The Impact the Influence of Ethical Sales Behavior on Customers Loyalty in Insurance Company (A Case Study: Iran Insurance Company-Fars Branch)

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Abstract: According to the competitive approach insurance companies must move in a direction that helps them create more added values compared to traditional services and meet the growing demands of customers by considering their diverse and new needs. Meanwhile, the employees of the sale section of insurance companies have the main role in the sale and profitability of corporation; therefore to improve performance, there is a mental pressure on these employees. In some cases, these pressures lead the employees to adopt incorrect and immoral methods to sell more. Thus, the present study investigates the effect of sale ethical behavior on customer loyalty in the Iran insurance industry of Fars province. The participants of the study were those who refer to the Iran insurance industry of Fars province who are usually policyholders and they referred to use and enjoy from insurance services (such as consultation, buying insurance, getting health care costs and damage expenses, etc). Therefore, with regard to the infinity of the community, the sample of this study was selected by cluster sampling using Cochran formula and 447 participants were selected. The purpose of this research is applied and the design of the research is descriptive-analytical correlation. In order to collect data, questionnaire was used. The Kolmogorov-Smirnov test was used to analyze data. To determine the type of data distribution and use of structural equation modeling and analysis of the overall fit of the model and test hypotheses, SPSS21 and LISREL8.8 statistical software was used. The results of the study showed that sale ethical behavior had no positive and significant relationship on customer satisfaction. In addition, the results indicated that sale ethical behavior variable had significant and positive effect on customer trust variable and so were the effect of customer satisfaction on customer trust, the effect of customer satisfaction on customer loyalty and the effect of customer trust on customer loyalty. The statistical analysis between these variables showed that these hypotheses (2-5) were confirmed. Finally, some suggestions for managers and experts of hotel industry have been offered.

Key words: Sale ethical behavior, customer loyalty, customer satisfaction, trust, Iran

INTRODUCTION

Customer loyalty is a significant factor in the business success of an insurance company. We know very well there is no guarantee that contented customers buy from the company again. Thus, it is revealed that customer loyalty in the business success of a company is significantly more important than customer satisfaction. Loyal customers in the insurance industry have many benefits including improving the profitability of insurance companies, decreasing insurance marketing costs increasing company sales and lower sensitivity of insurance customers to price, etc (Abasnejad *et al.*, 2011). According to Roman and Monoera (2005), sale ethical behavior is fair and honest actions that let the seller foster long-term relationships based on customer trust and satisfaction. Sellers often have personal interactions with customers and their actions are immediately visible and unethical behavior may have a profound impact on public opinion about the company (Mantel, 2005). Although, sales immoral behavior has a very complex structure and particular circumstances is often present (Lagace *et al.*, 1991), the sales unethical behavior from the customer's point of view is the short-term behavior of the seller that allows him to profit at the expense of the customer's loss (Alrubaiee, 2012). Examples of unethical activities include lying or exaggerating about the profits of a product, lying about the availability of the product, lying about competitors, selling products that people do not need them, answering a question when you do not know the answer or effective implementation of deceptive tactics (Chen and Mau, 2009). Ethics is an important issue in

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financial services. Morality may create liability problems through intentional or unintentional statements for the seller organizations. Financial institutions are vulnerable against many legal, ethical and costly corruptions. Because of its eventual effect on further purchase of customer, loyalty is one of the most important structures in marketing. Customer loyalty is a complex concept and depends on willingness to further purchase and analysis of prices by customers. The growth of loyalty secures the future revenue with the present customers; therefore, customer loyalty is the final goal of companies (Evans *et al.*, 2009). Loyalty is built when the customers strongly feel that the organization can satisfy their needs in the best possible way, so that they will not consider the rival organizations and exclusively buy form that organization (Tajzadeh *et al.*, 2010).

Several studies have been conducted on this subject. Motlagh *et al.* (2015) developed codes of ethic for organization sellers. The results were determined through open coding by Atlas T. software and three categories of codes (general, corporate and competitive) were created in order to avoid immoral acts of sellers; these codes acted as a guide to deal with moral dilemmas. Mehr and Hassani (2015) conducted a research on modeling the relationship between professional ethics and social responsibility with corporate accountability. The findings showed that as organizations pay more attention to moral issues which results in promoting social responsibility, they will create, preserve and improve organizational accountability. Vazifehdoost and Memarian (2014) explored the relationship between seller's ethical behavior and satisfaction, trust and loyalty of policyholders in life insurance. The results indicated that sale ethical behavior has a direct relationship with customer satisfaction and trust. Customer satisfaction and trust also have direct relationship with customer loyalty. Moreover, sale ethical behavior has not a direct relationship with customer loyalty, but its positive effect on customer loyalty is significant through mediator variables of customer satisfaction and customer trust. Senobar and Rahimnia (2014) explored the relationship between workplace spirituality and customer satisfaction. The results of stepwise regression analysis showed a significant correlation between workplace spirituality and customer satisfaction independently and organizational citizenship behavior was not confirmed to have the role of a moderator. In addition, the results of spearman correlation coefficient showed spirituality at personal level (significant work) and organizational level (alignment values) has a significant and positive relationship with organizational citizenship behavior and customer satisfaction but at group level (adhesion sense) was not

