Trust, loyalty elixir of insurance companies in Iran

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Abstract

The main objective of the current research was to investigate the impact of perceived Justice upon satisfaction, trust, and loyalty of customers in insurance company. This research is applied in terms of goal, and it is survey-descriptive study in terms of data collection. Library method was used to collect data related to literature review section of study. Population of this research is all customers of our insurance company belonging to Bank Mellat in Tehran. According to statistics, the number of customers in the period of 2015.6.22 to 2015.12.22 was 57897 people. Statistical sample of study was selected 384 people based on Morgan table. In order to analyse the data and to present the model, Liserl and SPSS software was used. The results showed that perceived distributive justice, perceived interactional justice, and perceived procedural justice have significant effect on customer satisfaction. In addition, satisfaction has a significant impact as mediating variable in the relationship between distributive justice, interactional justice, procedural justice, and trust. Satisfaction has significant effect as mediating role in the relationship between distributive justice, interactional justice, procedural justice, and customer loyalty, and trust had a significant impact on customer loyalty.

Keywords: perceived justice, satisfaction, trust, loyalty, customers.
Introduction

Customer loyalty is one of the most important principles of marketing that companies are looking to achieve it. However, these efforts will not be useful without considering factors such as satisfaction, trust, loyalty, attitude, perception of justice by customers, maintaining long-term quality, reasonable price, and competitive advantages compared to competitors. One important concept in this regard is to pay attention to perceived justice by customers. This concept has been paid more attention in the form of "the perception of justice in organizations" in organizational studies, while this concept has become vague in 'customer perception of justice "(Kim et al., 2014). However, researchers such as Kim et al (2014), Davids (2003) and Kazemi, Berid Nazif (2010) have conducted studies on the concept in the form of customer.

Generally, justice refers to correctness of decisions and understanding of each person of decisions made by certain person or organization. (Kim et al, 2014). This concept has been developed in the form of three dimensions, including procedural justice, distributive justice, and interactional justice. In general, access to satisfied customers has numerous benefits to organization, including creating a reliable and friendly space (Kazemi, Brigadier floor, 2010).

Additionally, justice refers to fairness perceived of procedures and processes through which outcomes are allocated. Therefore, with regard to the importance and its impact on many staff and customers’ behavioral issues, the researcher aims to investigate a study among our insurance company customers in this regard and examine the effect of perceived justice upon satisfaction, trust and loyalty. According to what was said, researcher aims to find a response to this basic question that if dimensions of the justice perceived by customers have impact on their satisfaction effectively, secondly, if satisfaction has impact on the two issues of trust and loyalty.

Literature review

Justice is one of the factors affecting satisfaction and commitment, so that a sense of injustice leads to job dissatisfaction, and this dissatisfaction has impact on organizational commitment and their job performance. Organizational justice makes organizational behavior controllable by providing the ability to predict the behavior of employees (Zeinali Sume, 2004). The importance of organizational justice has been discussed in several studies. In this regard, two models have been presented, including: the self-interest model and group value model. The self-interest model explains the importance of justice in this way that justice makes maximization of self-interest possible. It means that people give value for fairness and justice because experts believe that fair procedures ultimately lead to the desired results. On the other hand, group value model states that justice is important because employees gain information about membership and group identity by perceiving fair treatment of supervisors with them. In addition, in other model, justice relies on moral qualities and morality and people are sensitive to justice due to respect for human values (Maureen, 2002).
Types of organizational justice

Justice in the organization can be examined within procedural justice, interactional justice and distributive separately. Baron and Greenberg believe that procedural justice in organizations focuses on observing fairness in processes by which organizational decisions are adopted (Baron and Greenberg, 2000). Kreitner and Knicki also refer to this definition and put special emphasis on decisions based on allocation of resources and rewards. They believe that procedural justice at the organizational level refers to perceived fairness in the processes and procedures used decisions on allocation of resources and rewards (Kreitner and Knicki, 2001).

