

Buying decision in the marketing of *Sharia* life insurance (evidence from Indonesia)

370

Received 10 February 2017
Revised 23 July 2017
Accepted 13 September 2017

Amron and Usman

*Faculty of Economics and Business, Dian Nuswantoro University,
Semarang, Indonesia, and*

Ali Mursid

*Department of Business Administration, National Dong Hwa University,
Hualien, Taiwan*

Abstract

Purpose – The purpose of this study is to examine the effect of satisfaction (SAT) and trust (TRS) on word of mouth (WOM) and buying decision (BD) for *Sharia* life insurance in the Muslim society of Indonesia.

Design/methodology/approach – The research design was taken from 386 Muslim customers who held *Sharia* life insurance policies using the approach of purposive sampling in four cities in Indonesia, namely, Jakarta, Surabaya, Makassar and Medan. The hypothesis testing used structural equation modeling.

Findings – The research results show SAT and TRS have effects on WOM. Moreover, WOM has a significant effect on the BD of the customers of the *Sharia* life insurance product.

Research limitations/implications – This study focused only BD of customers who bought *Sharia* life insurance products, so the results cannot be generalized to other types of *Sharia* insurance. Therefore, future research could consider other *Sharia* insurance products, such as *Sharia* general insurance.

Practical implications – In relation to the testing of SAT and TRS on WOM, this study examined the influence of the two variables on WOM and BD. This study can serve as reference for *Sharia* life insurance companies when formulating promotion strategy.

Originality/value – This study justified the strong association between SAT and TRS for WOM and BD in *Sharia* life insurance in an integrated way.

Keywords Word of mouth, Trust, Satisfaction, Buying decision, *Sharia* life insurance

Paper type Research paper

Introduction

Indonesia, the country with the largest Muslim population in the world, started its *Sharia* insurance industry in 1994 with the time of the establishment of PT. Syariah Takaful Indonesia (Takaful Indonesia). Takaful Indonesia further established two subsidiaries, PT. Asuransi Takaful Keluarga and PT. Asuransi Takaful Umum, each of which engages in *Sharia* life insurance and *Sharia* general insurance. By 2010, there were 37 companies engaged in the *Sharia* insurance business, and 20 of them are life *Sharia* insurance companies. The number continued to increase up to 53 companies in 2015, of which 24 were *Sharia* life insurance companies (AASI, 2015). The number of companies also falls in line with the development of acquisition premiums. In 2011, insurance *Sharia* premiums in Indonesia stood at US\$382m and increased to US\$807m in the next four years. This is equivalent to 6.55 per cent of the total national premium (AASI, 2015).



Although the growth was quite good, the level of participation of the Indonesian people in buying *Sharia* life insurance products was only 0.91 per cent (AASI, 2015). This is not proportional to the Muslim population of Indonesia, which reached 237,641,326, accounting for 87 per cent of the entire population of Indonesia (BPS, 2010). This fact shows that the potential of *Sharia* life insurance market is still very large. Moreover, some previous studies (Lewis, 2010; Khan and Bhatti, 2008; Husin *et al.*, 2016; Nasser and Muhammed, 2013) showed that the development of *Sharia* insurance in Indonesia was still far behind Malaysia, where the population and percentage of Muslims are not as big as in Indonesia. Hence, the factors that influence the BD of *Sharia* life insurance in Indonesia need to be investigated.

A huge market potential must be balanced with the onslaught of information conveyed to consumers (Lye *et al.*, 2005; Webster and Wind, 1972; Christodoulides *et al.*, 2012). Consumers who receive information well will decide to buy. According to Kim *et al.* (2011) and Christodoulides *et al.* (2012), a company can establish communications through several forms of media, such as TV, newspapers, magazines, online media and WOM. In many cases, WOM is more effective in influencing consumer decisions than other forms of media.

Studies of WOM associated with BD have been conducted with a variety of perspectives and approaches by Chen *et al.* (2013) and Woo *et al.* (2015), as well as in regard to *Sharia* insurance in particular, as conducted by Husin *et al.* (2016). However, in previous studies, SAT and TRS have not been considered as the antecedents to WOM that influence the BD of *Sharia* insurance products. The research results of Casalo *et al.* (2008) and Triantafyllidou and Siomkos (2014) revealed that SAT was associated with the WOM of banking services. Meanwhile, Terres *et al.* (2015) and Santos and Basso (2012) showed that TRS played a role in WOM. Thus, TRS should be considered as a predictor of WOM in research of BD. Therefore, this study analyzed the effects of SAT and TRS on WOM and their influence on the BD of the *Sharia* life insurance in Indonesia.

The research results are very useful for helping the development of the promotion strategies of *Sharia* life insurance companies in Indonesia, and they can also serve as a reference to marketers when analyzing the factors which are specifically able to attract consumers to decide to buy *Sharia* life insurance products. By recognizing the behavioral mapping of the Muslim population of Indonesia in making BD, the participation rate of the Muslim population in buying *Sharia* insurance products can be greatly increased.

Literature review

Sharia insurance

Islamic insurance or *Sharia* insurance is commonly referred to *ta'awun*, which means helping each other. It is called *ta'awun* because it is, in principle, based on *Sharia*, which is the mutual tolerance of human beings to build togetherness in relieving the disasters suffered by participants (Ismail and Ahmad, 2006). This principle is in accordance with the word of Allah in surah Al Maidah verse 2, which means: 'And help each other in goodness and piety, and do not help each other in sin and enmity.'

In Indonesia, *Sharia* insurance is also known as *takaful*. This word is derived from the word '*takafala-yatafakalu*', which means to guarantee or bear with one another. *Sharia* insurance or *takaful* within the meaning of *muamalah* means to bear the risk amongst people so that one person is responsible for other's risks (Mohamed and Nor, 2013; Ismail and Ahmad, 2006). Risk bearing is based on helping each other; this is embodied by giving the funds of *tabarru'* (social fund) for mutual interests (Mohamed and Nor, 2013; Ismail and Ahmad, 2006).

