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SOCIAL RESPONSIBILITY ROLE ON CUSTOMER LOYALTY IN INSURANCE INDUSTRY

Abstract:

This research article deals with the effect of social responsibility on customer loyalty with the mediating role of company image, customer satisfaction and trust in the insurance industry. The noticeable decline of brand from the sales analysis can be the main problem of businesses regarding loyalty and also the rate of customer loss as the main evaluation criteria and proves the importance of attention and the influence of interpersonal relationships in them.

This research is descriptive according to the purpose of applied research, according to the method of data collection, and correlative in terms of method. The statistical population of the research was all the customers of Iran Insurance Co. in Bandar Anzali. The number of 384 people was selected as a sample. The research data collection tool was a standard questionnaire and SPSS and PLS software were used for data analysis. The results showed that the social responsibility of the company with the mediating role of the company's image, satisfaction and trust has a positive effect on the loyalty of Iran insurance customers in Bandar Anzali. Also, the business capabilities moderates the effect of corporate social responsibility on customer loyalty.

Based on these results, effective actions can be taken to improve customer loyalty and maintain them. These actions include: using integrated marketing communication tools, focusing on improving the feelings of regular customers, making customers more aware of core competencies, focusing on identifying and strengthening factors affecting the perceived quality of customers, and providing more facilities for regular customers.

Keywords:

Company image, Customer loyalty, Customer trust, Satisfaction, Social responsibility

1   Introduction

The insurance industry is one of the main sectors in the field of financial institutions whose penetration factor is an indicator of economic development in any society (Zobeiriy et al., 2016: 4). Insurance is a useful risk management tool for supplying people's peace and comfort (Sulaiman et al., 2015: 156). The insurance industry is an important sector that supplies long-term financial resources. It also plays a key role in developing the business environment in all countries owing to its role in risk distribution. This crucial industry is involved in creating the safe environment that people need, but the achievement of this goal requires the development of the insurance industry and the growing number of the insured.

Customer loyalty is a major criterion to assess developing businesses. Customer churn rate is an indicator that can provide the company with an unpleasant fact about customer retention.

Research shows that 65 percent of the factors that are responsible for the unloyalty of the insured can be controlled and only 35 percent are out of control. In a study by Hasket and Shell Zenger in Ferium company, 13 percent of the churning rate was directly related to unsatisfaction with product quality and 75 percent to deficiency and ineffectiveness of the services (Razmi, 2021: 146). Accomplishment and retention of customer loyalty are two most recent challenges faced by management in service companies. Customer loyalty is decisive for companies and is regarded as the secret of their success (Radojevic et al., 2015: 17).

This research focused on studying customer loyalty of Iran Insurance Company (IIC). In this regard, data on the sale of different insurances by the company over the period of 2011-2019 shows a decline in insurance sales to customers in some insurance services. Also, a descending trend was observed in some items, reflecting its growing churn rate.

The sales analysis of several products of IIC reveals that this brand has significantly lost its place among the insured over the last years. So, the main research question is how the social responsibility of the company influences customer loyalty with the mediating role of the corporate image, customer satisfaction, and customer trust in Bandar Anzali, Iran.

Today, the increasing competition of insurance companies in the business market has raised the significance of customer churn rate and disloyalty. Since retention of customers with the current value is less costly than attracting potential customers, insurance companies need to focus on their customer loyalty strategies and develop a detailed program for it. By developing effective customer retention strategies, companies can enjoy lower service costs along with higher income. The results of the analyses for modeling and predicting the churn rate of the insured are of particular significance to marketers. The results of the present study can contribute to devising suitable programs and strategies for retaining the insured and avoiding their loss, thereby increasing business profit remarkably.

2   Literature Review

Rabeie Kouhroudi and Ramazani (2021) investigated the effect of customer disapproval on their behavioral and attitudinal loyalty considering the mediating role of trust, satisfaction, and behavioral intention motives of the customers with a focus on the Crafts Chamber of Alborz Province, Iran. The results showed that customer disapproval had a negative effect on their satisfaction and trust. These two variables, in turn, influenced the behavioral intention motives of the customers significantly, and these intention motives influenced attitudinal loyalty positively and significantly. Finally, attitudinal loyalty had a positive and significant effect on customer loyalty.

Zhou et al. (2021) studied the factors underpinning service quality and loyalty to mobile banking. The results of structural equation modeling directly or indirectly emphasized the

importance of interface design, system quality, security assurance, trust, and service quality in loyalty intention in mobile banking.

Mehrabi and Fekri (2021) addressed the relationship between e-service quality and the e-satisfaction of bank clients. They found a significant relationship between these two variables.

Amiri Aghdaie et al. (2022) analyzed the relationship between customer satisfaction, loyalty, and word-of-mouth intention with an emphasis on the mediating role of bank switching costs and reported that customer satisfaction gradually would foster a sense of loyalty in them.