Interactional justice is another issue that arises in relation to the organization. Kreitner and Baron consider interactional justice at the organizational level as perceived fairness of treatment and intermediate criterion of individuals in determining the outcomes and results of organizational activities (Baron and Greenberg, 2000). Bies and Moag introduced interactional justice to refer to quality of interpersonal behavior perceived of organizational decision maker. They believe that quality of interpersonal behavior during the execution of procedures is effective and important in determining fair judgments. Justifications and explanations provided are useful in understanding fairness and they increase the likelihood that decision making procedures to be viewed fairly (Krag & lind, 2002). Distributive justice is a third form of justice that can be considered. Distributive justice at the organizational level reflects fairness perceived of the decisions related to the allocation and distribution of resources and rewards (Kreitner & kinicki, 2001). Tyler in 1984 found out that there is strong correlation between distributive justice and satisfaction in organizations (Orlando, 2002). As can be seen, in distributive justice, the match between different types of sources, including respect, rewards, benefits, etc. is examined.

Customer satisfaction

Customer satisfaction is the customer's utility due to the different characteristics of the product and profitability source and a reason to continue the organization's activities (Paulin et al., 2006, p. 907). The success of all organizations and institutions, ranging from manufacturing or service organizations, profit or nonprofit, governmental or non-governmental, is influenced by several factors that one of them is customer satisfaction to achieve excellence in business. Customer satisfaction is achieved when the performance of the organization can meet the expectations of customers. If performance is lower than expectations, the customer will be dissatisfied and if performance is equal to expectations, he will be satisfied. If performance is higher than expectations, he will be very pleased and happy (Kotler & Armstrong, 1384, p. 900). The customer has always expectation of the product or service that he receives and these expectations are at three levels:

1. Implicit expectations: they are basic expectation of service or product that is among the minimal expectations of customers. These expectations are product characteristics that is expected that product to have them. It means that implicit expectations are the most basic needs of the product that these expectations can be satisfied at the lowest level of performance.
2. Explicit expectations: by determining the characteristics of the product, customer expects its provision from supplier. Supplying the product or service is exchanged by considered characteristics of customers of the product against its value.

3. The final expectations: these expectations of the product, even for customer, are not clear, while suppliers of products supply the product with value-added without demand of customers, and customer will be satisfied of this value-added. At this level, implicit and explicit needs are ultimate expectations satisfied altogether (Artenz, 1997).

Factors affecting customer behavior

Personal, social, a cultural, factors, and psychological factors affect customer behavior. Although marketers cannot apply any control on these factors, this does not mean that they remain unaware of it. Customer is the most important side in business and companies should know customer well to be successful. For home business as economic activity in which one launches it with home facilities in his living place, they should to their best to gain customer trusts and satisfaction (Elahi et al., 2010).

Customers’ trust

According to the Oxford English Dictionary, trust means "ability to rely on and degree of easiness to accept a person or a thing or truth of a statement." Trust means to believe in what other person says, he is reliable, and he fulfills his obligations in a short-term business relationship (Rotter, 1967). Trust means mental state that involves accepting the risks in a business deal, with positive expectations (Rousseau et al., 1998). Barry (1991) states that relation-based has been created based on trust. The trust is also an important factor in developing and improving the quality of the relationship based on the process of promising and fulfilling it (Hewett & Bearden, 2001). Oliver (1999) defines loyalty as deep commitment to repurchase or supporting a favorite product or service that despite situational influences and marketing efforts of competitors, it is leading to repurchase a brand or a set of products of a brand in the future. Brand loyalty consists of behavioral loyalty and attitudinal loyalty. Melnz et al (1996) define behavioral loyalty as brand loyalty through the visible purchase over a period and they define attitudinal loyalty based on stating the preference, obligation or purchase intention.

Based on the level of loyalty, Cutler divided buyers into four groups:

Integrated buyers: they are consumers who always buy a brand. Therefore, a purchase pattern of A, A, A, A, A, A may indicate that consumer has indescribable loyalty to a given brand.