According to the Insurance Law of the Republic of Indonesia No. 40 of 2014, *Sharia* insurance is: [...] a group of agreements, which consist of the agreement between *Sharia*

insurance companies and policyholders and the agreement between policyholders in the management of contributions based on *Sharia* principles to help and protect each other.

In principle, *Sharia* insurance is an attempt among a number of people/parties to protect and help each other through investment in assets and/or funds (*tabarru'*) providing a pattern of returns to deal with certain risks through contract (engagement) in accordance with Islamic law (Choudhury and Harahap, 2009). Islamic *Sharia*, in this case, means that *Sharia* insurance is carried out with provisions that it should not contain forbidden things, such as uncertainties/ambiguities (*gharar*), gambling (*maysir*), interest (*riba*) and bribes (*risywah*) (Gustina and Nurdianawati, 2012; Trakic, 2013; Fithriah and Hanudin, 2011).

Akad (engagement) in *Sharia* insurance consists of two main concepts: *tabarru'* and *mudharabah*. *Tabarru'* is defined as a donation or contribution or a charity fund given and contributed sincerely by the participants of *Sharia* insurance if at any time it will be used to pay claims or other insurance benefits (Amin and Isa, 2008; Ismail and Ahmad, 2006; Kasim, 2012). With the funds of *tabarru'* from the participants of *Sharia* insurance, all funds for covering risk are collected by the participants themselves (Kasim, 2012). Thus, a *Sharia* insurance policy contract places the participants as parties to bear the risk (Trakic, 2013). Therefore, the funds collected and used by the participants should be managed in terms of both administration and investment. Then, the participants authorize the insurance company to act as the operator in charge of managing the funds properly. Thus, the position of the *Sharia* insurance company is only that of a manager or operator, not the owner of the funds (Kasim, 2012). As a manager or operator, an insurance company only manages participants' funds and cannot use the funds without receiving power from the participants. Thus, the elements of vagueness (*gharar*), gambling (*maysir*), interest (*riba*) and bribes (*risywah*) disappear (Choudhury and Harahap, 2009; Olson and Zoubi, 2008).

The concept of *mudharabah* is a kind of partnership contract between two or more people who require the owners of capital (insurance customers) to hand over a sum of money (premium) to the insurance company (*mudharib*) to be managed (Amin and Isa, 2008; Kasim, 2012). The funds collected by the insurance company are invested for profit. In turn, this profit is shared between insurance company and customers according to the percentage (*nisbah*) agreed upon at the beginning of the agreement (profit-sharing concept) (Amin and Isa, 2008). The concept of *mudharabah* has the consequence that the element of interest (*riba*) is lost, as this concept focuses on profit-sharing, not interest (*riba*) (Trakic, 2013; Ismail and Ahmad, 2006, Amin and Isa, 2008). Islam does not allow interest (*riba*) because it is *haram* (illegal) (Choudhury and Harahap, 2009).

Sharia insurance business consists of two types: *Sharia* life insurance and *Sharia* general insurance. *Sharia* life insurance is a type of insurance that covers the death or life of an insured person because of an accident or illness (Kasim, 2012; Husin *et al.*, 2016), and *Sharia* general insurance is a type of insurance that assures the effect of losses incurred from unexpected physical events, such as natural disasters, collision, theft and the like (Husin *et al.*, 2016).

BD and WOM marketing

Decision theory has developed rapidly in the fields of marketing, particularly to study the concept of individual decision-making in achieving a goal (Lye *et al.*, 2005; Webster and Wind, 1972). According to Lye *et al.* (2005), decision theory is divided into three main theories:

- (1) normative decision theory that explains decisions made for maximum utility;
- (2) behavioral decision theory examines rational decision making to understand decisions made to get maximum SAT; and

- (3) naturalistic decision theory that explains the decision made on the basis of natural resource settings and models.

This means that analysis is conducted because of the element of uncertainty in the decision-making process, for example, the uncertainty related to information obtained in the process of decision-making.

To get the optimum result of each theory, every decision-making process requires a decision strategy (Lye *et al.*, 2005; Webster and Wind, 1972; Borghini *et al.*, 2006). Decision strategy explains the basic concepts of decision-making, for example, decisions performed by consumers in buying goods or services (Lye *et al.*, 2005; Webster and Wind, 1972; Woo *et al.*, 2015; Johnston and Lewin, 1996). The concept of decision-making is a process of assessment and selection of various alternatives according to specific interests by setting an option that is considered the most profitable (Webster and Wind, 1972; Borghini *et al.*, 2006; Manjeshwar *et al.*, 2013). One of the steps in the assessment and selection that should be performed by buyers is finding accurate information before engaging in the purchase process (Borghini *et al.*, 2006; Woo *et al.*, 2015). The information collected is very important material when deciding whether the goods to be purchased are as expected by consumers (Webster and Wind, 1972; Woo *et al.*, 2015; Johnston and Lewin, 1996). Consumers need information not only to purchase goods in the category of high complexity buying but also the goods in the category of low complexity buying, for both routine and non-routine purchases (Brossard, 1998; Stenroos and Makkonen, 2014; Makkonen *et al.*, 2012).

