

**IMPACTS OF POSITIVE ELECTRONIC-WORDS-
OF-MOUTH ON CONSUMERS' CONTINUANCE
INTENTION, SATISFACTION AND BRAND
LOYALTY IN ISLAMIC INSURANCE
(TAKAFUL) OF GENERATION Y**



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JUDUL: **IMPACTS OF POSITIVE ELECTRONIC-WORDS-OF-MOUTH ON CONSUMERS' CONTINUANCE INTENTION, SATISFACTION AND BRAND LOYALTY IN ISLAMIC INSURANCE (TAKAFUL) OF GENERATION Y**

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DECLARATION

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ABSTRACT

Takaful industry has been established in Malaysia since the 80's yet people even Muslims chose conventional insurance as the growth of Takaful industry is lower compared to conventional insurance. Thus, the most suitable method to settle this issue is to transform Takaful's marketing strategy, and then administer the business as a brand in order to ensure that customer value can be delivered properly (King, 1991; Md Husin and Ab Rahman, 2013). Electronic-Words-of-Mouth (E-WOM) plays a vital role in marketing world and it can help Takaful industry to grow better and more competitive. Hence, the aims of this study is to investigate the impact of positive E-WOM on consumers' continuance intention and brand loyalty in Islamic Insurance (Takaful) of Generation Y. A quantitative research design was used whereby data were collected through online survey among Generation Y in Malaysia. Data was analysed by using partial least square – structural equation modelling (PLS-SEM) approach via the Smart PLS software version 3.0. Results revealed that consumers' Intrinsic Motives, Extrinsic Motives and satisfaction positively impacted consumers' E-WOM on Takaful participation. Next, consumers' E-WOM also positively affect consumers' continuance intention in Takaful participation. However, consumers' continuance intention does not gives significance towards brand loyalty. Marketers should start venturing into online platform to reach customers closer. To conclude, E-WOM is necessary in this industry to ensure customer retention. This research helps to describe the Takaful satisfaction and loyalty of customer through their motives of E-WOM regarding on Takaful. This would help increase the efficiency of Takaful management by Takaful operators. Direction for future research is also presented.

ABSTRAK

IMPAK BAGI POSITIF KATA ELEKTRONIK-KATA-MULUT (E-WOM) TERHADAP NIAT BERTERUSAN PENGGUNA, KEPUASAN DAN KESETIAAN TERHADAP JENAMA DI DALAM INSURANS ISLAM (TAKAFUL) DI KALANGAN GENERASI Y

Industri takaful telah ditubuhkan di Malaysia sejak tahun 80-an, namun sedemikian orang Islam masih memilih insurans konvensional kerana boleh dilihat pertumbuhan industri Takaful secara relatif lebih rendah berbanding dengan insurans konvensional. Industri takaful telah ditubuhkan di Malaysia sejak tahun 80-an, namun sedemikian orang Islam masih memilih insurans konvensional kerana boleh dilihat pertumbuhan industri Takaful secara relatif lebih rendah berbanding dengan insurans konvensional. Oleh itu, kaedah yang paling sesuai untuk menyelesaikan masalah ini ialah dengan mengubah strategi pemasaran Takaful, dan kemudian mentadbir perniagaan Takaful sebagai bentuk jenama untuk memastikan nilai pelanggan dapat disampaikan dengan baik (King, 1991; Md Husin dan Ab Rahman, 2013). Electronic-Words-of-Mouth (E-WOM) memainkan peranan penting dalam dunia pemasaran dan ia dapat membantu industri Takaful berkembang dengan lebih baik dan lebih berdaya saing. Oleh itu, matlamat kajian ini adalah untuk mengkaji kesan positif E-WOM terhadap niat berterusan pengguna dan kesetiaan jenama dalam Insurans Islam (Takaful) Generasi Y. Reka bentuk penyelidikan kuantitatif telah digunakan di mana data dikumpulkan melalui kaji selidik secara dalam talian di kalangan Generasi Y di Malaysia. Data dianalisis dengan menggunakan pemodelan persamaan struktur (SEM) dengan menggunakan pendekatan separa paling kurang kuadrat melalui perisian Smart PLS versi 3.0. Keputusan menunjukkan bahawa Motif Intrinsik, Motives Extrinsic dan kepuasan pengguna secara positif mempengaruhi E-WOM pengguna terhadap penyertaan Takaful. Seterusnya, E-WOM daripada pengguna juga mempengaruhi niat berterusan pengguna dalam penyertaan Takaful secara positif. Bagaimanapun, niat berterusan pengguna dalam penyertaan Takaful tidak mempunyai sebarang hubungan terhadap kesetiaan jenama terhadap pengendali Takaful. Pemasar seharusnya memulakan pencarian ke dalam platform dalam talian untuk lebih menjangkau pelanggan dengan lebih rapat. Sebagai kesimpulan, E-WOM amatlah diperlukan dalam industri Takaful ini untuk memastikan pengekalan pelanggan. Penyelidikan ini membantu untuk menggambarkan kepuasan Takaful dan kesetiaan pelanggan menerusi motif mereka tentang E-WOM mengenai Takaful. Ini akan membantu meningkatkan kecekapan pengurusan Takaful oleh pengendali Takaful. Arah untuk penyelidikan masa depan juga dibentangkan.

