

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Nowadays, consumption of goods other than basic needs, such as food, clothing, and housing, is rising in line with people's improved well-being. Moreover, in these times of pandemic, the demand for people to feel more secure, safe, and protected grows. Most people aspire to remain healthy and free of distressing experiences for the rest of their lives. However, unexpected incidents may occur at any moment and in any place, resulting in losses.

In this life, it is impossible to separate danger from any activity since the risk is an element of life itself. Accidents of all kinds, from car accidents, shipwrecks and plane crash to fires, robberies, theft, illness, and death, are constantly a threat to people's well-being and safety. Some people, therefore, require insurance to protect themselves from unforeseen losses. Insurance has become an essential part of human needs as a way to feel safe in the face of one's life uncertainties.

According to the Republic of Indonesia Law No. 40 of 2014, Insurance is an agreement between the insurance company and the policyholder, where the insurance company receives premiums from the policyholder in exchange for providing reimbursement in the event of loss, damage, costs incurred, lost profits, or legal liability to third parties that the policyholder may suffer as a result of an uncertain event (Rachmawati, 2019).

The introduction of new insurance companies, both domestic and international brands, is a sign of the fierce competition that exists in today's Indonesian insurance market. As a result, for a company to remain in business, it must try to win the market. Based on Efendi et al. (2020), the purchasing decision is a process by which customers must first recognize the problem, gather information about specific products or brands, and evaluate how excellent each alternative is, which then leads to a purchase decision. There are several factors that may influence customer decisions in purchasing insurance products, including the quality of the service they get, the perception of a particular brand image, as well as the level of trust they feel.

Service is one of the important factors that might play a role in determining whether a customer will purchase an insurance policy. Therefore, providing excellent service to customers is the primary factor in determining the success of the company, particularly in the insurance sector. According to Kotler et al. (2019), service quality is defined as a method of customer evaluation that compares the level of service obtained with the level of service expected. As a result, the consumer will have a positive impression of the company when the quality of service obtained is aligned or beyond what was anticipated.

Aside from service quality, the brand image also plays a significant influence on customer purchasing decisions. Based on Efendi et al. (2020), the brand image refers to an impression or image in the minds of customers established by the company, which can help people recognize and distinguish it from similar competitors. That is why companies need to have a strong brand image because it

is more likely to have loyal customers since they have familiar with the products or services provided.

Another factor that drives purchasing decision behavior is trust, which is customers' expectation that the companies can be trusted and relied upon in fulfilling their promises. Nasution et al. (2019) stated that trust is one of the psychological elements that can impact a person's purchasing decision. Besides, once clients have trusted the insurance institution or agent in charge, they rarely switch to other insurance since the expectation of that trust has been established.

In this research, the writer would like to discuss about PT Asuransi Jiwa Generali Indonesia, which is part of the Generali Group. Generali Group is an insurance company based in Trieste, Italy and was founded in 1831. Nowadays, Generali Group has grown to become one of Europe's largest life insurance providers, as well as a well-respected name in the industry. Besides, PT Asuransi Jiwa Generali Indonesia has been operating in Indonesia since 2009, which offers life and health protection. The following is a table of PT Asuransi Jiwa Generali Indonesia's customers from 2019 to 2021.

Table 1.1 The number of customers of PT Asuransi Jiwa Generali Indonesia

Months	2019	2020	2021
January	29	32	39
February	8	33	32
March	14	52	38
April	17	31	23
May	168	21	78
June	93	83	65
July	98	53	50
August	97	51	39
September	79	54	67
October	64	47	48
November	95	78	54
December	116	65	109
Total	878	600	642

Source: Company's Internal Data

From table 1.1, it appears that the number of consumers of PT Asuransi Jiwa Generali Indonesia dropped significantly in the year 2020. Although there is a slight increase in 2021, but it is still far below compared to 2019. Therefore, the writer is considering what factors might influence the decline in purchasing decisions of the products, whether it is because of their poor service quality, negative brand image, or even lack of trust in the company.