Islam et al. (2021) dealt with the effect of corporate social responsibility on customer role considering the mediating role of corporate image, customer satisfaction, and customer trust. The main goal of the research was to check the mediating role of corporate image and customer satisfaction and trust in the relationship between social responsibility and customer loyalty. The results revealed that social responsibility influenced customer loyalty positively and significantly by the mediating role of corporate image and customer satisfaction and trust.

Rahi et al. (2021) studied the effect of the technology continuance theory with task technology fit on the intention to use mobile banking and revealed that satisfaction with and trust in the system had a positive and significant effect on customer loyalty.

McLean et al. (2020) explored consumer attitudes toward mobile banking with a focus on mobile apps and the initial adoption versus continuous use perspective. The results showed significant differences among the variables influencing consumer attitudes.

In a study on the role of customers' online brand experience in their intentions to forward the contents of virtual pages in the case of the Islamic online banking sector in Palestine, Yasin et al. (2020) reported that experience influenced customer trust and participation significantly. Also, the significant effect of trust and participation was confirmed on the intention to forward online content.

Sohrabi and Sabbaghi (2019) determined the effect of sensory brand experience on brand-specific value and loyalty to Ayandeh Bank. The statistical population was composed of all customers of Ayandeh Bank in Tehran City. The results revealed the positive and significant effect of sensory brand experience on brand-specific value. Also, the variable of staff sympathy mediated and reinforced this relationship.

Solimun and Fernandes (2018) studied the mediation effect of customer satisfaction in the relationship between service quality, service orientation, and marketing mix strategy to customer loyalty. The results of testing the research hypotheses revealed that customer satisfaction had significant relationships with service quality and service orientation.

Hashemi et al. (2018) investigated the effect of offline service quality, e-service quality, e-satisfaction, commitment, and trust on e-loyalty in a case study of the users of the Divar Website and reported that the correlations observed in all research hypotheses were significant.

Jarrahi et al. (2018) conducted a research study to determine the effect of website quality on loyalty with the mediating role of e-satisfaction and e-trust in online shops. Based on the results, the high quality of the website with precise and up-to-date criteria of website information, website loading rate, the consistency of product specifications with the product delivered, the security of the payment gateway, pursuit of complaints and recommendations, and aesthetic attractiveness of the website design (color, graphics, and so on) was involved in developing customer e-loyalty. Also, the research's final model revealed that customer satisfaction and trust mediated e-loyalty.

Sigit Parawansa (2018) focused on the effect of customer commitment and satisfaction on the relationship between service quality and customer retention in the banks of Indonesia and

reported that commitment and satisfaction as mediating variables influenced service quality and customer loyalty significantly.

Kingshott et al. (2018) studied the effect of relational technological resources on e-loyalty in the banking system in a case study on national and foreign banks. They reported that online service quality and face-to-face service quality influenced satisfaction, which was effective in trust in and commitment to banking services and e-loyalty. Furthermore, the commitment was greater to local banks.

In a study on the effect of corporate social responsibility on customer loyalty and the effect of customer satisfaction on trust, Sindhu and Arif (2017) found that the dimensions of corporate social responsibility, e.g., the moral dimensions, had a positive and significant effect on customer loyalty and satisfaction in a Pakistani corporation.

3 Methodology

Based on the research classification, the present research is an applied study in terms of goal and a descriptive study in terms of the data collection procedure. Since the research analyzes the relationships of variables based on the goal, it is a correlational study in terms of methodology.The statistical population was composed of all clients of Iran Insurance Company (IIC) in Bandar Anzali.The sample was taken by the non-probabilistic convenience method. Since the size of the statistical population was unknown, the sample size was determined as 384 people by Morgan's table. Out of the 384 questionnaires administered, 365 questionnaires were returned, showing a return rate of 90%. So, these 365 questionnaires were included in the final analysis.The data collection instrument was a questionnaire in which the five-point Likert scale was used. Table 1 presents the information on the research questionnaire.Structural equation modeling (SEM) was used in the analytical section. The collected data were analyzed in the SPSS and PLS software packages.

Table 1: The research questionnaire

Sr. No.	Items	Very high (5)	High (4)	Moderate (3)	Low (2)	Very low (1)
	Corporate social responsibility					
1	Iran Insurance Company (IIC) tries to develop and strengthen the society towards the all-around development of the country.					
2	IIC is reputed as a reliable company.					
3	IIC adequately cooperates with charities by providing aid.					
4	IIC believes in ethical business.					
	Customer satisfaction					
5	According to my experience, I am satisfied with IIC.					
6	Compared to other insurance companies, I am satisfied with IIC services.					
7	Overall, I am satisfied with IIC.					
8	IIC meets my expectations.					
	Customer loyalty					
9	I continue my relationship with IIC.					
10	I encourage my friends and relatives to join IIC.					
11	I would like to have a long-term relationship with IIC.					
12	I tell other people positive things about IIC.					
	Customer trust					
13	I trust the quality of the IIC brand.					
14	IIC services have a quality guarantee.					