For complex buying, consumers need information to identify and clarify the process of BD (Makkonen *et al.*, 2012). Consumers obtain information from various sources, from both personal experience and other consumers who have used the product (WOM), relatives, consultants, vendors, literature, TV commercials, radio, newspapers and magazines (Woo *et al.*, 2015; Stenroos and Makkonen, 2014). Consumers demand accurate information both online and offline; as such, it can be said that the search for information in the decision-making stage is a very important stage (Andersen and Sorensen, 1999; Borghini *et al.*, 2006). Christodoulides *et al.* (2012) examined the effect of WOM on BD among the citizens of the UK and China, and the results showed that WOM had a direct effect on BD. Chinese citizens were more vulnerable to electronic word-of-mouth (e-WOM), whereas UK citizens were more sensitive to negative e-WOM. Kim *et al.* (2011) found that in the search for information, WOM was the second most significant factor, behind only the internet, in influencing consumers to make buying decision.

Word of mouth

WOM is an informal nature of communication between consumers regarding the performance of a product or service (Anderson, 1998; Arndt, 1967; Dichter, 1966; Wee *et al.*, 1995). Consumers become aware of the existence of products through channels other than the marketing communications made by companies. Other sources of information, including word of mouth, arise outside company's official sources. Consumers learn about new products or brands from other customers in the community through experience, observation and when searching for information by asking other customers who know about and have used the product of interest (Schiffman and Kanuk, 1997; Day, 1971). Word of mouth is usually readily accepted by customers because the people who convey it, such as experts, friends, family and mass media publications, are trustworthy (Burnkrant and Cousineau, 1975; Hogan *et al.*, 2004). In addition, word of mouth is also quickly accepted as a reference because service customers usually have difficulty evaluating the services that have not been bought or encountered previously (Schiffman and Kanuk, 1997; Anderson, 1998; Wee *et al.*,

1995). The condition of the person delivering the message also affects the power of WOM communication. A trustworthy person who has used and has expertise or knowledge about a product will be more trusted by customers than those who do not (Bansal and Voyer, 2000; Smith *et al.*, 2005). Nowadays, e-WOM/mouse can be accessed quickly and easily through wikis (e.g. Wikipedia), social networking sites (e.g. Facebook) and podcasting (e.g. iTunes), as well as on websites allowing feedback (e.g. FanFiction.net) including blogs (e.g. MSN spaces), WA, Line and Instagram. Online media has become a reference for consumers when deciding to buy (Christodoulides *et al.*, 2012; Trusov *et al.*, 2009). e-WOM is part of WOM itself. However, e-WOM has both positive and negative influences on BD (Christodoulides *et al.*, 2012). Positive WOM is the process of delivering information by one individual to another individual based on positive experience and knowledge about a product, service or company. Conversely, negative WOM includes the same process but with negative content (Schiffman and Kanuk, 1997; Huang, *et al.*, 2011; Ranaweera and Menon, 2013; Christodoulides *et al.*, 2012).

In previous studies, such as of Husin *et al.* (2016), WOM has been represented as a reference of the agents and employees of a family *takaful* scheme to individuals of non-policyholders. Although the information was delivered from them, the immediate impact on buying decisions by non-policy owners was still distorted by the assumption of the prospective customer that the communication made by the agents and employees was indeed part of their jobs. Therefore, in this study, the agents of WOM are the individuals who have the experience using *Sharia* life insurance products. We believe that their impact on BD will be stronger.

Many previous studies have taken the variable of WOM as an important predictor of BD services (Chen *et al.*, 2013; Woo *et al.*, 2015). Chen *et al.* (2013) found that WOM has an elastic effect on the BD of insurance products compared to the purchase of products in the form of goods. The resulting elasticity value was 0.77, meaning that WOM had a positive effect on the BD of insurance when compared to physical products. The same results were shown by Woo *et al.* (2015). The results of their study showed that based on household income, WOM had a positive significant effect on the BD of life insurance policies. We suspect that positive WOM will be able to increase purchases of *Sharia* life insurance:

H1. WOM is positively associated with the BD of *Sharia* life insurance products.

SAT and WOM

SAT is the post-purchase assessment made by consumers comparing the quality of the product with consumer expectations (Kotler, 1991; Casalo *et al.*, 2008). SAT consists of two viewpoints: the satisfaction because of the economic side (e.g. discounts and volume) and the satisfaction because of psychological elements (e.g. good relationships between seller and buyer) (Geyskens *et al.*, 1999; Casalo *et al.*, 2008). Satisfaction in the service sector is defined as consumer feedback on the relationship between consumers and service providers as a whole (Casalo *et al.*, 2008).

Many studies have discussed the relationship between SAT and WOM in service industries. For example, Gounaris *et al.* (2010), Kau and Loh (2006) and Kassim and Abdullah (2010) showed the positive effect of SAT on WOM in consumers of online services. In the context of banking, Casalo *et al.* (2008) revealed that SAT has a positive significant effect on WOM. Similarly, a study conducted by Triantafillidou and Siomkos (2014) showed a positive significant relationship between SAT and WOM in entertainment industries such as cinema and music. Therefore, we suspect that, in the *Sharia* life insurance industry, SAT is associated positively with WOM:

- H2. SAT is positively associated with WOM in the purchase of *Sharia* life insurance products.

TRS and WOM

TRS here refers to the TRS of the consumer that the service provider will provide the services in accordance with the ones promised initially (Sirdeshmukh *et al.*, 2002; Oh *et al.*, 2012). TRS is a form of relationship between seller and buyer which eliminates uncertainty resulting from the sale and purchase (Soares *et al.*, 2012; Mayer *et al.*, 1995). TRS in the service business is influenced by several aspects, such as emotion, caring, effectiveness and competence (Johnson and Grayson, 2000; Mortazavi *et al.*, 2014; McAllister, 1995).

The effects of TRS on WOM in services sectors have been studied by previous studies. Kim and Song (2010), Mortazavi *et al.* (2014) and Shi and Chow (2015), respectively, studied the fields of online services, internet and social media commerce, showing that TRS is positively and directly associated with WOM. In the field of hospital services, Terres *et al.* (2015) proved that TRS has a positive effect on WOM. Similarly, Santos and Basso (2012) showed that TRS is also positively related to WOM. Based on these findings, we estimate that in the *Sharia* life insurance industry, TRS is positively associated with WOM:

- H3. TRS is positively associated with WOM in the buying of *Sharia* life insurance products.

