

How e-Commerce Web Quality and Customer Experiences Can Take the Online Purchase Intention Up? Case Study: e-Commerce of General Insurance Product

¹Muhtosim Arief, ²Brata Wibawa Djojo and ¹Henry Purnomo

¹Kusuma Negara111 Business School/ STIE Kusuma Negara, Jakarta, Indonesia,

²Bina Nusantara University, 11480 Jakarta, Indonesia,

Abstract: Companies need innovation to keep the existence and business sustainability in long term. One of the innovation way was using technology as well as e-Commerce to achieve the company goals. But, how e-Commerce can make customers to take an online purchase intention up to company goals? The purpose of this research is to find out the relationship of e-Commerce web quality and customer experiences to online purchase intention of general insurance agent e-Commerce web. It might create customer interest to buy insurance online through e-Commerce quality and customer experiences. The research used primary data by spreading the questionnaires to 100 respondents who lived in Jakarta. The analysis method used Component Based Structural Equation Modeling (CB-SEM) or Partial Least Square (PLS) by WarpPLS Software Version 3.0. The results obtained e-Commerce to take up a purchase insurance online, easily accessible, including claims service so the agent can expand the business by eliminating geographical restrictions.

Key words: e-Commerce quality, customer experiences, online purchase intention, general insurance, customers

INTRODUCTION

Nowadays, technology supports the main aspect of business since its existence removed the boundaries between countries in terms of the flow of information. One of technology application to support the business is e-Commerce whereas it assists customers to make a transaction. A business sector that is using e-Commerce to do the business transaction is in general insurance business such as purchasing and selling, product exchange, service or information through internet (Turban *et al.*, 2012). Furthermore, e-Commerce can be applied in insurance industry also whereas the potential market as a multibillion industry (Grossman *et al.*, 2004). The insurance companies can offer financial service such as health and life insurance to property and casualty as well as asset management. The growth of the insurance industry over the years continued to rise shown by the data of the Insurance Market Outlook by MunichRe. The figures showed the growth projection of insurance premium volume in property and casualty insurance and life insurance from 2015-2025. In the both Fig. 1, Indonesia was the biggest market in top 15 markets. This is certainly a tremendous opportunity for insurance companies those exist in Indonesia. The profile of Indonesian insurance industry 2015 consisted of 54 life insurance companies with gross written premium income as much as IDR 102,421 Billion and 84 general insurance companies and 5 reinsurers with gross premium income as much as IDR 57,612 billion (IFSA, 2016a, b) whereas the most

insurance selling transaction was applying conventional method such as face to face and following by email or phone contact. In spite of this, a concept to apply e-Commerce development in insurance might make a beneficial for the insurers and the insured further. But how could it take an online purchase intention as well as conventional method? Therefore, it is crucial to evaluate the concept of online purchase intention in this study. In order to trigger customer online purchase intention, insurance company has to explore the impact of e-Commerce quality and customer experiences on the customer online purchase intention.

Literature review

e-Service quality: Basically, e-Service quality was an improvement of service quality concept that using electronic media. It was developed to evaluate the service provided on internet basis that facilitate shopping activities, purchasing and distribution effectively and efficiently (Chase *et al.*, 2006). Ho and Lee (2007) said that there were four dimensions of e-Service quality. They are: information quality whereas the information provided on the website is the main component of perceived service quality, including accuracy, timeliness, accuracy, relevance, reliability and completeness; Security, that is concerned to how a proven trustworthy website for customer online. It refers to customer privacy that is important in online transaction. It is also the important dimension in terms of quality of service and satisfaction in online transactions; Customer relationship can be

