

## Analysis of Customer Engagement towards Customer Loyalty through Customer Trust in Traditional Life Insurance Products in South Tangerang City

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### ABSTRACT

The insurance services industry as a business of trust is still considered to have not fully gained the trust of its customers and the minimal involvement of its customers means that the reality is that customer loyalty is decreasing in terms of purchasing insurance products, especially traditional life insurance. Especially in the private sector as a guarantor institution that can provide protection for life. This study aims to test the effect of customer involvement on customer loyalty through customer trust. The approach used in this study is a quantitative approach. The population and sample used in this study were all customers who have traditional life insurance products in South Tangerang City, totaling 120 respondents with a sampling technique using the saturated sample method. The research data were obtained from the results of filling out the questionnaire and analyzed using the SEM analysis method technique with the help of the Lisrel program. The results of the study indicate that (1) Customer involvement has no effect on Customer Trust (2) Customer involvement has an effect on customer loyalty (3) Customer involvement has an effect on customer loyalty through customer trust.

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## **INTRODUCTION**

Along with the increase in a person's standard of living, the fulfillment of life's needs is no longer limited to physiological needs alone. However, the need for safety for a sense of security and protection is also increasingly felt. According to Maslow's hierarchy, there are five, namely physiological needs, safety needs, social needs, the need for appreciation, and the need for self-actualization. Given that human life is inseparable from various risks that can cause losses, insurance is thus one way to fulfill the need for a sense of security from the uncertain factors that may occur in a person's life. Life insurance is coverage for a person's soul and concerns the inability to meet the needs of his family, due to the possibility of dying before old age or living too long (Mochamad Yudi Prastiawan and Wiwik Lestari, 2018). Therefore, insurance as a business entity engaged in the service industry must be oriented towards customer satisfaction, because satisfied customers are one of the bases for the survival and development of the insurance business itself and create loyal customers for the insurance product itself (Luh Ketut Ari Anggarawati et al, 2022). In practice, insurance service companies offer risk transfer services to the insured by paying a certain amount of premium (Nabila Putri Salsabila & Dian Haki Nurdiansyah, 2022).

Insurance is said to be a safe protection option, freeing from worry about future financial problems, encouraging savings, and protecting ourselves when we reach old age. In addition, insurance is also a substitute for the government's social safety net program, related to the stability of society and can see how far society cares about the existence of these insurance services. Public concern can be seen from their knowledge of insurance terms, insurance benefits, and their interest in the products in it (Johan Bhimo Sukoco, 2020).

The phenomenon that occurred in Indonesia in 2023 was that only 21.94 million people or 8 percent of the total population had life insurance as protection for family financial planning, while with the increasing financial needs of families at every stage of life, having life and financial protection is crucial for productive age customers (<https://www.liputan6.com>). This is also supported by other studies that of that number, only 1.7 percent have insurance. This very large population is an opportunity especially for the Indonesian insurance industry which is one of the countries with the largest population and has high potential for insurance growth (Susanti, 2019). This condition is based on the phenomenon that has occurred until now, namely the lack of awareness of interest in insurance in Indonesia, this is in line with research (Hermawati, 2019) that awareness of life insurance is a condition faced by individuals who understand the importance of using life insurance products. This will encourage someone who understands the importance of insurance products and decides to use them. Therefore, it is important for someone to have a traditional life insurance product as protection for themselves and their families from the uncertainty of future risks. This is supported by the Mayasari research journal (2018) that currently the need for insurance services is increasingly felt by both individuals and the business world in Indonesia with the benefits of meeting needs from the uncertain in the future and insurance is

seen as a form of need for a sense of security and protection from the possibility of suffering losses.

Customer loyalty is considered important to be studied in this study because in the increasingly competitive conditions of competition like today, companies are increasingly aware of how central the role of customers is in the sustainability of their business, therefore without customers the existence of the business being run will slowly be pushed aside by the emergence of new business competition, especially the insurance business. Therefore, based on this awareness, companies will make customers the main factor in their efforts and try to make customer loyalty a competitive advantage for the company (Hendri Herman, 2018). Another supporting study in the journal Windry Setyaning Warsito, (2018) "Loyalty is defined as non-random purchase expressed overtime same decision making unit". This means that if someone is a loyal customer, then he will show purchasing behavior which is defined as non-random purchases expressed over time by several decision-making units. From the definition put forward above, customer loyalty that is formed can be seen from several indicators or consumer behavior that will be carried out in the future, including making regular repeat purchases, buying across product and service lines, referring to others, and showing immunity to the pull of competitors.