In each of its services, PT Asuransi Jiwa Generali Indonesia always applies their values, one of which is to deliver on the promise. In these circumstances, they always provide and improve the security and convenience of their customers. However, there will always be customers who are dissatisfied and problems that lead to a decrease in service quality, which can be seen in table 1.2.

Table 1.2 Issues regarding service quality at PT Asuransi Jiwa Generali Indonesia

Reasons	Total Complaints
Fail to provide adequate information to customers	56
Customers are abandoned after entering the insurance policy	14

Source: Company's Internal Data

As can be seen from the table, most of the problems are regarding the failure to provide adequate information about the insurance policy to customers. In this scenario, most insurance agents will only explain the benefits of the products that are offered by the company, and sometimes they forget to mention the drawbacks for customers. Additionally, there are several agents who still do not fully understand the product offered by the company, causing misunderstandings that will lead to decreased purchasing decisions.

Another issue that can lead to a reduction in the level of service quality is the irresponsibility of the in-charge agent. In this instance, after the agent

prospected the customer and the customer had purchased an insurance policy, the whereabouts of the agent in charge was unknown, and the customer was confused about how to reach the agent. This happens mostly because the agent in charge is no longer working as an agent at Generali Indonesia. Furthermore, there are agents who are hard to reach and respond slowly. This will make customers upset and dissatisfied, especially in a state of urgency. As a result, this inappropriate behavior will undoubtedly lower the service quality and might have a negative impact on the customer's purchasing decision.

Furthermore, other factors that might affect the decrease in purchase decisions are the negative brand image of PT Asuransi Jiwa Generali Indonesia, Medan. The following are examples of unfavorable cases that might tarnish PT Asuransi Jiwa Generali Indonesia's brand image.

Table 1.3 Cases that might reduce PT Asuransi Generali Indonesia's Brand image

No.	Year	Cases	Sources
1	2018	Potential consumer losses 35 billion, OJK is asked to audit PT. Asuransi Jiwa Generali Indonesia	https://www.pertama.id/pertama-id-potensi-kerugian-konsumen-35-milyar-ojk-diminta-audit-pt-asuransi-jiwa-general-indonesia/
2	2021	Dealing with customer disputes, Generali: We follow applicable terms	https://ekbis.sindonews.com/read/409022/178/hadapi-gugatan-nasabah-general-kami-ikuti-ketentuan-yang-berlaku-1619417076
3	2022	Responding to Customer Complaints, Generali Insurance Respects the Legal Process	https://sumutpos.jawapos.com/metropolis/16/02/2022/tanggapi-aduan-nasabah-asuransi-general-tetap-menghormati-proses-hukum/

Sources: Prepared by the Writer (2022)

Based on table 1.3, both the writer and the reader can recognize that PT Asuransi Jiwa Generali Indonesia has undergone various legal processes with

customers throughout the year. This is because the agent in charge or the company is unable to find a meeting point or solution that fulfills the customer's requirements. Hence, they chose to pursue legal action in finding a solution to the problem. Apart from that, if there are customers who are dissatisfied or disappointed, they can express their discontent publicly through the media so that the whole community would know about it. This of course will affect the image of the company.

Additionally, in 2022, there was a group of people who almost sealed the office of Generali Indonesia located at Komplek Multatuli Indah. This certainly shocked the community around the office, particularly those who did not know the ins and outs of the problem would have negative assumptions about the company. As a result, this unfavorable brand image might influence the purchase decision of customers at PT Asuransi Jiwa Generali Indonesia, Medan.

There are also various problems that can reduce customer trust, which may affect the customer's decision to purchase the insurance policy at PT Asuransi Jiwa Generali Indonesia, Medan. One of the most common problems is regarding the coverage of customers' insurance claims, which do not meet their expectations. In this case, the customer usually expects to get a full insurance claim, in which the insurer will make a whole payment to the beneficiary. However, it turns out there are some parts that are not covered by the company. As a result, customers are disappointed and their trust in the company may decrease.