Branched loyalists: they are consumers who have loyalty to two or three different brands.

Purchase pattern of A, B, A, B, A, B indicates that consumer loyalty is divided between A and B. these groups of people are rapidly increasing. Currently, mentally similar people purchase a set of common and accepted brands.
Transitional loyalists: they are consumers that their loyalty is changing from one brand to another brand. Purchase pattern of A, A, A, B, B, indicates that consumer has changed his loyalty from brand A to brand B.

Changers: they are consumers who show no loyalty to a particular brand. The purchase pattern of A, C, D, B, E, B represents a non-loyal consumers who are either looking for lower sale price (i.e., he purchases his favorite brand at auction.) or diversity (i.e., they purchase different brands each time).

Research hypotheses

1. perceived distributive justice has a significant impact on customer satisfaction.
2. perceived interactional justice has a significant impact on customer satisfaction
3. perceived procedural justice has a significant effect on customer satisfaction.
4. Satisfaction as a mediator variable has a significant impact in the relationship between distributive justice and customers’ trust.
5. Satisfaction as a mediator variable has a significant impact in the relationship between interactional justice and customers’ trust.
6. Satisfaction as a mediator variable has a significant impact in the relationship between procedural justice and customers’ trust.
7. Satisfaction as a mediator variable has a significant impact in the relationship between distributive justice and customers’ loyalty.
8. Satisfaction as a mediator variable has a significant impact in the relationship between interactional justice and customers’ loyalty.
9. Satisfaction as a mediator variable has a significant impact in the relationship between procedural justice and customers’ loyalty.
10. trust has significant impact on customers’ loyalty.

Methodology

This study is an applied research in terms of goal, and it survey-descriptive in terms of data collection. The population included all our insurance customers related to Bank Mellat in Tehran. According to statistics, the number of customers was 57897 in the period of 2015.6.22 to 2015.12.22. Sample size of study was determined 384 subjects based on Morgan table. The reliability of the questionnaire was obtained 0.86 by Cronbach's alpha. To examine the hypotheses, inferential statistical methods such as one-sample t-test and structural equation modeling were used. For this purpose, SPSS and Lisrel software was used.

Data analysis

Determining the normal distribution of data

Table 1 shows the distribution indices, and as it is known, since the standard error of skewness coefficient and standard error of kurtosis coefficient are in the range between -2 and +2, it can be
accepted data of research variables are normally distributed. Skewness coefficient of research variables also suggests that all variables are skewed to the left.

Table 1: indices of distribution form

<table>
<thead>
<tr>
<th>Customer's loyalty</th>
<th>Customers' trust</th>
<th>Customers' satisfaction</th>
<th>Perceived procedural justice</th>
<th>Perceived interactional justice</th>
<th>Perceived distributive justice</th>
<th>Frequency</th>
<th>SD</th>
<th>Variance</th>
<th>Skewness</th>
<th>Standard error of skewness coefficient</th>
<th>Kurtosis</th>
<th>Standard error of kurtosis coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>384</td>
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<td>384</td>
<td>384</td>
<td>384</td>
<td>384</td>
<td>384</td>
<td>101811</td>
<td>.93524</td>
<td>.96700</td>
<td>-.702</td>
<td>.127</td>
<td>-.052</td>
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<td>.93018</td>
<td>.98173</td>
<td>1.01811</td>
<td>.875</td>
<td>.624</td>
<td>.935</td>
<td>.831</td>
<td>-.306</td>
<td>.127</td>
<td>-.319</td>
</tr>
<tr>
<td>.875</td>
<td>.935</td>
<td>.831</td>
<td>.865</td>
<td>.964</td>
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<td>-.306</td>
<td>.127</td>
<td>-.319</td>
</tr>
</tbody>
</table>

Confirmatory factor analysis of independent or exogenous variables:

Figure 1 shows measurement model of independent or exogenous variable in standard estimation state. The results of estimation indicate the suitability of indices. According to LISREL software output, $\chi^2$ value was calculated 371.20 that is lower than 3 compared to degree of freedom 126. ASMER value is 0.071.
Chi square = 371.20, df = 126, P-value = 0, RMSEA = 0.071