15	The promises made by IIC are reliable.
16	IIC is interested in its customers.
	Corporate image
17	In my opinion, IIC has a good reputation.
18	IIC is well-known.
19	I am really familiar with the reputation of this company.
20	I am familiar with the unique services that IIC provides to consumers.
	Corporate capabilities
21	This is an innovative company.
22	IIC services are attractive to customers.
23	Managers and employees of this company are always ready to help customers.
24	IIC actively seeks innovative ideas.
25	IIC provides quality products and services.

4 Results

The data collected were subjected to descriptive statistics to check the research questions.Table 2 presents the distribution of the population in terms of gender, age, marital status, educational level, and the duration of using IIC services.

Table 2: The distribution of the sample in terms of the demographic characteristics

Demographic characteristics		Frequency	Frequency percentage	Valid frequency percentage
Gender	Male	322	88.2	88.2
	Female	43	11.8	11.8
Age (years)	< 30	40	11.0	11.0
	30-35	79	21.6	21.6
	36-40	127	34.8	34.8
	41-45	86	23.6	23.6
	> 45	33	9.0	9.0
Marital status	Married	290	79.5	79.5
	Single	75	20.5	20.5
Educational level	Diploma or lower	219	60.0	60.0
	Associate degree	8	2.2	2.2
	Bachelor's degree	138	37.8	37.8
History of using IIC services (years)	< 1	57	15.6	15.6
	1-2	80	21.9	21.9
	2-3	86	23.6	23.6
	3-4	64	17.5	17.5
	> 4	78	21.4	21.4

Since all data of the research variables were distributed normally, the status of the questionnaire constructs was examined by testing the mean of the statistical population. The comparison of means for the research constructs using the mean of the Likert scale (3) showed that all had values smaller than the scale's mean.Given the normal distribution of the data collected for all research variables, the Pearson correlation coefficient was used to check the relationship between the variables. The results are presented in Table 3.

Table 3: The coefficients of correlations between the research variables (p < 0.01)

Research variables	Corporate social responsibility	Corporate image	Customer satisfaction	Customer trust	Customer loyalty	Corporate capabilities
Corporate social responsibility	1	0.602	0.482	0.465	0.157	0.548
Corporate image	0.602	1	0.612	0.545	0.201	0.364
Customer satisfaction	0.482	0.612	1	0.626	0.336	0.602
Customer trust	0.465	0.545	0.626	1	0.391	0.731
Customer loyalty	0.157	0.201	0.336	0.391	1	0.415
Corporate capabilities	0.548	0.364	0.602	0.731	0.415	1

Cronbach's alpha was estimated at >0.6 for all research variables and composite reliability or the coefficient of structural reliability at >0.7, reflecting the reliability of the model. Convergent validity was another factor that was measured to determine the fit of the measurement models. It was >0.4 for six variables and 0.398 for the variable of corporate capability, which are all acceptable. Table 4 presents the coefficients of determination and the adjusted coefficients of determination for the mediating and dependent variables, and Table 5 presents their effect sizes.

Table 4: Coefficients of determination and adjusted coefficients of determination

Mediating and dependent variables	Coefficient of determination (R^2)	Adjusted coefficient of determination (R^2_{adj})
Corporate image	0.157	0.155
Customer trust	0.193	0.189
Customer satisfaction	0.323	0.321
Customer loyalty	0.551	0.543

Table 5: The effect sizes

Mediating and dependent variables	Coefficient of determination (R^2)	Effect size	Effective intensity
Corporate image	0.157	0.19047	Moderate
Customer trust	0.193	0.23453	Moderate
Customer satisfaction	0.323	0.47058	Strong
Customer loyalty	0.551	1.22222	Strong

The research hypotheses were checked using the standardized path coefficients (β) and t-statistic. The results are presented in Table 6.

Table 6: Testing the research hypotheses

Hypothesis	β	t-statistic	Sig.	Result
Corporate social responsibility influencesIIC corporate image in Bandar Anzali positively.	0.397	9.032	<0.05	Supported
Corporate social responsibility influencesIIC customer loyalty in Bandar Anzali positively.	0.139	3.008	<0.05	Supported
Corporate social responsibility influencesIIC customer satisfaction in Bandar Anzali positively.	0.568	13.073	<0.05	Supported
Corporate social responsibility influencesIIC customer trust in Bandar Anzali positively.	0.216	3.635	<0.05	Supported
Corporate image influencesIIC customer loyalty in Bandar Anzali positively.	0.291	5.687	<0.05	Supported
Customer satisfaction influences IIC customer loyalty in Bandar	0.623	4.361	<0.05	Supported