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CHAPTER 1

INTRODUCTION

1.0 Background of Study

Takaful industry has become one of the most predominant Islamic finance components that promotes towards a country's development as a whole. Unfortunately, prior research showed that people have little understanding and awareness to subscribe for life insurance or Takaful (Zakaria, Azmi, Hassan, Salleh, Tajuddin, Sallem, & Nor, 2016). Most of them are unaware of the importance of having a Takaful plan. Even in the community where the majority are Muslims, Takaful has been unable to surpass the conventional insurance production. While having stiff competition throughout the insurance sector, the accomplishments attained by the Takaful Operators so far have positioned them as only at par with local insurers (Bank Negara Malaysia, 1986-2011; Sheriff & Shaairi, 2013).

According to Yazid, Arifin, Hussin, and Daud (2012), the Takaful industry is still far behind conventional insurance in the aspect of overall insurance market share and penetration. It is vital for the Takaful insurance to find solutions and remedies to optimize their managing performance due to the rising competition, inconsistent change of regulatory environment and consolidation itself (Saad, 2012). Knowing what elements influencing consumers' awareness, as well as the implications, the insurance industry in particular should be given special attention. Promoting E-WOM among consumers is considered as significant because it helps to shed light on Takaful industry and creates more understanding among consumers. Indirectly it enhances the awareness of Takaful in the community.

WOM is one of the main information sources used by users and the most reliable (Chari, Christodoulides, Presi, Wenhold, & Casaletto, 2016). For instance, a recent (Mendez-Aparicio, Izquierdo-Yusta, & I.Jimenez-Zarco, 2017) study found

that 95% of consumers purchase decisions were based on recommendations received from friends and acquaintances as opposed to other sources. Thus, this study aims to investigate whether positive E-WOM influences the intention to participate in Takaful Policy and leads to brand loyalty in Malaysia or not.

In the era of developing technology, online social media is essential for most of us especially for Generation Y as it works as a medium of communication, entertainment and connection all over the world. Due to this change of trend in the communication technology, people all over the world can execute business deals across the globe easily and efficiently without having face to face interaction; in other words, distance is no longer a problem to execute business agreement. Marketers are starting to become aware of the importance of Electronic-Word-Of-Mouth from customers and potential customers as it is proven to increase sales volume (Amblee, 2016). It is vital for marketers to know the motives that drive customers towards spreading Positive E-WOM instead of Negative E-WOM because this might be the turning table for an organization to perform and earn better.

In the process of searching for the answer for this motive (i.e. intrinsic and extrinsic) marketers should execute a more in depth study about social media advertising especially the impact of E-WOM on customers. The challenge, however, is not only to increase the awareness, but also to consolidate the satisfaction and loyalty among Takaful customers. Intrinsic and extrinsic motives clearly play a fundamental role in this process, both for customers and the Takaful provider. This is because; the intangibility, inseparability and heterogeneity of insurance services lead experienced customers to have different expectations with regard to the outcome (Qureshi & Bhat, 2015).

In addition, the current framework and model theory used by researchers are limited to only certain industries. For instance, motivation theory used by Yoo, Sanders, and Moon (2013) is incorporated towards exploring the effect of E-WOM participation on E-Loyalty in E-Commerce whereby Expectation confirmation model developed and extended by Bhattacharjee (2001) does not seem to be incorporated in Takaful/insurance industry just yet. Prior research done by (Chen, Yen, & Hwang, 2012) only examined factors influencing the intention to continue the use of Web 2.0 through expectation confirmation model. The current

framework which is developed by prior research is also not comprehensive enough to explain the pre-action of E-WOM and consequences after E-WOM by consumers.

With online social media, technology is the key to fast information absorption. Although technology influences the expectation formation process, it is the individual who ultimately carries out the process. Hence, internal factors related to how individuals perceive the brand, their experience with it, their personal characteristics and the third-party recommendations they received, directly influence the expected future service outcome. Consumers have the tendencies to rely on suggestions from other real customers, rather than just accepting marketing message (Enginkaya & Yilmaz, 2014).

The findings of consumers' continuance intention relation towards brand loyalty are still limited (Hew, Lee, Ooi, & Lin, 2016). Relating it to Takaful industry, the impact of positive E-WOM towards consumers' continuance intention of participating Takaful remains uncertain.. Early studies indicate that people have deficient amount of knowledge and awareness to subscribe life insurance or Takaful (Zakaria et al., 2016). Thus, this study aims to investigate whether positive E-WOM has any influence on the costumers' continuation intention to participate in a Takaful Policy and if it leads to brand loyalty in Malaysia or not.

