	3–under 5 years	2	48	34.8
	5–under 10 years	3	20	14.5
	Above 10 years	4	26	18.8

Table 3: Cronbach's Alpha Analysis

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted	Cronbach's Alpha	N of Items
LOY1	7.74	9.523	.768	.834		
LOY 2	7.74	9.333	.740	.846		
LOY 3	7.64	10.143	.747	.844	.880	4
LOY 4	7.51	9.931	.708	.858		

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) [6]. In this research, the Cronbach's Alpha test is applied for one dependent variable. Table 3 demonstrates the result of Cronbach's Alpha test. Hair *et al*. (2010) [6] 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 results are detailed in the Table 3.

Exploratory Factor Analysis (EFA)

George and Mallery (2016) [4] 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 dependent variable is conducted as the result is illustrated in the Table 3. As shown, the KMO value is 0.810 (0.5 < 0.810 < 1) and the sig. value is 0.000 (<0.05), that means these values satisfied the conditions in the study (Hair *et al*., 2010) [6]. In addtion, after implementing the matrix, we got the followings: every determinant with factor load > 0.5, and the Variance explained = 79.052 %. It demonstrates that the factor analysis of the research data is appropriate. After implementing the rotation matrix, four components of the loyalty. These statistics demonstrate that research data analysis for factor discovery is appropriate.

Table 4: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.810
Bartlett's Test of Sphericity	Approx. Chi-Square	403.910
	Df	6
	Sig.	.000

Table 5: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.162	79.052	79.052	3.162	79.052	79.052
2	.467	11.674	90.727			
3	.209	5.213	95.940			
4	.162	4.060	100.000			

Extraction Method: Principal Component Analysis

Independent T-Test

Independent Sample T-Test is often applied to test the mean difference in the case of qualitative variables with two values (Hair *et al*., 2010, Hoàng Trọng and Chu Nguyễn Mộng Ngọc, 2005) [6, 9]. A comparison of assessment results on loyalty between customers of a different gender is presented in Table 6.

Table 6: Independent Samples Test

		Levene's Test for Equality of Variances		T-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
LOY	Equal variances assumed	.028	.868	.505	136	.614	.09186	.18193	-.26792	.45163
	Equal variances not assumed			.504	134.001	.615	.09186	.18220	-.26851	.45222

According to Table 6, Sig Levene test = 0.868 > 0.05, so variance between the ages did not differ. sig value of T-Test = 0.614 > 0.05; no statistical significance. Therefore, there is no difference in loyalty of survey subjects with different gender (Hair *et al*., 2010) [6].

ANOVA

ANOVA helps to solve the problem of the Independent Sample T-Test. This method helps us to compare the mean of two or more groups. Therefore, the ANOVA analysis technique is applied. First, the Homogeneity of variance test will be performed to give the results of testing the difference in the variance of the groups by the Levene test coefficient (Hair *et al*., 2010) [6].

Results Anova for Age Groups

It is necessary to perform an ANOVA test to compare loyalty assessment results: reliability in loyalty among four groups of subjects of different ages. The detailed results are shown in the following table:

Table 7: Results Anova for age groups

Levene Statistic	df1	df2	Sig.	
8.369	3	134	.000	
Robust Tests of Equality of Means				
	Statistic[a]	df1	df2	Sig.
Welch	11.942	3	54.850	.000
ANOVA				
	Sum of Squares	df	F	Sig.
Between Groups (Combined)	42.138	3	16.634	.000
Within Groups	113.152	134		
Total	155.290	137		

a. Asymptotically F distributed

Table 7 shows that the Levene sig statistic is Sig Levene test equals $0.000 < 0.05$, and there is a difference in variance between age groups. We will use Welch test results in Robust Tests of Equality of Means. The Welch or Brown-Forsythe coefficients provide the results of the mean difference test in the case of differences in variance between groups of values (Hoàng Trọng and Chu Nguyễn Mộng Ngọc, 2005) [9]. These two tests have the same purpose, but the approach is different, so there will be cases where the two tests give inconsistent results. Often researchers use Welch more. In this case, Sig's Welch test $= 0.000 < 0.05$ proves that there is a significant difference in loyalty between groups of subjects of different ages (Hair *et al.*, 2010) [6]. Research results show that, in older age groups, loyalty is also better performed. This can be explained by the fact that older people have more experience and experience. Therefore, loyalty will be better than the younger age group.