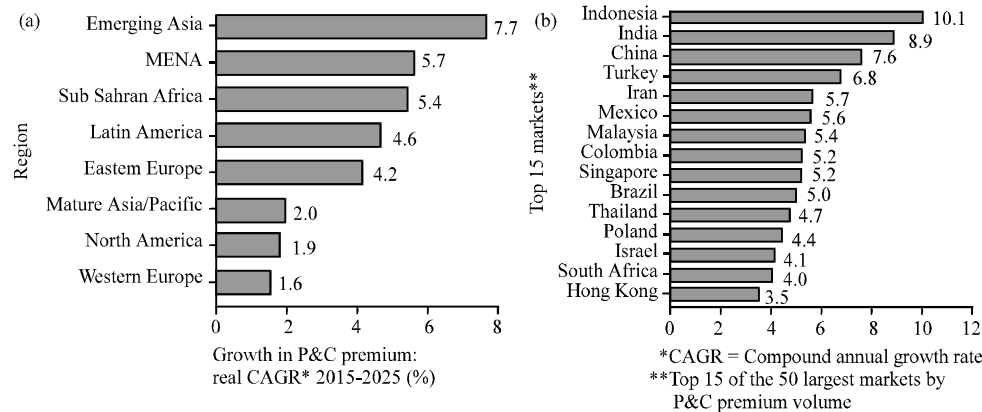


Fig. 1: The projection of premium growth in property and casualty insurance 2015-2025; Munich Re Company (2015)

developed through interaction with an online community that allows users to participate, learn and interact online. The relationship of people and information can be developed by virtual community; Responsiveness and fulfillment, whereas responsiveness was measured by the timeliness of the website to respond to the customer in an online environment, such as how to answer questions from customers quickly and efficiently, how the needs and complaints of customers can be responded properly. In the other hand, fulfillment refers to a website's success in delivering products or services including the ability to correct errors that occurred during the transaction process.

Customer experience: Customer experience is a multi concept. Gentile *et al.* (2007) said "Customer experience comes from a set of relationships between a customer and an item or service, a company, or part of its company, which cause a response. This experience is stringently personal and indicates the consumer engagement at different amounts (rational, emotional, sensorial, physical and spiritual)". Moreover, customer experience occurs when a customer has any sensation or knowledge acquisition from some level of interaction with different elements of a context created by the service provider (Gupta and Vajic, 1999). Then, there are three dimensions of customer experience those could be used in the study, sensory experience, emotional experience and social experience (Schmitt, 1999). Helson (1964) and Ling *et al.* (2010) argued that there are three aspects of individual's response to a judgmental task which are sum of the individual's past experiences, context or background and stimulus. In the other hand, web shopping is a relatively new model for the most customers, online purchases are still perceived as riskier than conventional ones (Laroche *et al.*, 2005). Therefore, web-shopping consumers will

depend heavily on experience quality in which the experience quality can be obtained only through prior purchase experience (Ling, *et al.*, 2010). According to Elliot and Fowell (2000), customer experience in Internet triggers the growth of Internet shopping. The other hand, Shim and Drake (1990) argued that customers with strong online purchase intention in web shopping usually had prior purchase experiences that assisted in reducing their uncertainties. Therefore, customers will only purchase product from the Internet after they have already experienced them. In additional, customers who had prior online purchase experience will be more likely to purchase through online than those who lack such experience. Moreover, Seckler (2000) in Ling *et al.* (2010) explained this phenomenon that as individual gain experience with web-shopping, perhaps with the first small purchases they will be more likely to develop confidence and skills that facilitate more ambitious buying through the Internet.

Online purchase intention: Purchase intention itself can be classified as one of the components of consumer cognitive behavior on how an individual intends to buy a specific product of brand (Laroche *et al.*, 1996; Madiawati and Pradana, 2016) because intention was the motivation factors those influence behaviors to achieve the goals (Ajzen, 1991). Online purchase intention was one of the intensive research areas in the current study whenever online business was being popular. Customers will determine the strength of their intention to carry out a specified purchasing behavior in web-shopping online (Salisbury *et al.*, 2001) such as the process of information retrieval, information transfer and product purchase are taken place (Pavlou, 2003). The information retrieval and exchange steps are regarded as intentions to use a web site; however, product purchase was more applicable to an intention to handle a web-site (Pavlou, 2003). Refer to

the theory of reasoned action, it suggested that consumer behavior could be predicted from intentions that related to action directly (Ajzen and Fishbein, 1980). Furthermore, according to Day (1969), the intentional measurement might be more effective than behavioral measurement in terms of customer's mind capturing, because customer might make purchases due to constraints instead of real preference when purchase was being considered.