Figure 1 - measurement model of exogenous variable in the standard estimation state

The newt output that is Figure (2) shows the model at the state of significance of coefficients and parameters obtained by measurement model of dependent variables in which all obtained coefficients are significant, since significance test value is greater than 1.96 or smaller than -1.96, indicating significant relationship among variables.
Chi square=371.20 , df=126 , P-value=0 , RMSEA=0.071

Figure 2: Measurement model of exogenous (independent) variables in significance state

Confirmatory factor analysis of dependent or endogenous variables:

Figure 3 shows measurement model of dependent or endogenous variable in standard estimation state. The results of estimation indicate the suitability of indices. According to LISREL software output, AESMER value was calculated 0.000.
Chi square=0.000, df=0, P-value=1.0000, RMSEA=0.000

Figure 3: Measurement model of dependent or endogenous variables in standard estimation state. The next output that is Figure (4) shows the model at the state of significance of coefficients and parameters obtained by measurement model of dependent variables of the study in which all coefficients are significant.
Chi square=0.000, df=0, P-value=1.0000, RMSEA=0.000

Figure 4: Measurement model of dependent (endogenous) variables in a significance state
Chi square=511.12 , df=177 , P- value=0.0000 ,RMSEA=0.070

Figure 5: structural model in the significance state

Table 2- model fit indices

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Obtained values</th>
<th>Acceptable value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi.squar/df</td>
<td>2.88</td>
<td>Lower than 3</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.070</td>
<td>Lower than 0.08</td>
</tr>
<tr>
<td>P.Value</td>
<td>0.000</td>
<td>Lower than 0.05</td>
</tr>
<tr>
<td>IFI,RFI,NNFI, NFI</td>
<td>91-99%</td>
<td>Over 90%</td>
</tr>
</tbody>
</table>
Table 3: structural model in the standard estimation state

<table>
<thead>
<tr>
<th>Path coefficient</th>
<th>T value</th>
<th>Result</th>
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</thead>
<tbody>
<tr>
<td>Perceived distributive justice</td>
<td>Customers’ satisfaction</td>
<td>0.41</td>
</tr>
<tr>
<td>Perceived interactional justice</td>
<td>Customers’ satisfaction</td>
<td>0.67</td>
</tr>
<tr>
<td>Perceived procedural justice</td>
<td>Customers’ satisfaction</td>
<td>0.16</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>distributive justice and trust</td>
<td>0.24</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>interactional justice and trust</td>
<td>0.52</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>Procedural justice and trust</td>
<td>0.27</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>distributive justice and customers’ loyalty</td>
<td>0.56</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>Interactional justice and customers’ loyalty</td>
<td>0.51</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>Procedural justice and customers’ loyalty</td>
<td>0.62</td>
</tr>
<tr>
<td>Trust</td>
<td>customers’ loyalty</td>
<td>0.29</td>
</tr>
</tbody>
</table>

Results
First hypothesis

After collecting the data and analyzing them, as path coefficient is 0.41 and t value is 7.23, it was found that research hypothesis is confirmed and perceived distributive justice has significant and positive impact on customers’ satisfaction. Results of this research are consistent with results of a study conducted by Sabagh Molla Hoseini (2010). In developed societies, due to the satisfaction of basic needs (food, clothing, housing, sexual needs, etc.), the focus is on secondary needs (need for belonging, respect, competition, etc.). However, in non-developed societies, basic needs have not been satisfied and most of people pay attention to these needs. Accordingly, as basic needs of people have not been still satisfied sufficiently in our societies, people show greater sensitivity to receive their rights and benefits. That is why their understanding on degree of observing the distributive justice has impact on their satisfaction.