According to Mowen in DC Ramadhani, (2018) consumer trust is all the knowledge possessed by consumers and all the conclusions made by consumers about objects, attributes, and their benefits. Trust is generally seen as a fundamental element for the success of a relationship. Without trust, a relationship will not last. Another opinion was expressed by Sumarwan in R. Armansyah, (2022) regarding consumer trust or consumer knowledge concerning the belief that a product has various attributes, and the benefits of these various attributes. Research that supports this customer trust is Prasaranphanich (2011:231) in the journal Luh Ketut Ari Anggarawati et al (2022) stating that when consumers trust a company, they will prefer to make repeat purchases and share valuable personal information with the company because trust plays an important role in long-term relationships between customers and companies, especially those that include customer trust regarding the quality, reliability, and integrity of the services provided by the company.

Engagement is seen as a motivation to process information. Celsi and Olson (1988) as quoted by Japariato and Sugiharto (2016) stated that as long as consumer engagement is high, consumers will pay attention to information related to the product, put more effort into understanding the product and focus attention on the product information related to it. Supported by other research by Calvin Surya Wijaya (2022) that customer engagement can be explained as "behavior that goes beyond transactions, and can be specifically defined as a manifestation of customer behavior that has a specific brand or company focus outside of purchasing, which is produced as a motivational driver. According to the theory of Kotler & Armstrong (in Maretta Ginting & Elizabeth Haloho, 2021) that Customer Engagement is a way for companies to

make brands a meaningful part of consumers' conversations and lives by increasing direct and continuous customer involvement in shaping brand conversations, experiences and communities.

The object of this study is customers of traditional life insurance products in South Tangerang City, Banten Province, as many as 120 samples who have had insurance policies for more than 3 years. Another interesting thing to raise in this study is based on a pre-survey of 20 respondents stating that making repeat purchases, buying outside the product line, not being influenced by the appeal of competitors and recommending service products to others with an average score of less. Likewise, the results of the pre-survey of customer trust and customer involvement are still considered lacking because customers feel they do not fully trust the credibility of the insurance company they choose and the benefits of the life insurance product that will be paid if a risk occurs. Thus, it can be interpreted that the number of customers of traditional life insurance products is decreasing. This condition is also caused by the emergence of superior products, namely unit link life insurance products that have 2 benefits at once, namely protection and investment, while the benefits of traditional life insurance are only for protection so that many traditional life insurance customers switch to unit link products. In addition, the phenomenon that occurs in society is that insurance products have not become a priority for primary needs as protection, so it is not felt necessary to buy life insurance products to protect families from the uncertainty of future risks. The following are secondary data that support this study:

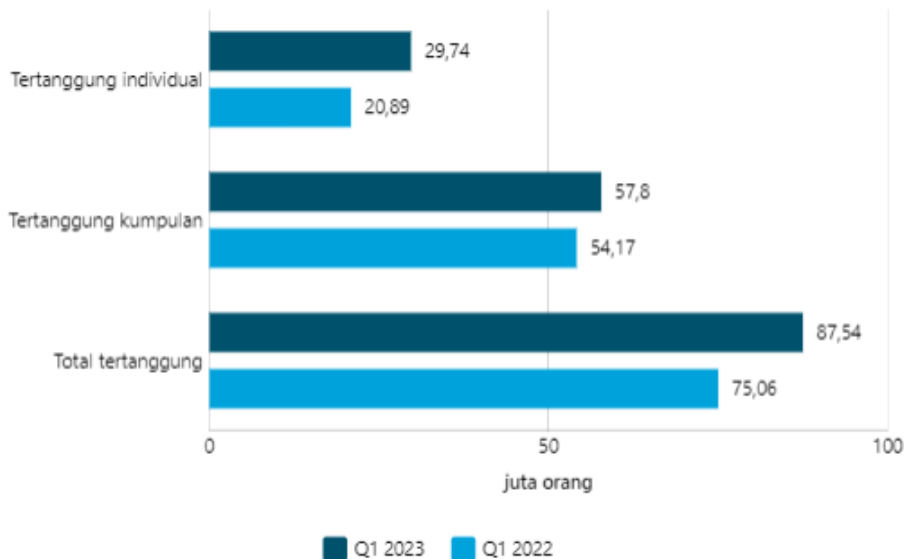


Figure 1. Total Traditional Life Insurance Customers

Based on the data above, the total number of traditional life insurance customers as a whole increased slightly in 2023 compared to 2022 data, but referring to data from the Financial Services Authority (OJK), assets in the life insurance industry were recorded to have decreased annually by 0.89% from IDR 591 trillion in March 2022 to IDR 586 trillion in March 2023, meaning that

from the total premium income, the life insurance industry managed to record a total premium income of IDR 86.23 trillion in 2023. This result is still recorded as decreasing by 9.9% when compared to the same period in 2022. This can be interpreted that customers who have participated in traditional life insurance are considered to be less than optimal in repeat product purchases and less likely to refer to others.