Hypotheses: Based on discussion in theoretical foundation, it has led to a brief examination of the existing literature and the development of the hypotheses in this research. They are:

- H₁: e-Service quality is positively related to online purchase intention
- H₂: Customer experience is positively related to online purchase intention
- H₃: there is a positive relationship between e-Service quality and online purchase intention that is mediated by customer experience

MATERILAS AND METHODS

Research design: The kind of study was a descriptive research that was concerned with determining the characteristic and population by data collection and data processing (Hair *et al.*, 2006) or focus on the question of what who when where or how many (Cooper and Schindler, 2003) which was this study determining the customer purchase intention to consideration factors of specific e-Service website. The time dimension of this study was cross-sectional whereas the questionnaire forms were distributed only once in certain period (Cooper and Schindler, 2003), on February to March 2016. The questionnaire was designed on ordinal scale. Respondents were asked to indicate their preference of 5 numbers of Likert scale, from 1 as a worse or un-preferable option to 5 as the best or preferable option. The study used survey data gathered from sample of 98 respondents who already have insurance policies, those data came from the questionnaires sent to 150 respondents. The primer data were analyzed using PLS method those could give a theory prediction and theory confirmation (Ghozali, 2011). The software used was SmartPLS Version 3.0.

Construct: The variable of e-Service quality was adapted from Ho and Lee (2007) with the indicators of information quality, data security, customer relationship, responsiveness and fullfilment. The indicators of the variable of Customer Experience were happy, relax, contented, satisfied, hopeful, finding a sense of belonging, positioning social status, promoting social status, getting recognize, arousing sensation, bringing

Table 1: R² and R² adjusted test

Variables	R ²	R ² Adjusted
Customer experience	0.437	0.431
Online purchase intention	0.059	0.039

Table 2: Path coefficient

	Cust-Exp	Online-uc-nt	e-ServQual
Cust-Exp		0.281	
Online-Puc-Int			
e-ServQual	0.661	-0.065	

interest, attractiveness, being worthwhile (Yang and He, 2011; Nasermoadeli *et al.*, 2013; Kuo and Chen, 2015). For variable of online purchase intention, there were three indicators used: willingness to buy immediately, buy in the near future, recommend others to buy, buy for others (Jalilvand and Samiedi, 2012).

Data analysis:

Outer model evaluation: This evaluation will measure the validity and reliability of research model (Ghozali, 2011) with some approachments: Convergent validity, the evaluation used AVE (Average Variance Extract) parameter. The model would be valid if AVE value of construct > 0.5. At the figure, all constructs had fulfill the convergent validity whereas customer experience had 0.503, online purchase intention had 0.560 and e-Service Quality had 0.663. Composite Reliability (CR), the evaluation through comparative with CR Value > 0.7. The result of CR measurement is shown in Fig. 2. All constructs are reliable whereas customer experience had 0.910, online purchase intention had 0.833 and e-Service quality had 0.907. Inner model evaluation (Structural Model). This evaluation will predict the relationship among latent variable (Ghozali, 2011) that was evaluated by reviewing the variance percentage of R² for latent endogen. It would describe the substantive relationship of latent exogen variable to latent endogen variable. Refer to Table 1, the output of R² test described that e-Service Quality will contribute to customer experience as much as 43.7% and the rest was contributed by others. Moreover, only 5.9% of online purchase intention was contributed by e-Service quality and the rest was contributed by others. Path coefficient evaluation path coefficient (Table 2) was used to describe direct relationship between construct. The table said that direct relationship between customer experience to online purchase intention was 0.281, e-Service quality to customer experience was 0.661 and e-Service quality to online purchase intention was negatif 0.066 whereas the better e-Service quality was distributed to the customers, the lower the online purchase intention. It might be happened in general insurance product buying because customers had already satisfy to e-Service quality, so they did not need to make extra effort to open website or do online to buy the general insurance product.