significantly correlated with organizational citizenship bhavior and customer satisfaction. Minkyoung *et al.* (2015) investigated the effect of quality on customer loyalty and customer satisfaction of smart phone users. The results of their study which was a survey showed that several factors can affect satisfaction and loyalty of users. Frank *et al.* (2014) explored the effect of quality of service, trust and perceived value on customer loyalty in Malaysia services industry. The result of their study showed that there are positive relationships between the quality of services and trust, the quality of services and perceived value and trust and loyalty. Bjorn explored the relationship between being influenced and knowledge in a chain of perceived quality and loyalty. The results showed that social recognition of customer value by the organization for using the product and packaging services is influenced by emotional and cognitive behavior of customer satisfaction. Lenka *et al.* (2009) investigated the quality of services and customer satisfaction and loyalty in Indian commercial banks. The findings indicated that human and technical factors as well as tangible factors and quality of bank branch's good services lead to customer satisfaction. It was also found that the human aspect of service quality had the most effect on the customer satisfaction. In addition, customer high satisfaction leads to customer loyalty.

MATERIALS AND METHODS

The participants of the study were those who refer to the Iran insurance industry of Fars province who are usually policyholders and they referred to use and enjoy from insurance services (such as consultation, buying insurance, getting health care costs and damage expenses, etc.). The sampling procedure of this study was in the context of insurance agencies in five cities of Fars province (Shiraz, Lar, Marvdasht, Kazerun and Fasa). The number of insurance agencies (sample) in these cities was respectively: Shiraz has 200 agencies, Lar has 25 agencies, Marvdasht has 30 agencies, Kazerun has 20 agencies and Fasa has 15 agencies. Generally, from among 290 agencies, 447 employees were chosen and Cochran formula was used. Therefore, to assess the impact of sale ethical behavior on customer loyalty in Iran Insurance Company of Fars province, simple cluster sampling method was used. Inferential statistical technique that involved drawing two-dimensional tables, correlation matrix for the independent variables and the dependent variable and using confirmatory factor analysis was used. Accordingly, the descriptive statistics includes frequency tables, frequency percentage, cumulative frequency percentage and mean of respondents. Inferential statistics
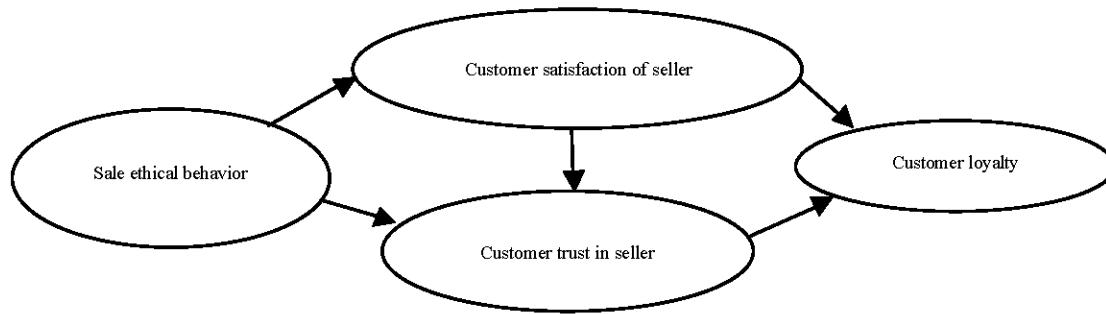
Fig. 1: The conceptual model of study (Pezhman *et al.*, 2013)

includes Kolmogorov-Smirnov test to determine the type of data distribution. In addition, using structural equation technique and using statistical software (LISREL 8.8 and SPSS 21), the data was analyzed (Fig. 1).

RESULTS AND DISCUSSION

Inferential analysis of data: After descriptive analysis of data inferential statistics was run. In order to test the hypotheses in the case of normal distribution, parametric tests will be used and in case of non-normal distribution of data, nonparametric tests will be used. Thus, the normality of data distribution of dependent and independent variables was explored.

Kolmogorov-Smirnov test for normality of data distribution:
- H_0: the distribution of sample data is normal
- H_1: the distribution of sample data is not normal

If the significant level of Kolmogrov-Smirnov test is <0/05, it can be concluded that the distribution of data variable according to the central limit theorem has significant difference from normal distribution. According to Table 1, the significant level of each index is >0/05. Therefore, the distribution of data variables did not have significant difference with normal distribution and followed a normal distribution.