The factors that cause insurance claims to be rejected or not being paid in full include the fact that the deadline for submitting the claim has passed, the necessary claim documents are incomplete, the claim submitted includes

exceptions, the waiting period has not yet elapsed, or the dishonesty of an illness when purchasing an insurance policy. This obviously will affect the insurance claim process, and customers tend to be dissatisfied with the results issued.

From the description above, the writer is interested in researching further about the factors that influence the decision to purchase an insurance policy. This research will be conducted at PT Asuransi Jiwa Generali Indonesia, one of the insurance companies in Medan. The variables that will be examined are service quality, brand image, and customer trust. Hence, the title of this research is **“The Influence of Service Quality, Brand Image, and Customer Trust on Customer Purchase Decision of Insurance Policy at PT Asuransi Jiwa Generali Indonesia, Medan.”**

1.2 Problem Limitation

Based on the background of the study described above, the writer is going to conduct this research on customers of PT Asuransi Jiwa Generali Indonesia, located at JL. Timor, Komplek Grand Jati Junction, Blok T-5, Medan, North Sumatra as the respondents. Moreover, this research is only limited to Service Quality, Brand Image, and Customer Trust as the independent variables on Customer Purchase Decisions as the dependent variable, due to the limitation of time and capability in this study. Besides, the process of gathering the data will be done by distributing a survey to clients who meet the research criteria, and these clients will then distribute the survey to their acquaintances. Furthermore, the data analysis tool that will be used is multiple linear regressions utilizing SPSS.

1.3 Problem Formulation

Since this research is focused on the influence of service quality, brand image, and customer trust on customer purchase decision of insurance policy, the questions that will be discussed in this paper are as follows:

- a. Does service quality have partial influence on customer purchase decision at PT Asuransi Jiwa Generali Indonesia, Medan?
- b. Does brand image have partial influence on customer purchase decision at PT Asuransi Jiwa Generali Indonesia, Medan?
- c. Does customer trust have partial influence on customer purchase decision at PT Asuransi Jiwa Generali Indonesia, Medan?
- d. Do service quality, brand image, and customer trust simultaneously have influence on customer purchase decision at PT Asuransi Jiwa Generali Indonesia, Medan?

1.4 Objective of the Research

Based on the problem formulation above, the objectives of this research are:

- a. To discover whether the service quality have partial influence on customer purchase decision at PT Asuransi Jiwa Generali Indonesia, Medan.
- b. To evaluate whether the brand image have partial influence on customer purchase decision at PT Asuransi Jiwa Generali Indonesia, Medan.
- c. To identify whether customer trust have partial influence on customer purchase decision at PT Asuransi Jiwa Generali Indonesia, Medan.
- d. To analyze whether service quality, brand image, and customer trust

simultaneously have influence on customer purchase decision at PT Asuransi Jiwa Generali Indonesia, Medan.

1.5 Benefit of the Research

The results of the research on service quality, brand image, and consumer trust in purchasing decisions at PT Asuransi Jiwa Generali Indonesia, Medan, are expected to provide theoretical benefit and practical benefit as follows:

1.5.1 Theoretical Benefit

The theoretical benefit of this study is to determine whether Service Quality, Brand Image, and Consumer Trust have an influence on Customer Purchasing Decisions of insurance policies. Moreover, the results of this study are expected to improve economic understanding in the field of marketing management, particularly regarding the concept of Service Quality, Brand Image, Customer Trust, Purchase Decisions, and the relationship between them.

1.5.2 Practical Benefit

Meanwhile, the practical benefits of this research are:

- a. For PT Asuransi Jiwa Generali Indonesia, Medan, it is expected to assist the company in determining whether service quality, brand image, and customer trust might influence the purchase decision of insurance policy.
- b. For the writer, the results of this research are expected to gain more knowledge about the aspects that influence consumer purchase decisions, such as service quality, brand image, and customer trust.
- c. For other researchers, the findings of this study are expected to be utilized as a

reference and source of information, particularly related to service quality, brand image, and customer trust on purchase decision.