Results Anova for Educational Levels
Accordingly, the research team continued to perform ANOVA analysis with survey subjects at different educational levels. The detailed results are shown in Table 8 below:

Table 8: Results Anova for educational Level groups

Levene Statistic	df1	df2	Sig.	
45.458	3	134	.000	
Robust Tests of Equality of Means				
	Statistic[a]	df1	df2	Sig.
Welch	11.788	3	68.731	.000
ANOVA				
	Sum of Squares	df	F	Sig.
Between Groups (Combined)	8.315	3	2.527	.060
Within Groups	146.976	134		
Total	155.290	137		

The Sig Levene test is equal to $0.000 < 0.05$, which means it is the variance difference between different educational attainment groups. The study continues to use the Welch test results in the Robust Tests of the Equality of Means table. Sig's Welch test has a value of $0.000 < 0.05$, meaning that there is a mean difference in loyalty between different educational groups (Hoang Trong and Chu Nguyen Mong Ngoc, 2005) [9]. As such, there are differences in loyalty among different educational groups. However, when considering the mean of loyalty value of the customer's education groups, it shows that, except for the group with "other" education level, which has a lower score, the

remaining customer loyalty includes college, university, and postgraduate have similar value (sig. is 0.060).

Results Anova for participation time
Sig test Levene is equal to $0.000 < 0.05$, which shows a difference in variance between groups of customers with different participation time. The study continues to use the Welch test results in the Robust Tests of the Equality of Means table. Sig test Welch is equal to $0.000 < 0.05$, which means that there is a mean difference in loyalty between different groups (Hair *et al.*, 2010) [6]. Thus, there are differences in loyalty among different participation time groups. The detailed results are shown in Table 9 below:

Table 9: Results Anova for participation time groups

Levene Statistic	df1	df2	Sig.	
15.054	3	134	.000	
Robust Tests of Equality of Means				
	Statistic[a]	df1	df2	Sig.
Welch	12.092	3	55.503	.000
ANOVA				
	Sum of Squares	df	F	Sig.
Between Groups (Combined)	44.593	3	17.993	.000
Within Groups	110.698	134		
Total	155.290	137		

In addition, the graph analysis results show that the higher the participation time, the more positive the loyalty is and significantly increases in the group with five years of participation time or more. The detailed results are shown in the following figure:
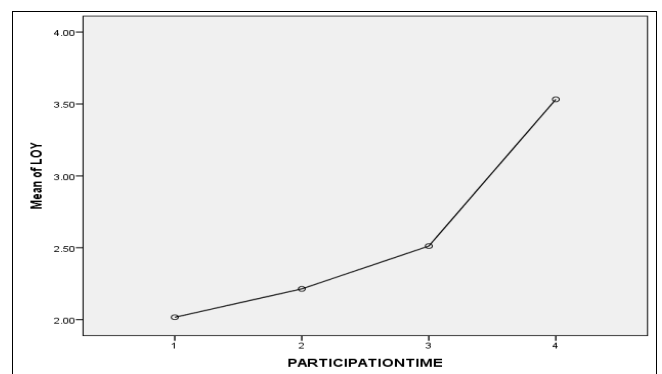

Fig 1: Mean plots of Loyalty between participation time groups

5. Discussion
Research results show that although there is no difference in the loyalty of agents with different gender and age, there is a

clear difference in the loyalty of different groups with different levels of education and participation time.

The results of this study show that older customers tend to be more loyal due to their more stable psychology. Participation in life insurance for older people is often because of a defensive mentality, so they tend to keep their choices stable. In addition, customers with higher education also tend to be more loyal to their insurance products. This result can be explained by the fact that life insurance products in Vietnam are usually purchased passively. Therefore, when customers do not understand insurance products enough, they will be more inclined to change than others.

In addition, the longer the insurance period, the greater the loyalty. Life insurance policies have the characteristics of a long participation period. The closer we get to the last years of the policy, the higher the customer's benefits will be. Meanwhile, the contract's early years require a lot of work for the client's financial compliance. Therefore, it is easy to lead to premature cancellation of the contract, especially in the first year.

Therefore, in the process of reaching customers, agents and life insurers need to focus on customer-oriented activities to understand demographic characteristics better, thereby eliciting key factors. psychological factors of customers so that insurance contracts are signed sustainably to avoid the rate of contract cancellations that lose customers' interests, thereby leading to a loss of confidence in insurance enterprises.

6. Conclusion

There are many studies on loyalty in different fields. This study contributes to a conclusion about the differences among groups of customers with different ages, education, and participation time in loyalty. The research results can help life insurers orient their communication and customer marketing activities in Vietnam today. However, this study did not delve into the potential reasons for loyalty due to time and budget constraints. Therefore, together with further studies, it is essential to propose comprehensive recommendations for practical management.

7. References

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