Confirmatory factor analysis of variables: In inferential statistics, before testing hypotheses, construct validity should be estimated using confirmatory factor analysis. Fitness test on confirmatory analysis and direction, RMSEA index or the square root of the variance estimation error of approximation was <8% x^2/df index was <3 and GFH, CFL, IFI, NNF (are above 90%). The amount of t-value of each variable is >1/96 and <1/96. Model has a good fit or a reasonable approximation of the society. Because the output of the software in this section is used

without change in order to recognize the abbreviations, Table 2 shows the abbreviations of the latent and observed variables.

Hypothesis testing using structured linear relationship: After determining the measurement models to evaluate the conceptual model and becoming ensure of the presence or absence of a causal relationship between variables and also checking the fitness of the observed data with the conceptual model, research hypotheses were tested using structural equation modeling. The results of testing hypotheses are shown in Fig. 2.

As was confirmed in the last section because the distribution was normal (the results of Kolmogrov-Smirnov test), correlation of variables was tested using Lisrel software (Fig. 3). To explore the causal relationship between independent and dependent variables and confirmation of the model, path analysis was used. In this study, path analysis was performed using the LISREL8.8 Software. The results of the LISREL output showed that the ratio of Chi-square to degrees of freedom was less than three and confirmed other fit indices. Table 3 shows the significant ratio and the results of hypotheses briefly.

In Table 3, for each standardized regression coefficients there is a significant level. Significant level outside the range of ±96/1 shows a meaningful route (i.e., p<0/05). Based on this measure, sale ethical behavior is not a significant predictor for customer satisfaction (0/11) and since this amount, according to the above explanation is within the range of ±1/96, the first hypothesis is not confirmed. Moreover, sale ethical behavior (4/48) and customer satisfaction (3/04) are significant predictors of customer trust and because these amounts are outside the range of ±1/96, the second and third hypotheses are confirmed. In addition, customer satisfaction (16/90) and customer trust (5/90) are significant predictors of customer loyalty and because these amounts are outside the range of ±1/96, the fourth and fifth hypotheses are confirmed.

Table 1: The results of Kolmogorov-Smirnov test for variables

Variables	Seller behavior with customer	Customer trust	Customer satisfaction	Customer loyalty
Number	447	447	447	447
Normal parameters				
Mean	2/882	2/843	2/846	2/795
Standard deviation	0/495	0/661	0/691	0/624
Maximum difference				
Exact	0/054	0/061	0/058	0/047
Positive	0/054	0/053	0/058	0/044
Negative	- 0/049	- 0/061	- 0/045	- 0/047
Z statistics	1/148	1/293	1/230	1/000
Significant level	0/143	0/071	0/097	0/271

Table 2: A guide to the abbreviation of the model variables

Index	Question	Abbreviation sign
Seller behavior toward customer	1-9	Behavior
Customer trust	10-16	Trust
Customer satisfaction	17-22	Satisfy
Customer loyalty	23-31	Constant

Table 3: Significant ratio and results of hypothesis

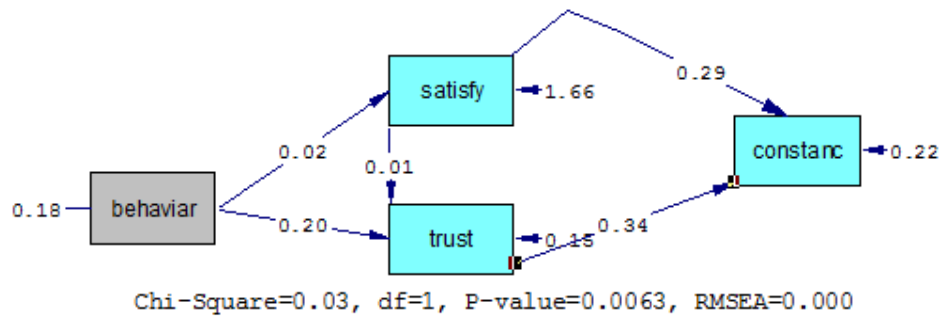| Hypotheses	Standard	Significance	Result
Sale ethical behavior has an effect on customer satisfaction	0/02	0/11	Rejected
Sale ethical behavior has an effect on customer trust	0/20	4/48	Confirmed
Customer satisfaction has an effect on customer trust	0/01	3/04	Confirmed
Customer satisfaction has an effect on customer loyalty	0/29	16/90	Confirmed
Customer trust has an effect on customer loyalty	0/34	5/90	Confirmed