Method

Measure development

The constructs of this study consisted of SAT, TRS, WOM and BD. For each construct, we used validated items from previous research, i.e. Chen *et al.* (2013), Woo *et al.* (2015), Casalo *et al.* (2008), Triantafyllidou and Siomkos (2014), Terres *et al.* (2015) and Santos and Basso (2012), to represent each construct. This also ensured the content validity of the instruments that we used. We modified the items as needed to be adapted to this study. Furthermore, we developed a self-administered questionnaire to measure the research variables and to collect demographic data, such as gender, age, education and the length of time holding a *Sharia* life insurance policy. All the items were measured using a numerical scale of 1 to 7; the lowest number (1) indicates the respondent strongly disagrees with the given statement, and the highest number (7) indicates the respondent strongly agrees with the given statement.

Data collection and sample

The research sample consisted of 21 to 55 years old Muslims who had been holders of a *Sharia* life insurance policy for at least one year. The survey was conducted in four major cities in Indonesia: Jakarta, Surabaya, Makassar and Medan. Hair *et al.* (2014) stated that the minimum sample size of 200 participants were required to estimate the parameter using maximum likelihood. Therefore, a total of 500 questionnaires were distributed to the respondents and 432 of them were returned back. After screening the data, only 386 could be used for the analysis, resulting in a response rate of 77 per cent. According to Babbie (2007), the response rate for analysis and reporting in social science research should at least 50 per cent. Thus, the response rate of 70 per cent obtained here is very good.

Sample demography

The sample consisted of 54 per cent females. In terms of the age of respondents, 10 per cent of them were between 21 and 30 years of age, 51 per cent were between 31 and 40 years, 26 per cent were between 41 and 50 years and the remaining 13 per cent were between 51 and 55 years; 71 per cent of the respondents were married, 15 per cent were not married and 14 per cent were divorced. Most respondents worked in the private sector, which accounted for 47 per cent; 34 per cent worked in the public sector; 9 per cent were self-employed; and the remaining 10 per cent worked in the informal sector and other fields.

Results and analysis*Instrument validation*

To ensure the construct validity, particularly the convergent validity, we conducted exploratory factor analysis using principal component analysis with the varimax rotation method. According to [Hair et al. \(2014\)](#), each measurement item must have a loading factor of at least 0.5, but ideally 0.7 or higher. As shown in [Table I](#), all items have a loading factor higher than 0.7. The results of the confirmatory factor analysis also show that the total loading factor is significant on the level of 0.01. This shows that convergent validity has been met.

Variables	Items	Description	Loading
Satisfaction (SAT)	SAT1	I think that I made the correct decision to use <i>Sharia</i> life insurance	0.79
	SAT2	The experience that I have had with the <i>Sharia</i> life insurance has been satisfactory	0.81
	SAT3	In general terms, I am satisfied with the <i>Sharia</i> life insurance transactions	0.81
	SAT4	In general, I am satisfied with the service I have received from the <i>Sharia</i> life insurance transactions	0.70
Trust (TRS)	TRS1	The premium and claim of the <i>Sharia</i> life insurance are right	0.78
	TRS2	The life <i>Sharia</i> insurance product can be trusted	0.77
	TRS3	The personnel of the <i>Sharia</i> life insurance company have integrity	0.75
	TRS4	The personnel of the <i>Sharia</i> life insurance company are trustworthy	0.77
Word of mouth (WOM)	WOM1	Would say positive things about the <i>Sharia</i> life insurance to Muslim people	0.81
	WOM2	Would say positive things about the <i>Sharia</i> life insurance to non-Muslim people	0.76
	WOM3	Would recommend the <i>Sharia</i> life insurance to someone who asked for your advice	0.77
	WOM4	Would encourage your friends and family to make business with the <i>Sharia</i> life insurance	0.77
Buying decision (BD)	BD1	I tend to buy <i>Sharia</i> life insurance transaction products without hesitation	0.72
	BD2	I tend to re-buy the same product in the future	0.80
	BD3	I tend to buy <i>Sharia</i> life insurance products more quickly than others	0.79
	BD4	My opinion tends to be influenced by others	0.80
	BD5	I tend to care about <i>Sharia</i> life insurance transactions when I buy things	0.84

Table I.
Exploratory factor analysis

Reliability

To demonstrate the internal consistency of the measurement items in measuring each latent construct, we used the reliability coefficient of Cronbach's alpha and average variance extracted (AVE). Each latent construct should at least have the statistics of Cronbach's alpha of 0.7 or higher, and AVE of 0.5 or higher (Hair *et al.*, 2014). As showed in Table II, Cronbach's alpha and CR results are greater than 0.7 and AVE is greater than 0.5 for the whole construct. This shows the reliability of the instruments and confirms convergent validity.

The discriminant validity can be demonstrated by comparing AVE for any two constructs with the square of the correlation estimate between these two constructs. AVE should be greater than the squared correlation estimate. Table II shows that no square of the correlation estimate between two constructs is greater than the AVE of the two constructs. Therefore, it can be stated that each set of indicators in each construct is able to distinguish itself with a collection of other indicators that measured different constructs.

Structural model

To evaluate the fit model, Hair *et al.* (2014) stated that at least one incremental index and one absolute index should be used, in addition to the χ^2 value and the associated degrees of freedom (df). Reporting the χ^2 value and df, the comparative fit index (CFI) or Tucker-Lewis index and the root mean square error approximation (RMSEA) will usually provide sufficient unique information. Table III shows that the comparison between the χ^2 of the df is smaller than 3:1. CFI is greater than 0.9, and RMSEA is much smaller than 0.08. All index values indicate that the model is a good fit.