1.1 Research Problem

Previous researches affirm that people have low understanding and awareness of subscribing to a life insurance or Takaful (Zakaria, et al., 2016). Takaful has been established in Malaysia since 1984 with Syarikat Takaful Malaysia as its first Takaful Operator (Saad, 2012). Takaful has been established over three decades ago, but the growth is surprisingly slow insignificant compared to conventional insurance. At the same time, it is not apparent as to whether the existing Takaful Policy holders maintain their loyalty with Takaful participation or convert it to the conventional life insurance instead. This shows that Takaful has not been aggressive enough in its promotions to create better awareness among consumers. To create awareness, traditional marketing alone is insufficient for them to grow and promoting E-WOM has been proven to be very significant towards industrial growths (Amblee, 2016).

E-WOM among consumers is considered significant because it exposes more about Takaful industry and creates more understanding among consumers. Indirectly it should enhance the community's awareness about Takaful. However, more studies which incorporate and focus on the importance of E-WOM towards Takaful industry need to be carried out. The present model frameworks and theories are most likely to be used in other industries such as the use of web 2.0 (Chen et al., 2012), E-Commerce (Yoo, et al., 2013), and many other industries instead of limiting it only to Takaful industry. The present theoretical framework can be considered as bridging the research gaps as the framework does not show pre-action and post-action (consequences) after consumption. As an example, expectation confirmation model only focuses on showing post consumption of goods and services while Motivation theory focuses on the pre-consumption of goods and services. Thus this study attempts to integrate both theories as one firm framework which will be applied during and post consumption.

Prior researches which used the existing frameworks and theoretical models have yield limited results and evidence proving the E-WOM influence on continuance intention and eventually, how consumers' continuance intention having significant effect towards consumers' loyalty towards a brand. Consumers, specifically Generation Y who possesses bizarre behaviour towards brands and inconsistency in making purchases make them as a viable research subject in testing the relationship between existing variables as affirmed in prior researches (Casalo, Cisneros, Flavian, & Guinaliu, 2009; Chen et al., 2012; Hew et al., 2016).

With support of online social media, technology is the door to information flow. Nevertheless, even when technology triggers the awareness formation process, it is the individual themselves who carries out the process. Thus, intrinsic and extrinsic motives related to how an individual perceives Takaful policy, their satisfaction, their intention, and the third party recommendations they receive, directly influence the expected future insurance service outcome and their action after it takes effect. As an example, it is not apparent as to which motive drives consumers to have E-WOM participation and its effect, whether it contributes towards brand loyalty and continuance intention or not. If this is proven to be solid, this will increase the awareness of Takaful among consumers through the promotion of E-WOM among consumers, consequently maintaining their loyalty.

Since E-WOM is vital in promoting Takaful growth as it is proven to boost sales growth Amblee (2016), at the same time, enhancing customers' awareness towards Takaful industry, it is imperative to understand the motives of positive E-WOM between consumers whether it is intrinsic or extrinsic. It is yet to be examined whether the consumers' satisfaction drives positive E-WOM among them. Consumers who are satisfied were also questioned if they are prone to become loyal and have continuance intention towards their Takaful participation. Ultimately, this study aims to investigate whether positive E-WOM influences the continuation intention to participate in a Takaful Policy and leading to brand loyalty in Malaysia or not.

1.2 Research Objectives

This study attempts to achieve the following objectives;

- a) To assess the relationship between consumers' intrinsic motives and extrinsic motives and their positive E-WOM on Takaful Policy.
- b) To examine the influence of consumers' satisfaction towards their positive E-WOM participation on Takaful Policy.
- c) To inspect the impact of consumer's positive E-WOM and continuance intention to participate in a Takaful Policy.
- d) To investigate whether consumers' satisfaction with Takaful participation influence their continuance intention to participate in a Takaful Policy.
- e) To investigate whether consumers' satisfaction and continuance intention to participate in a Takaful Policy significantly affect their loyalty towards preferred Takaful Operator brand.

1.3 Research Questions

The research questions are as follows:

- a) Do consumers' intrinsic and extrinsic motives affect their positive E-WOM of Takaful Policy?

- b) Does consumers' satisfaction of participating in a Takaful Policy influence consumers' positive E-WOM in any Takaful Policy?
- c) To what extent does consumers' positive E-WOM of Takaful Policy have an impact on their continuance intention in participating in a Takaful Policy?
- d) Does consumers' satisfaction of Takaful participation affect their continuance intention in a Takaful Policy?
- e) Do consumers' satisfaction and continuance intention to participate in a Takaful Policy affect their brand loyalty in a chosen Takaful Policy?