Chi-Square=0.03, df=1, P-value=0.0063, RMSEA=0.000

Fig. 2: Measurement of the overall model and the results of hypotheses in standard mode
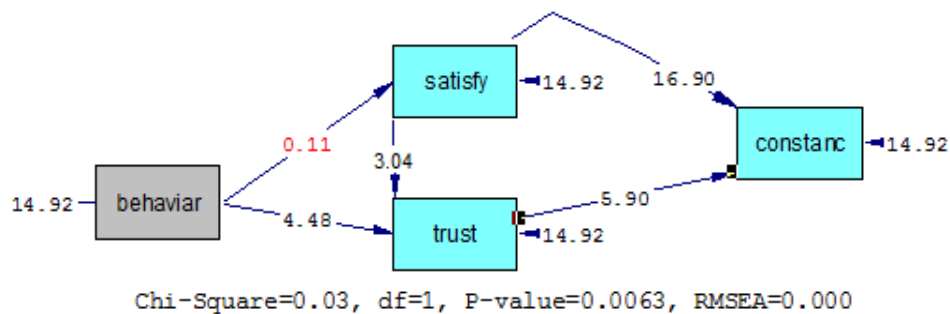

Chi-Square=0.03, df=1, P-value=0.0063, RMSEA=0.000

Fig. 3: Measurement of the overall model and the results of hypotheses in significant mode

CONCLUSION

In this study, using the Kolmogorov-Smirnov test, the distribution (data) was found to be normal. The results of the research hypotheses are as follows: hypothesis 1 argued that there is a significant relationship between sale ethical behavior and customer satisfaction in Iran insurance company of Fars province. According to the

results of structural equation modeling, Pearson coefficient between the sale ethical behavior and customer satisfaction in Iran insurance company of Fars province was 0/02 because the significant value is 0/11 (<1/96), hypothesis 1 is rejected. This means that there is no significant relationship between sale ethical behavior and customer satisfaction in Iran insurance company of Fars province and the increase of sale ethical behavior does not lead to increase of customer satisfaction in Iran insurance company of Fars province. This finding is in contrast with the findings by Pezhman *et al.* (2013), Senobar and Rahimnia (2014), Vazifehdoost and Memarian (2014). Hypothesis 2 stated that there is a significant relationship between sale ethical behavior and customer trust in Iran insurance company of Fars province. According to the results of structural equation modeling, Pearson coefficient between the sale ethical behavior and customer satisfaction in Iran insurance company of Fars province was 0/20 because the significant value was 4/48 (>1/96), hypothesis 2 was confirmed. This means that there is a significant relationship between sale ethical behavior and customer satisfaction in Iran insurance company of Fars province, thus, the increase of sale ethical behavior leads to customer satisfaction in Iran insurance company of Fars province. This result is in line with the findings by Abasnejad *et al.* (2011). Hypothesis 3 stated that there is a significant relationship between customer satisfaction and custome trust in Iran insurance company of Fars province. According to the results of structural equation modeling, pearson coefficient between customer satisfaction and customer trust in Iran insurance company of Fars province was 0/01 because the significant value was 3/04 (>1/96), hypothesis 3 was confirmed. This means that there is a significant, positive and direct relationship between customer satisfaction and customer trust in Iran insurance company of Fars province; therefore, the increase of customer satisfaction leads to the increase of customer trust in Iran insurance company of Fars province. This finding is consistent with the findings by Pezhman *et al.* (2013), Abasnejad *et al.* (2011). Hypothesis 4 stated that there is a significant relationship between customer satisfaction and customer loyalty in Iran insurance company of Fars province. According to the results of structural equation modeling, pearson coefficient between customer satisfaction and customer loyalty in Iran insurance company of Fars province was 0/29 because the significant value was 16/90 (>1/96), hypothesis 4 was confirmed that is there is a positive, direct and significant relationship between customer satisfaction and customer loyalty in Iran insurance company of Fars province. Thus, the increase of customer satisfaction causes the increase of customer loyalty in Iran insurance company of Fars province. This finding is in line with the findings by Minkyoung *et al.*

(2015), Lenka *et al.* (2019), Pezhman *et al.* (2013) and Abasnejad *et al.* (2011). Hypothesis 5 stated that there is a significant relationship between customer trust and customer loyalty in Iran insurance company of Fars province. According to the results of structural equation modeling, Pearson coefficient between customer trust and customer loyalty in Iran insurance company of Fars province was 0/34 because the significant value was 5/90 (>1/96), hypothesis 5 was confirmed; that is there is a significant, positive and direct relationship between customer trust and customer loyalty in Iran insurance company of Fars province and the increase of customer trust leads to the increase of customer loyalty in Iran insurance company of Fars province. This finding is consistent with the findings by Frank *et al.* (2014) and Pezhman *et al.* (2013).

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