The structural relation test results are presented in Table IV. It can be seen that all the hypotheses are statistically significant. BD is positively influenced by WOM ($\beta = 0.56$; $R^2 = 0.30$; $p < 0.001$) so that *H1* is accepted. Meanwhile, WOM is positively influenced by SAT ($\beta = 0.43$; $p < 0.001$) and TRS ($\beta = 0.31$; $p < 0.001$) so that *H2* and *H3* are both accepted. From Figure 1, we can see the estimated value of squared multiple correlations (R^2) in the relation of SAT and TRS to WOM of 0.43, which means 43 per cent of WOM variation can

Variables	No. of items	Cronbach's α	SAT	TRS	WOM	BD
SAT	4	0.84	0.56			
TERUS	4	0.83	0.22	0.54		
WOM	4	0.86	0.32	0.27	0.61	
BD	5	0.89	0.19	0.25	0.27	0.62

Table II.
Reliability and
discriminant validity

Notes: Main diagonals represent the AVE, while the off-diagonals represent the square of the correlation estimates between two constructs

GoF indices	Recommended value	Value
χ^2 /df	-	159.07; 115
χ^2 /df	<3.00	1.38
CFI	>0.90	0.98
RMSEA	<0.08	0.03

Table III.
Goodness-of-fit
evaluation

be explained by the two variables. On the other hand, WOM can explain 30 per cent ($R^2 = 0.30$) of a respondent's BD variation against *Sharia* life insurance products. This finding indicates that about 70 per cent of the BD of *Sharia* life insurance products were influenced by other factors not analyzed in this study.

Discussion

This study tried to examine the effect of SAT and TRS on WOM communication practices and BD of *Sharia* life insurance products. Overall, the study confirmed the existence of positive associations among SAT, TRS, WOM and BD for Muslim respondents. Thus, all the hypotheses (*H1*, *H2* and *H3*) are supported by the research findings. *H1* examined the association of WOM with the BD to buy *Sharia* life insurance. The results found that WOM had a positive and significant effect on the BD of *Sharia* life insurance. This is consistent with the findings of [Chen et al. \(2013\)](#) and [Woo et al. \(2015\)](#), which state that WOM has an association with BD in the service sector. The more positive the effect of WOM, the greater the possibility for customers to make the decision to buy *Sharia* life insurance. The characteristics of *Sharia* insurance that are free from the elements of *maysir*, *gharar*, *riba* and *risywah* should be communicated well. This positive WOM will be effective to enhance Muslim consumers market who considering the buying decision based on not only the commercial benefits but also the religious benefit ([Choudhury and Harahap, 2009](#)). The study findings reveal that *Sharia* insurance companies should pay attention to policies related to WOM when offering *Sharia* life insurance products. The criteria of *Sharia* compliance considering as the main priority to be implemented besides professional and commercial aspects such as payment of claim or quality of service. [Wilson and Rahman \(2015\)](#) argued that *Sharia* life insurance is a different insurance product, so the marketing should be combined Islamic and conventional methods. This is also in line with [Osman et al. \(2009\)](#) stated that marketers of *Sharia* products not only offering by promoting Islamic image only but also by good quality products and services.

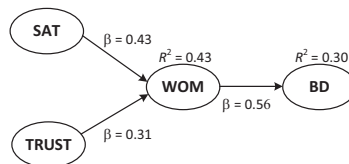
H2 and *H3* examined the associations of SAT and TRS with WOM. The results show that SAT and TRS have positive significant effects on WOM. This is in line with [Casalo et al. \(2008\)](#), [Triantafillidou and Siomkos \(2014\)](#), [Terres et al. \(2015\)](#) and [Santos and Basso \(2012\)](#), who recognized that SAT and TRS are associated with the WOM of services. In conventional insurance, customers will feel satisfied if the company can serve as the

Table IV.
Hypothesis testing
results

Hypothesis	Path	Estimate	Result
<i>H1</i>	WOM → BD	0.56***	Supported
<i>H2</i>	SAT → WOM	0.43***	Supported
<i>H3</i>	TRS → WOM	0.31***	Supported

Note: *** $p < 0.001$

Figure 1.
Structural model



customers expected. The appropriate amount of claim and on time payment (indemnity) significantly increase customer trust to the company. Moreover, in *Sharia* insurance customer satisfaction and customer trust should perform the above aspects, as well as the religious rules. The concept of *tabarru'*, for example, will cover customer satisfaction both material and spiritual benefits (Amin and Isa, 2008; Ismail and Ahmad, 2006; Kasim, 2012).

The results show that SAT and TRS played an important role along with the ongoing practice of WOM communication among the users of *Sharia* life insurance products. The higher the level of SAT in *Sharia* life insurance products and services, the greater their chances to deliver *Sharia* life insurance products and service information to other users or potential users. This also applied to TRS. The findings provide important insights for *Sharia* insurance companies. These companies should pay attention to the levels of SAT and TRS when offering *Sharia* life insurance products to customers.

The results provide clear evidence of the effects of SAT and TRS on WOM in the investigation of consumer BD for *Sharia* life insurance products. The squared multiple correlation (R^2) between WOM and BD is 0.30, and the R^2 between SAT and TRS on WOM is 0.43. These findings show that 30 per cent of BD variability can be explained by WOM in which 43 per cent of WOM variability is explained by SAT and TRS. We found that SAT and TRS as the forming constructs of WOM should always be included as the determinants for the concept of consumer BD for *Sharia* life insurance products in future studies. Although this study was limited to only analyzing the effects of SAT and TRS on WOM and BD, our method can be used as a firm foundation for developing a comprehensive model of the BD of *Sharia* life insurance products in future studies.