## LITERATURE REVIEW

Research by Dicky Saputra et al (2019) shows that a high level of customer engagement can also generate high levels of trust, with the results of the study showing that customer engagement has a significant influence on customer trust. Other research, namely (Ritter and Walter, 2003) in C. Surya et al (2022) Customer Involvement can increase customer Trust, because it allows customers to effectively assess the capabilities, virtues, and integrity of service providers. Likewise, consumers who have high involvement (involve) will feel more benefits from information, interaction and communication with the company's ongoing product brands. Thus, companies can carry out marketing activities better, because consumers will find it easier to receive information (Ashley et al., 2011). So when a consumer has a high level of Involvement with a brand, it will also increase the Trust held by the consumer for a brand characterized by openness of information and interaction between customers and a particular brand. The results of research by Islam & Rahman (2016) show that Customer Involvement has a positive and significant effect on Trust.

H1: Customer engagement has a significant influence on customer trust.

In Steven Darwin's journal (2016) shows that partnerships with consumers are built on trust and commitment and consumer loyalty will be built when there is consumer trust in the company and satisfactory service quality from the company to consumers. Thus, companies that are able to build and maintain customer trust tend to be more successful in the long term, and can increase high customer retention. Other research that supports customer trust is Prasaranphanich (2011:231) in the journal Luh Ketut Ari Anggarawati et al (2022) states that when consumers trust a company, they will prefer to make repeat purchases and share valuable personal information with the company

H2: Customer trust has a significant influence on Customer Loyalty

Quoted by Japariato and Sugiharto (2016) stated that as long as consumer involvement is high, consumers will pay attention to information related to the product, put more effort into understanding the product and focus attention on the product information related to it. Calvin Surya Wijaya's research (2022) states that customer engagement can be explained as "behavior that goes beyond transactions, and can be specifically defined as a manifestation of customer behavior that has a specific brand or company focus outside of purchasing, which is produced as a motivational driver. This is in line with other research Diego Monferrer et al (2019) shows that customer engagement has a direct influence on customer loyalty. This can be interpreted that more

involved customers tend to be more trusting, more loyal, make more frequent purchases and are more likely to recommend products or services to others.

H3: Customer engagement has a significant influence on Customer Loyalty through customer trust.

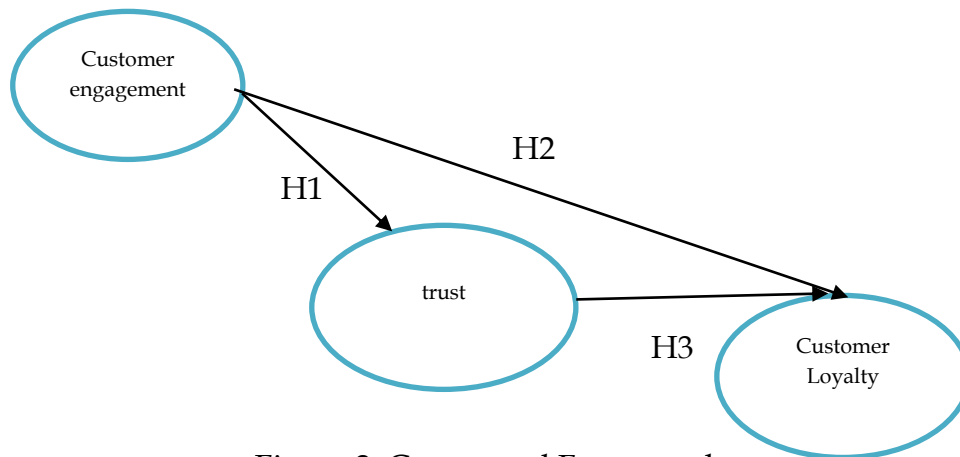


Figure 2. Conceptual Framework

## METHODOLOGY

The populations in this study were all customers of traditional life insurance products in South Tangerang City amounting to 120 respondents. The population is quite large so that it is necessary to take part of the population to represent the population itself which is called a sample. In principle, the number of samples is to multiply the number of indicators in the study by 5 to 10 times. While in the chi-square test of the SEM model which is sensitive to the number of samples, it requires a good sample ranging from 100-200 samples for the Maximum Probability Estimation technique (Ferdinand, 2014). If calculated using the sample calculation formula in SEM analysis, the number of samples is the number of indicators multiplied by 5-10 parameters and the minimum sample size is 100 respondents. This study uses 12 indicators, therefore 12 of these indicators are multiplied by 10 so that it can be calculated that the research sample is 120 respondents.