Second hypothesis:

After collecting the data and analyzing them, as path coefficient is 0.67 and t value is 7.59, it was found that research hypothesis is confirmed and perceived interactional justice has significant and positive impact on customers’ satisfaction. Results of this research are consistent with results...
of a study conducted by Sabagh Molla Hoseini (2010). According to interactional justice, people are sensitive to quality of treatment with them in interpersonal relations as well as structural aspects of decision-making process. As a result, if they feel that supervisor treats with them with injustice, they may show negative reaction to this injustice (Rezaeian, 2005, p 59). As interactional justice is determined by interpersonal behavior of representatives of management, interactional justice is associated with behavioral and cognitive reactions to these representatives (direct supervisor or the source of justice). Therefore, when a customer feels a lack of interactional justice, is can be predicted that his satisfaction to be reduced.

Third hypothesis

After collecting the data and analyzing them, as path coefficient is 0.16 and t value is 6.93, it was found that research hypothesis is confirmed and perceived procedural justice has significant and positive impact on customers’ satisfaction. Results of this research are consistent with results of a study conducted by Sabagh Molla Hoseini (2010). People perception of degree of observing the procedural justice has positive impact on their satisfaction. This means that when customers find current procedures fair, they feel higher level of satisfaction.

Fourth hypothesis

After collecting the data and analyzing them, as path coefficient is 0.24 and t value is 6.93, it was found that research hypothesis is confirmed and satisfaction, as mediating variable in the relationship between distributive justice and trust, has significant and positive impact on customers’ trust. Results of this research are consistent with results of a study conducted by Nadi et al (2009).

Fifth hypothesis

After collecting the data and analyzing them, as path coefficient is 0.52 and t value is 8.26, it was found that research hypothesis is confirmed and satisfaction, as mediating variable in the relationship between interactional justice and trust, has significant and positive impact on customers’ trust. Results of this research are consistent with results of a study conducted by Nadi et al (2009).

Sixth hypothesis

After collecting the data and analyzing them, as path coefficient is 0.27 and t value is 7.53, it was found that research hypothesis is confirmed and satisfaction, as mediating variable in the relationship between procedural justice and trust, has significant and positive impact on customers’ trust. Results of this research are consistent with results of a study conducted by Nadi et al (2009).
Seventh hypothesis

After collecting the data and analyzing them, as path coefficient is 0.56 and t value is 6.12, it was found that research hypothesis is confirmed and satisfaction, as mediating variable in the relationship between distributive justice and loyalty, has significant and positive impact on customers’ loyalty. Results of this research are consistent with results of a study conducted by Philip et al (2011).

Eighth hypothesis

After collecting the data and analyzing them, as path coefficient is 0.51 and t value is 6.18, it was found that research hypothesis is confirmed and satisfaction, as mediating variable in the relationship between interactional justice and loyalty, has significant and positive impact on customers’ loyalty. Results of this research are consistent with results of a study conducted by Philip et al (2011).

Ninth hypothesis

Satisfaction as mediating variable has significant impact on the relationship between procedural justice and customers’ loyalty. After collecting the data and analyzing them, as path coefficient is 0.62 and t value is 6.09, it was found that research hypothesis is confirmed and satisfaction, as mediating variable in the relationship between procedural justice and loyalty, has significant and positive impact on customers’ loyalty. Results of this research are consistent with results of a study conducted by Philip et al (2011).

Seventh hypothesis

After collecting the data and analyzing them, as path coefficient is 0.29 and t value is 6.73, it was found that research hypothesis is confirmed and trust has significant and positive impact on customers’ loyalty.

Recommendations

1. Due to importance and impact of the three dimensions of organizational justice on customers’ satisfaction, it is recommended that managers to pay more attention to justice issue and its implementation in the organization
2. Managers must provide the conditions to increase organizational justice at all three dimensions, especially at distributive and procedural dimensions.
3. Managers must create conditions in organization to provide training necessary to direct supervisor of employees in better dealing with customers.
4. It is recommended that evaluation system and payments system in the insurance companies to be performed based on needed standards.
5. Organization must pay its most attention on commitment and their attitudes.
References


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