Theoretical and practical implications

This study provided a significant contribution to science. First, this study provided insight into the effects of SAT, TRS, and WOM in explaining customers' BD. Previous studies have not identified the effects of the two constructs of WOM and BD in the field of insurance financial services. Therefore, to explain the effects of these constructs in terms of customers, the findings of this study can help insurance companies develop *Sharia* life insurance products that can be well received by customers and provide insight into how to build effective promotions for service consumers. In addition, *Sharia* insurance company should articulate the religious motives of creating WOM besides the commercial one. Second, this study provided new insights into the role of WOM in forming the BD of service consumers. Previous empirical studies have focused on the WOM variable alone; therefore, this study contributes to science by describing the variables forming WOM in influencing BD, as well as showing the importance of both components in explaining BD in financial services.

This study offers interesting implications for *Sharia* life insurance companies, particularly the finding that WOM has a significant effect on BD for *Sharia* life insurance products. Therefore, *Sharia* insurance companies should encourage the formation of positive WOM among consumers to increase the number of sales of *Sharia* life insurance products. To do this, *Sharia* insurance marketers should concentrate on improving SAT and TRS among consumers. To promote the positive WOM for *Sharia* life insurance products, the company should convince to Muslim customers that *Sharia* principles have been adopted in the procedure of claim and premise payment, or other service facilities. This will positively affect BD and, thus, increase the sales of *Sharia* life insurance products.

Consumers who have a satisfying experience with the services of *Sharia* will spread positive WOM about *Sharia* life insurance products and will share useful and positive information with other prospective customers. Furthermore, satisfied consumers will

believe in *Sharia* services, spread a positive image of *Sharia* life insurance in the minds of consumers and motivate them to always be faithful when buying *Sharia* life insurance products. This can be effectively achieved through issuance policy service and punctual payment of claims in appropriate amounts, as well as by providing agile skillful and honest staff to help customers and guarantee that the products have been fulfilled *Sharia* principles.

Limitations and future research

This study had the limitations that we only considered two factors that affect WOM. These may not be the only factors that affect BD for *Sharia* life insurance products. Future research is expected to incorporate other factors that influence WOM, such as promotional media both online and offline. Another limitation is that we focused only on BD of customers who bought *Sharia* life insurance products, so the results cannot be generalized to other types of *Sharia* insurance. Therefore, future research could consider other *Sharia* insurance products, such as *Sharia* general insurance.

References

- AASI (2015), *Indonesia Sharia Insurance Association Sharia Insurance Business Data*, available at: www.aasi.or.id/main/data-bisnis-2015 (accessed 22 December 2015).
- Amin, M. and Isa, Z. (2008), "An examination of the relationship between service quality perception and customer satisfaction", *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 1 No. 3, pp. 191-209.
- Anderson, E.W. (1998), "Customer satisfaction and word-of-mouth", *Journal of Service Research*, Vol. 1 No. 1, pp. 1-14.
- Andersen, P.H. and Sorensen, H.B. (1999), "Reputational information: its role in interorganizational collaboration", *Corporate Reputation Review*, Vol. 2 No. 3, pp. 215-230.
- Arndt, J. (1967), "Word-of-mouth advertising and of informal communication", in Cox, F.. (Ed.), *Risk Taking and Information Handling in Consumer Behaviour*, Harvard University Press, Cambridge, MA, pp. 188-239.
- Bansal, H.S. and Voyer, P.A. (2000), "Word-of-mouth processes within a services purchase decision context", *Journal of Service Research*, Vol. 3 No. 2, pp. 166-177.
- Babbie, E. (2007), *The Practice of Social Research*, Wadsworth, Belmont, CA.
- Borghini, S., Golfetto, F. and Rinallo, D. (2006), "Ongoing search among industrial buyers", *Journal of Business Research*, Vol. 59 Nos 10/11, pp. 1151-1159.
- BPS (2010), Indonesia Central Bureau of Statistics, *Nationality, Etnis, Religion, and Local Language of Indonesian People*, available at: www.bps.go.id/index.php/publikasi/719 (accessed 4 December 2015).
- Brossard, H.L. (1998), "Information sources used by an organization during a complex decision process: an exploratory study", *Industrial Marketing Management*, Vol. 27 No. 1, pp. 41-50.
- Burnkrant, R.E. and Cousineau, A. (1975), "Informational and normative social influence on buyer behavior", *Journal of Consumer Research*, Vol. 2 No. 3, pp. 206-215.
- Casalo, L.V., Flavian, C. and Guinaliu, M. (2008), "The role of satisfaction and website usability in developing customer loyalty and positive word-of-mouth in the e-banking services", *International Journal of Bank Marketing*, Vol. 26 No. 6, pp. 399-417.
- Chen, Y., Liu, F., Fang, C.H. and Lin, T.M.Y. (2013), "Understanding the effectiveness of word-of-mouth: an elasticity perspective", *Journal of Research in Interactive Marketing*, Vol. 7 No. 1, pp. 57-77.
- Choudhury, M.A. and Harahap, S.S. (2009), "Complementing community, business and microenterprise by the Islamic epistemological methodology", *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 2 No. 2, pp. 139-159.