The sampling technique in this study is to use a random sampling technique. According to Sugiyono (2016) Random sampling is a sampling technique that is based on chance, anyone who accidentally or randomly meets the researcher can be used as a sample, if it is considered that the person who meets randomly is suitable as a data source. This study uses a data collection method consisting of a questionnaire method, and also documentation, and the data sources used are primary data and secondary data. The instrument feasibility test used is the validity test and reliability test. The data analysis method in this study uses SEM (Structural Equation Modeling). According to Ferdinand (2014) SEM is a collection of statistical techniques that allow for testing a series of relatively complex relationships simultaneously. Analyzing the SEM model can identify construct dimensions and at the same time measure the influence and level of relationship between factors that have been identified by the dimensions.

**RESEARCH RESULT**

Approximately 120 samples were willing to be respondents in this study consisting of 68% men around 82 people and 32% women around 38 people. Most respondents aged 21-40 years are dominated by productive age and already have permanent jobs. Validity measurement is done by comparing the number of sig alpha with the sig alpha table, for degrees of freedom (df) = n-2, in this case n is the number of samples. Based on the alpha value = 0.05, the alpha sig table = 0.050 is obtained. So there are 36 question items that can be used to continue the study.

If the t-statistic has a result greater than 1.96, it means that there is a significant influence between one variable and another. The results of the hypothesis testing are shown in the following table:

Table 1 hypothesis testing

	<i>Path Coefficient</i>	<i>T Statistics</i>	<i>Prob</i>	<i>Note</i>
Customer Engagement→Customer Trust	0.12	1.46	0.144	Significant, (H1 is rejected)
Customer Engagement→Customer Loyalty	0.19	2.77	0.006	Significant, (H2 accepted)
Customer Trust→Customer Loyalty	0.26	3.95	0.000	Significant, (H3 accepted)

Based on Table 1, the results of the hypothesis testing can be concluded that only the first hypothesis has no influence between the customer involvement variable and customer trust, while the other variables in the hypothesis in this study are proven to have a significant influence.

**DISCUSSION**

*The Influence of Customer Engagement on Trust*

Based on the research results, it was found that Customer engagement has no significant effect on Trust, because the T-statistic value is 1.46 which means it is smaller than 1.96. This means that the hypothesis "Customer engagement has an effect on Trust" is rejected. Looking at the structural equation, the results of the hypothesis testing in this study also prove that customer involvement has no significant effect on trust with a positive direction of influence. The direction of influence that can be seen from the regression coefficient value that occurs between the variables can be interpreted that the higher the consumer involvement in a product, the more trust will increase, but it turns out that it has no effect because the results proven are significant. Thus, there are conflicting results between the results of the research statistical test according to empirical studies from Islam & Rahman (2016) and Teichert & Rost

(2003) which show that Customer Engagement has a positive and significant effect on Trust.

### ***The Influence of Customer Engagement on Loyalty***

Based on the research results, it was found that customer engagement on Loyalty was proven by the T-statistic figure of 2.77 which exceeded 1.96. Thus, the hypothesis stating that "Customer Engagement has an effect on Customer Loyalty" was declared accepted. The results of hypothesis testing in this study also proved that customer engagement had a significant effect on customer loyalty with a positive direction. Thus, it means that the higher the consumer involvement in a product, the more loyalty or loyalty will be increased. Mualim et al. (2020) revealed that in high engagement, consumers feel the importance of a product so that their personal goals are met. Consumers always try to get as much information as possible about the products or services they are interested in. If the product is capable or according to what is needed, they will tell other people and can even recommend others to buy it.

### ***The influence of trust on loyalty***

Based on the research results, it was found that customer trust or trust in Loyalty is proven by the T-statistic figure of 3.95 which exceeds 1.96. Thus, the hypothesis stating that "customer trust influences customer Loyalty" is declared accepted. The results of hypothesis testing in this study also prove that customer trust has a significant effect on customer loyalty with a positive direction. Thus, it means that with increasing customer trust in a product, it will be able to increase loyalty.

The findings from this research are: that Customer engagement does not have a significant effect on Trust, because the T-statistic value is 1.46 which means it is smaller than 1.96. This means that the hypothesis "Customer engagement has an effect on Trust" is rejected. This is not in line with previous research in Sri Yunan et al (2022) which showed that Customer Engagement has a positive and significant effect on Trust.

## **CONCLUSIONS AND RECOMMENDATIONS**

Referring to the statistical test and previous analysis, the research conclusion is obtained. Some of the conclusions obtained are: Customer Engagement does not have a significant positive effect on the Trust variable, meaning the hypothesis is rejected. The Customer Engagement variable has a significant positive effect on the customer loyalty variable, meaning the hypothesis is accepted and finally the trust variable has a significant positive effect on customer loyalty of traditional life insurance product customers, meaning the hypothesis is accepted.

## **ADVANCED RESEARCH**

The limitations of this study are in the number of samples of 230 respondents, then the scope of the research object is only on customers who have traditional life insurance products, not studied for other insurance products owned by customers, and the research area is located in South

Tangerang City. It is considered necessary and important to conduct further research to be used as a comprehensive study.

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