1.4 Scope of the Study

This research study focuses only on Generation Y Takaful Policy users as respondents. 300 respondents were chosen among Takaful Users around Malaysia. This research is limited to the existing Takaful Policy users, excluding the conventional insurance users as the subject of this research because this research focuses only on the Takaful industry. Generation Y was chosen as the respondents because they are considered to be active on social media and online activities leading them to have more active E-WOM participation compared to other generations. They are perceived to be resistant against traditional marketing and difficult to attain and retain them as loyal consumers (Lazarevic, 2012). This makes them as viable respondents, hence the results may differ from prior researches.

Respondents were approached through the social media. Firstly, the respondents were screened by asking whether they are Takaful Policy holder or not before handing out the online questionnaire. Respondents will be approached using the Insurance Company's social media page and Facebook profile. They were also approached by the Takaful advisor/agent so it will be easier to identify them. Takaful agents who promoted and shared testimonials on Takaful participation were also treated as respondents.

This study only focuses on one type of insurance industry, specifically the Takaful industry and does not involve other types of insurance such as conventional life insurance and General Insurance. According to Husin and Rahman (2013), even though the Takaful industry has been incorporated for more than two decades in Malaysia, many of the citizens still lack awareness about the importance of Takaful

policy and still have no Takaful policy protecting them. This strengthens the necessity to conduct further research in the Takaful industry.

1.5 Significance of the Study

This study is very significant to everyone as it helps to find the significant relationship between positive Electronic-Words Of Mouth towards consumers' continuance intention and brand loyalty particularly towards a service industry which in this research study is Takaful industry. Understanding the motives of intention to promote E-WOM between customers is important to all marketers and organizations. Amblee (2016) has affirmed that E-WOM density significantly affects the sales of travel insurance in which the higher the density of E-WOM among consumers, the higher the sales that is being generated. This is because a consumer can be influenced by other customers who have experience in using the respective product or services.

Respondents will try the product according to their initial idea of perceived quality and if they are satisfied with their first test of consumption, the perceived value of goods arises, leading to more consumption and buying (Tepeci, 1999). Since more buying and purchases can be achieved, this research promotes business growth especially in the Takaful industry. According to Tepeci (1999), brand loyalty promotion continues profit, reduces marketing cost, increases per-customer revenue growth, decreases operating cost, increases referrals, increases price premiums and provides competitive advantages. These vast advantages are crucial towards business owners to understand and absorb..

Understanding the importance of positive E-WOM among consumers towards a product or service will promote the development of cyber marketing among local marketers in Malaysia. At the same time, this study supports the growth of the Takaful industry in Malaysia towards earning a better brand recognition internationally, consequently, developing more foreign investment from outside of the country. Indirectly, this study is significant to the government of Malaysia as it supports the economical growth of the government itself.

Next, this research helps to further discover the behaviour of Generation Y and how they perceive the available products and the value of goods. The younger generations are prone to be eventual-minded, in which they believe time to be

from birth and eternal, meanwhile the elder people are most likely to be more contemporary-oriented where they perceive time as time left in life and limited (Yeh, Wang, & Yeh, 2015). This shows that this study is significant for future research as the results should be future-oriented as Generation Y are the respondents of the research.

This research will ultimately help to improve the Life insurance and Takaful industry particularly in Malaysia in terms of their social media marketing techniques and understanding. This research can also increase the welfare of the citizens in Malaysia. Hassan, Jusoh and Hamid (2014) affirmed that Islamic Insurance comes close to being the second most valuable social institution in all Muslim Societies to fight against the country impoverishment and poorness. Thus, this clearly depicts why local Takaful operator should step up their marketing strategies and increase their understanding of the digital marketing to be used as their upper hand advantage.

This research contributes theoretically where expectation confirmation model and motivation theory is being diffused and tested in the service industry which in this case is Takaful (Islamic Insurance). To date, the model has only being tested in other industries. Prior researches which implemented the existing theoretical model have gaps in terms of the results and lack of evidence proving that E-WOM influences continuance intention whereas consumers' continuance intention positively affects consumers' brand loyalty. Therefore, this research chose Generation Y as the respondents to reduce the gaps and affirm the results from prior researches. Generation Y is characterised as having bizarre behaviour towards brand and notoriously disloyal towards brand (Lazarevic, 2012) making them as viable as research candidates to test the relationship of existing variables that have been affirmed in prior researches conducted by Casalo et al. (2009), Chen et al. (2012), and Hew et al. (2016).

1.6 Definition of Terms

Electronic-Words Of Mouth (E-WOM) – E-WOM refers to any optimistic or pessimistic feedbacks and comments made by consumers about goods, services, or organizations which will then become open to other people through the internet (Hsieh, Hsieh, & Tang, 2012).