- Christodoulides, G., Michaelidou, N. and Argyriou, E. (2012), "Cross-national differences in e-WOM influence", *European Journal of Marketing*, Vol. 46 Nos 11/12, pp. 1689-1707.
- Day, G.S. (1971), "Attitude change media and word of mouth", *Journal of Advertising Research*, Vol. 11 No. 6, pp. 31-40.
- Dichter, E. (1966), "How word-of-mouth advertising works", *Harvard Business Review*, Vol. 44 No. 6, pp. 147-166.
- Fithriah, A.R. and Hanudin, A. (2011), "Determinants of Islamic insurance acceptance: an empirical analysis", *International Journal of Business and Society*, Vol. 12 No. 2, pp. 37-54.
- Geyskens, I., Steenkamp, J. and Kumar, N. (1999), "A Meta-analysis of satisfaction in marketing channel relationships", *Journal of Marketing Research*, Vol. 36 No. 2, pp. 223-238.
- Gounaris, S., Dimitriadis, S. and Stathakopoulos, V. (2010), "An examination of the effects of service quality and satisfaction on customers' behavioral intentions in e-shopping", *Journal of Services Marketing*, Vol. 24 No. 2, pp. 142-156.
- Gustina and Nurdianawati, I.A. (2012), "Analysis of demand for family Takaful and life insurance: a comparative study in Malaysia", *Journal of Islamic Economics, Banking and Finance*, Vol. 8 No. 4, pp. 67-86.
- Hair, J.F., Jr, Black, W.C., Babin, B.J., Anderson, R.E. and Tatham, R. (2014), *Multivariate Data Analysis*, 7th ed., Pearson Education Ltd, Essex.
- Hogan, J.E., Lemon, K.N. and Libai, B. (2004), "Quantifying the ripple: word-of-mouth and advertising strategies of competing durable good producers", *Marketing Science*, Vol. 7 No. 4, pp. 356-367.
- Huang, M., Cai, F., Tsang, A.S.L. and Zhou, N. (2011), "Making your online voice loud: the critical role of WOM information", *European Journal of Marketing*, Vol. 45 Nos 7/8, pp. 1277-1297.
- Husin, M.M., Ismail, N. and Rahman, A.A. (2016), "The roles of mass media, word of mouth and subjective norm in family Takaful purchase intention", *Journal of Islamic Marketing*, Vol. 7 No. 1, pp. 59-73.
- Ismail, A.G.B. and Ahmad, I.B. (2006), "Does the Islamic financial system design matter?", *Humanomics*, Vol. 22 No. 1, pp. 5-16.
- Johnson, D.S. and Grayson, K. (2000), "Sources and dimensions of trust in service relationships", in Swartz, T.A. and Iacobucci, D. (Eds), *Handbook of Services Marketing & Management*, Sage Publications, Thousand Oaks, CA, pp. 357-370.
- Johnston, W.J. and Lewin, J.E. (1996), "Organizational buying behavior: toward an integrative framework", *Journal of Business Research*, Vol. 35 No. 1, pp. 1-15.
- Kasim, N.A.A. (2012), "Disclosure of Shariah compliance by Malaysian Takaful companies", *Journal of Islamic Accounting and Business Research*, Vol. 3 No. 1, pp. 20-38.
- Kassim, N. and Abdullah, N.A. (2010), "The effect of perceived service quality dimensions on customer satisfaction, trust, and loyalty in e-commerce settings", *Asia Pacific Journal of Marketing and Logistics*, Vol. 22 No. 3, pp. 351-371.
- Kau, A.K. and Loh, E.W.Y. (2006), "The effects of service recovery on consumer satisfaction: a comparison between complainants and non-complainants", *Journal of Services Marketing*, Vol. 20 No. 2, pp. 101-111.
- Khan, M.M.M. and Bhatti, M.I. (2008), "Islamic banking and finance: on its way to globalization", *Managerial Finance*, Vol. 34 No. 10, pp. 708-725.
- Kim, H. and Song, J. (2010), "The quality of word-of-mouth in the online shopping mall", *Journal of Research in Interactive Marketing*, Vol. 4 No. 4, pp. 376-390.
- Kim, W., Benedetto, C.A.D. and Lancioni, R.A. (2011), "The effects of country and gender differences on consumer innovativeness and decision processes in a highly globalized high-tech product market", *Asia Pacific Journal of Marketing and Logistics*, Vol. 23 No. 5, pp. 714-744.
- Kotler, P. (1991), *Marketing Management-Analysis, Planning, Implementation and Control*, 7th ed., Prentice-Hall, Englewood Cliffs, NJ.