Anzali positively.				
Customer satisfaction influences IIC customer trust in Bandar Anzali positively.	0.279	4.512	<0.05	Supported
Customer trust influences IIC customer loyalty in Bandar Anzali positively.	0.556	7.528	<0.05	Supported
Corporate capabilities mediate the effect of corporate social responsibility on IIC customer loyalty in Bandar Anzali.	0.623	3.431	<0.05	Supported

5 Conclusion

The mean score for corporate social responsibility was 2.8485 from the perspective of the respondents (SD = 0.73314; Var. = 0.537), which is slightly smaller than the expected mean (3). The lowest and highest scores assigned by the respondents to this variable were 1 and 5, respectively. Since the skewness and kurtosis were in the range of -0.5 to +0.5, the data were normally distributed.The mean score of the respondents to the variable of corporate image was 2.9444 (SD = 0.69272; Var. = 0.480), which is a little lower than the expected mean (3). The lowest and highest scores of the respondents to this variable were 1.29 and 5, respectively. The distribution of the data was normal since the skewness and kurtosis were within the range of -0.5 to +0.5.The variable of customer satisfaction was given a mean score of 2.9358 (SD = 0.88401; Var. = 0.781). This is again lower than the expected mean (3). The lowest and highest scores assigned by the respondents were 1 and 5, respectively. The skewness and kurtosis were in the range of -0.5 and +0.5, so the data were normally distributed.The variable of customer trust gained an average score of 3.1828 (SD = 0.78173; Var. = 0.611) from the respondents. It is slightly higher than the expected mean (3). The respondents gave a score of 1.14 to this variable at least and a score of 5 at most. Since the skewness and kurtosis were in the range of -0.5 to +0.5, the data were normally distributed.The mean score of customer loyalty was 3.5076 (SD = 0.70585, Var. = 0.498) from the perspective of the respondents. This is slightly higher than the expected mean (3). The lowest score assigned by the participants to this variable was 1.29 and the highest was 5. The skewness and kurtosis were in the range of -0.5 to +0.5, so the data were normally distributed.The mean score of the variable of corporate capabilities was 2.9358 (SD = 0.88401, Var. = 0.781). This is a little smaller than the expected mean (3). The lowest and highest scores assigned to this variable were 1 and 5, respectively. The data had normal distribution since the skewness and kurtosis were within the range of -0.5 to +0.5.

Based on the results and the facts that corporate social responsibility had a significant effect on the variables of corporate image and customer satisfaction, trust, and loyalty and that the corporate capabilities mediated the relationship between responsibility and customer loyalty, the following recommendations can be put forth:

- IIC managers and marketers are recommended to adopt strategies for raising consumer awareness of their products. To this end, they can use integrated marketing communication activities, such as distributing brochures among current and potential customers, advertising through billboards, supporting sports and cultural activities, and using TV ads. They can also use digital facilities, including TV and radio communications, smartphones, and the Internet, to raise the awareness of their primary customers who are emotionally closer to the IIC trademark. Artificial intelligence as a new instrument can be helpful in this regard.
- IIC is recommended to act differently from other insurance companies in their advertisements to raise customer awareness and mention its distinguished performance versus other companies. It can also list its achievements over the last fiscal year. Currently, IIC only mentions its long history in advertisements.

- IIC is recommended to analyze its policies for enhancing the quality delivered to its customers because it can strengthen customer loyalty and purchase intention in the long run. To enhance the quality of its services, IIC can improve its work procedure in sections like providing services at the accident spot, paying attention to improving its staff behavior, increasing transparency and honesty in informing, reducing queuing systems for indemnity, and being responsive to issues arisen for the consumers.
- IIC branches are recommended to consider specific discounts for customers with a longer history of using their services and ask them to recommend IIC to others to get more bonuses and discounts if their word of mouth can encourage new customers to use the services.
- The research considered social responsibility a first-order variable. If the dimensions of service quality were considered, the research results might have been different.

It should be noted that the research was subject to some limitations:

- The research did not classify IIC customers in terms of the duration of their use of the services. If they had been classified by this factor, the results might have changed significantly.
- The statistical population of the research was IIC, which is known as a state-run insurance company, so the results must be generalized to other statistical populations, especially privately-owned insurance companies, with caution.
- Customer loyalty was studied in this research as a whole, and the research could not address its dimensions, including behavioral loyalty and attitudinal loyalty, among IIC customers in Bandar Anzali.

Based on these limitations, future researchers are recommended

- To study the variable of social responsibility in terms of its fourfold dimensions and focus on the effect of these dimensions on customer loyalty and purchase intention,
- To classify the customers based on the duration that they are using insurance services and then, they can examine the test model for the customers who have used the services for over two years, and
- Study behavioral and attitudinal loyalty and their effects on purchase intention.

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