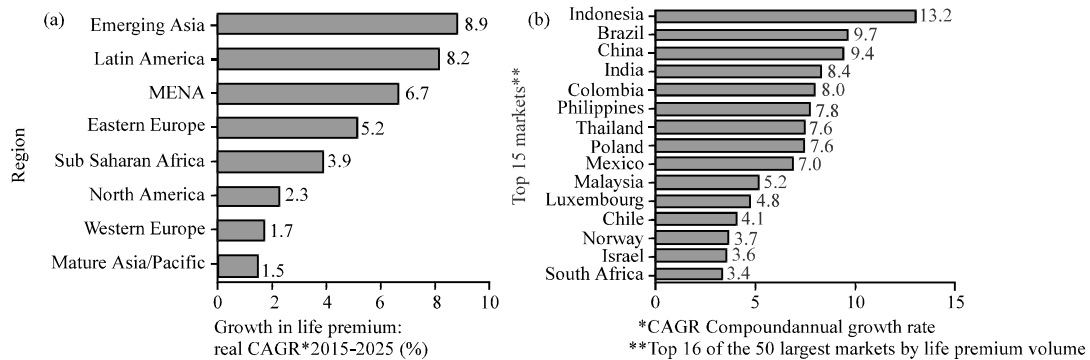


Fig. 2: The projection of premium growth in life insurance 2015-2025; Munich Re Company (2015)

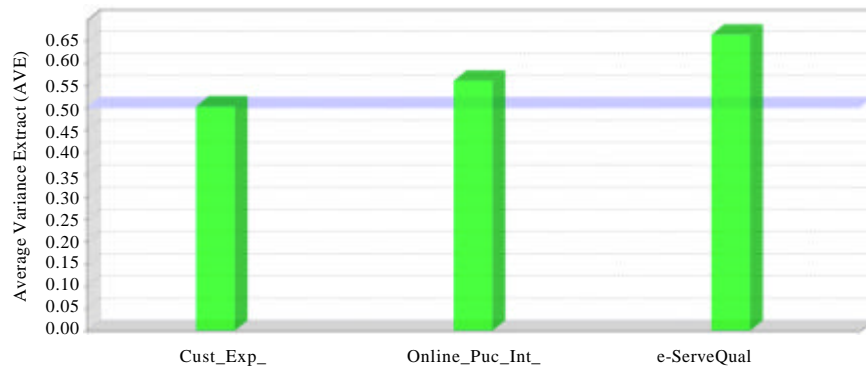


Fig. 3: Average Variance Extract (AVE)

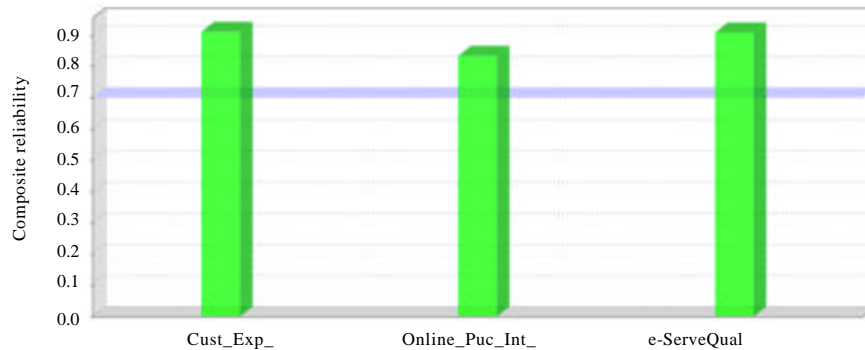


Fig. 4: Composite reliability

RESULTS AND DISCUSSION

Based on measurement of validity and reliability test, the research model was modified by running SmartPLS software. Furthermore, the result will be described as follows:

- The e-Service quality will perform better if focus on how to respond the customer well and fast, do a customer relationship properly, give a guaranteed data security, can fulfill the customer needs and wants, can provide the information with good quality
- Several factors of getting sensational service, interest to the product, having a hopeful, finding a sense of belonging, getting recognize, getting satisfied, having a positioning in social status, attractive, happy and being worthwhile will make customer got a rich experiences
- The factors that would increase the online purchase intention are because of the customer wants to recommend to others, will buy the product immediately want to buy the others and buy in the future (Fig. 3-5)

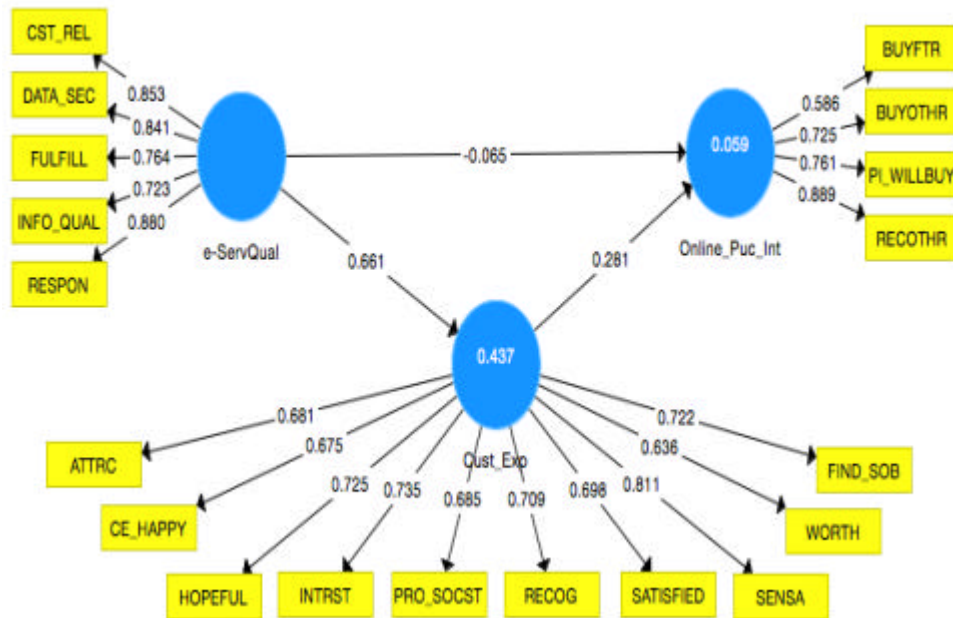


Fig. 5: Research model using PLS-SEM

CONCLUSION

In reviewing the result, it becomes clear that e-Service quality have to make a fast and good response, whilst do a good customer relationship and guarantee the data security. If those factors could be fulfilled so the online purchase web will not be needed anymore because there is no intention of customer at all. So that is why the relationship between e-Service quality and online purchase intention is contradictive. But at vice versa, if the e-Service did not give the best quality to the customers, they will do a purchase by online via insurance website or mobile application. In some event, e-Service quality should be a significant relationship factor to customer experience. The customers could get a sensational service, interest to the product, have a hopeful and have a sense of belonging because of the quality of e-Service was very good.

Finally, e-Service quality would make a positive relationship to online purchase intention if it was mediated by customer experience. With good response and sensational experience they got they would try the new activity to do online and intent to make purchase on insurance web or application. However, in situation of general insurance product was needed, this study did not evaluate the understanding and knowledge in terms of customer insight of trust and product itself, like product added value. Therefore, the further study could be added by trust factor that might contribute the strongest factor to customer purchase intention (Kim *et al.*, 2005),

especially in service industry, such as general insurance industry. It might be contributed by the other factors those were not discussed in this study. Moreover, it would be more explored in the further study, more emphasizing the added value that would be offered to customer (Stern and El-Ansary, 1992).

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