- Lewis, M.K. (2010), "Accentuating the positive: governance of Islamic investment funds", *Journal of Islamic Accounting and Business Research*, Vol. 1 No. 1, pp. 42-59.
- Lye, A., Shao, W., Thiele, R.S. and Fausnaugh, C. (2005), "Decision waves: consumer decisions in today's complex world", *European Journal of Marketing*, Vol. 39 Nos 1/2, pp. 216-230.
- McAllister, D.J. (1995), "Affect and cognition-based trust as foundations for interpersonal cooperation in organizations", *Academy of Management Journal*, Vol. 38 No. 1, pp. 24-59.
- Makkonen, H., Olkkonen, R. and Halinen, A. (2012), "Organizational buying as muddling through: a practicetheory approach", *Journal of Business Research*, Vol. 65 No. 6, pp. 773-780.
- Manjeshwar, S., Sternquist, B. and Good, L.K. (2013), "Decision making of retail buyers: erspectives from China and India", *Qualitative Market Research: An International Journal*, Vol. 16 No. 1, pp. 38-52.
- Mayer, R.C., Davis, J.H. and Schoorman, F.D. (1995), "An integrative model of organizational trust", *Academy of Management Review*, Vol. 20 No. 3, pp. 709-734.
- Mohamed, S. and Nor, A.S. (2013), "Determinants of demand on family Takaful in Malaysia", *Journal of Islamic Accounting and Business Research*, Vol. 4 No. 1, pp. 26-50.
- Mortazavi, M., Esfidani, M.R. and Barzoki, A.S. (2014), "Influencing VSN users' purchase intentions", *Journal of Research in Interactive Marketing*, Vol. 8 No. 2, pp. 102-123.
- Nasser, S.A.S.A. and Muhammed, D.D.J. (2013), "Introduction to history of Islamic banking in Malaysia", *Humanomics*, Vol. 29 No. 2, pp. 80-87.
- Oh, J.C., Yoon, S.J. and Park, B.I. (2012), "A structural approach to examine the quality attributes of e-shopping malls using the Kano model", *Asia Pacific Journal of Marketing and Logistics*, Vol. 24 No. 2, pp. 305-327.
- Olson, D. and Zoubi, T.A. (2008), "Using accounting ratios to distinguish between Islamic and conventional banks in the GCC region", *The International Journal of Accounting*, Vol. 43 No. 1, pp. 45-65.
- Osman, I., Ali, H., Zainuddin, A., Rashid, W.E.W. and Jusoff, K. (2009), "Customers satisfaction in Malaysian Islamic banking", *International Journal of Economics and Finance*, Vol. 1 No. 1, pp. 197-202.
- Ranaweera, C. and Menon, K. (2013), "For better or for worse?", *European Journal of Marketing*, Vol. 47 No. 10, pp. 1598-1621.
- Santos, C.P.D. and Basso, K. (2012), "Do ongoing relationships buffer the effects of service recovery on customers' trust and loyalty?", *International Journal of Bank Marketing*, Vol. 30 No. 3, pp. 168-192.
- Schiffman, L.G. and Kanuk, L.L. (1997), *Consumer Behaviour*, 6th ed., Prentice-Hall, Upper Saddle River, NJ.
- Shi, S. and Chow, W.S. (2015), "Trust development and transfer in social commerce: prior experience as moderator", *Industrial Management & Data Systems*, Vol. 115 No. 7, pp. 1182-1203.
- Sirdeshmukh, D., Singh, J. and Sabol, B. (2002), "Consumer trust, value, and loyalty in relational exchanges", *Journal of Marketing*, Vol. 66 No. 1, pp. 15-37.
- Smith, D., Menon, S. and Sivakumar, K. (2005), "Online peer and editorial recommendations, trust, and choice in virtual markets", *Journal of Interactive Marketing*, Vol. 19 No. 3, pp. 15-37.
- Soares, A.M., Pinho, J.C. and Nobre, H. (2012), "From social to marketing interactions: the role of social networks", *Journal of Transnational Management*, Vol. 17 No. 1, pp. 45-62.
- Stenroos, L.A. and Makkonen, H.S. (2014), "Industrial buyers' use of references, word-of-mouth and reputation in complex buying situation", *Journal of Business & Industrial Marketing*, Vol. 29 No. 4, pp. 344-352.
- Terres, M.D.S., Santos, C.P.D. and Basso, K. (2015), "Antecedents of the client's trust in low-versus highconsequence decisions", *Journal of Services Marketing*, Vol. 29 No. 1, pp. 26-37.
- Trakic, A. (2013), "The adjudication of Shari'ah issues in Islamic financial contracts", *Humanomics*, Vol. 29 No. 4, pp. 260-275.

- Triantafyllidou, A. and Siomkos, G. (2014), "Consumption experience outcomes: satisfaction, nostalgia intensity, word-of-mouth communication and behavioural intentions", *Journal of Consumer Marketing*, Vol. 31 Nos 6/7, pp. 526-540.
- Trusov, M., Bucklin, R.E. and Pauwels, K. (2009), "Effects of word-of-mouth versus traditional marketing: findings from an internet social networking site", *Journal of Marketing*, Vol. 73 No. 5, pp. 90-102.
- Webster, F.E. and Wind, Y. (1972), *Organizational Buying Behavior*, Prentice Hall, Englewood Cliffs, NJ.
- Wee, C.H., Lim, S.L. and Lwin, M. (1995), "Word-of-mouth communication in Singapore: with focus on effects of message-sidedness, source, and user-type", *Asia Pacific Journal of Marketing and Logistics*, Vol. 7 Nos 1/2, pp. 5-36.
- Wilson, J.A.J. and Rahman, Z.A. (2015), "Islam perspectives on risk and insurance marketing", in Harrison, T. and Estelami, H. (Eds), *The Routledge Companion to Financial Services Marketing*, Routledge, New York, NY.
- Woo, J., Ahn, J., Lee, J. and Koo, Y. (2015), "Media channels and consumer purchasing decisions", *Industrial Management & Data Systems*, Vol. 115 No. 8, pp. 1510-1528.

About the authors

Amron is an Associate Professor at Dian Nuswantoro University Semarang, and he currently serves as the Chairman of the Master Program of Management. He is also one of the administrators of the Indonesian Insurance Management Expert Association (AAMAI). He graduated from the Doctoral Program (S3) at Hasanuddin University. He previously participated in the Post-Doctoral Program at Flinders University of South Australia (Flinders Partner). His focus of research is in the field of marketing, including consumer behavior, service and insurance. His journals have been published in international journals such as the *International Journal of Applied Business and Economic Research* (Scopus Indexed) and *International Business Management* (Scopus Indexed). Amron is the corresponding author and can be contacted at: amrofe2013@gmail.com

Usman, MT is a Phd Candidate in Department of Islamic Studies, majoring in *Sharia Economic*, Sunan Kalijaga Islamic State University. He is a Lecturer in Management Department of Dian Nuswantoro University, Semarang. He was born in Semarang, on April 24, 1970. He expertizes in Islamic Industrial Management. His journals have been published in international journals such as the *International Journal of Applied Business and Economic Research* (Scopus Indexed).

Ali Mursid is a Phd Candidate in Department of Business Administration majoring in Service Marketing, National Dong Hwa University, Taiwan. He has participated in international conference and published some articles in reputable journals. Currently, his research interest focuses on service marketing, tourism, Islamic marketing and halal tourism.

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgrouppublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com

Reproduced with permission of copyright owner. Further reproduction prohibited without permission.