The Relationship between Price, Service Quality and Agent (Wakalah) Towards the Customer Satisfaction among Takaful Participant in Malaysia.

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INTRODUCTION

Takaful word derived from the Arabic word “Kafalah” which means joint guarantee, whereby a group of participants agrees to jointly guarantee among themselves against a defined loss. Each participant under Takaful fulfills his/her obligation by contributing a certain amount of donation which called as Tabarru’ into the fund and it will be managed by a third party which is the takaful operator (Bank Negara Malaysia, 2016).

The history of Takaful are still ambiguous and from previous study, it is said that some form of insurance and mutual help scheme have been practiced by the tribal Arab since the pre-Islamic period, which was later approved by the Prophet (pbuh) (Jaffer, Ismail, Noor, & Unwin, 2010) while some previous study stated that it was first established in the early second century when the Muslims Arab started their journey to the India, and other countries in Asia. It was a preparation to face any misfortune or mishap along the uncertain roads and seaways and all dealers are agreed to help each other by contributing a certain amount of fund before they begin their journey (Abu Hassan, Wan Jusoh, & Hamid, 2014).

In Islam, mutual help and cooperation are a good and noble action and the fund collective action is to cushion each individual member of that community against accident or loss which impacts may be troublesome, or even devastating if the singular burden were not spread across the entire group (Clark Fisher, 2013). The concept later was copied by the Europe in developing the marine insurance (Abu Hassan et al., 2014).

Tabarru’ is the concept used in Takaful and it means a gift or a contribution which the customer agreed to relinquish a certain amount of the contribution into the Takaful fund and it will be used to help other Takaful customer who faces difficulties.

In Takaful it used a Murabahah/Wakalah. Murabahah system is a type of “trust sale” contract under Shariah in the purchaser relies upon the integrity of the seller to acquire the desired Shariah compliant asset at a reasonable cost (Bank Negara Malaysia, 2013). Wakalah in Takaful means the participant appoint the Takaful operator and the agent to manage the fund on behalf of him in an activity within the Shariah rules and the Takaful operator can earn a fee for services rendered (varied based on performance) (Bank Negara Malaysia, 2013; Mohd Noor, Suliaman, Anas, & Zulkipli, 2014).

Takaful concept and conventional insurance are different. The operator is playing as a fund manager for the participant which the risk will be distributed among the participants who agreed to jointly assume the risk (Mushtaq Hussain & Tisman Pasha, 2011) while in conventional insurance, it is a contract between two parties, whereby the first party agrees to
undertake the risk of another party in exchange of premium and the other party promises to pay fixed sum of money to the first party on the happening of an uncertain event within a specific duration (Mushtaq Hussain & Tisman Pasha, 2011).

**Development of Takaful In Malaysia:**

The development of Takaful in Malaysia in early 1980’s was inspired by the need of the Muslim consumer for a Shariah-compliant insurance as alternatives from the conventional insurance and it is a result by the decision from the Malaysia National Fatwa Committee announcement that conventional insurance is forbidden to enroll by Muslim customer as it involve Gharar (uncertainty), Riba (usury) and Maisir (gambling) (Bank Negara Malaysia, 2016).

A Special Task Force was established by the Government in 1982 to study the viability of the setting up of an Islamic insurance company and this body had recommended the government to come out with a Takaful act. The Takaful Act 1984 has been introduced and all Takaful companies were subsequently incorporated under The Takaful Act 1984 (Bank Negara Malaysia, 2014; Muhamad & Alwi, 2015). Since started Takaful also has gone through a variety of transformation and innovation in their product and services, it can be offered in other different names such as Islamic insurance, Halal insurance, ethical insurance, Islamic mutual insurance, co-operative insurance and community insurance (Noordin, Muwazir, & Madun, 2013). This industry has attracted a number of local and foreign Takaful providers into Malaysia market. Started at only one Takaful operator, now there are 16 Takaful companies registered in Malaysia (Ernst & Young, 2013).

The growth of Takaful industry in Malaysia is considered slower but steady and Bank Negara Malaysia do give a great effort to strengthen and support Takaful industry by creating a better financial infrastructure and effort to create a conducive environment for Takaful industry to flourish. The chairman of the Malaysian Takaful Association, Ahmad Rizlan Azman inform that there are only about 4 million customers and the Shariah- compliant industry is aiming for a 25 percent of market share compared to 14 percent at the end of 2014 (Chew, 2015). This represents a large untapped potential market industry in Malaysia.

**Significant of the study:**

Takaful industry is similar with the conventional industry as they are also business entities. They need to earn a profit by following Sharia laws as it is important for their business survival and to compete with the others well establish insurance companies which in reality, it is not easy to achieve both objectives ultimately (Janjua & Akmal, 2014). Takaful operator must play an important role and efforts in remain competitive and to survive in the market by focusing on a suitable marketing strategy.

A good marketing strategy will attract the target market to enroll in Takaful and will also decrease the number of participant surrenders their enrollment in Takaful. It will not just benefit the current Muslim customer only but it will also attract the new prospect and also the non-Muslim customer to choose Takaful instead of conventional insurance. Based on a report by (Ernst & Young, 2014) the first business risk in Takaful is competition. Takaful operator need to make sure that the participants are satisfied with the service to receive as refer to one of the previous study, it show that in Malaysia consumer either Muslim or non-Muslim may buy the service regardless of their religious beliefs, whereas the non-Muslim consumers in some other countries are reluctant to accept or use the services (Mawoli Abu Bakar & Abdulsalam, 2012; Muhamad & Alwi, 2015). This is an opportunity for the Malaysia Takaful operator to widen their target market while retaining its existing participant.

A western study on customer behavior, shows that 68% of customers leave because of the treatment they received and 14% because of they do not satisfy with the product and service receive (Linda Oien, 2015). Studied also show that a satisfied customer will share their experience with other people by spreading a good word-of-mouth, this lowers the cost of attracting new customers and the firm’s overall reputation while the dissatisfied customer naturally has the opposite effect (W.Anderson, Fornell, & T. Rust, 1997).

The development of the framework in this study will examine the link between the three variable and customer satisfaction in the Malaysia Takaful industry. It will help the Takaful operator in Malaysia to understand and to find the best strategy that will increase their customer satisfaction, retain their customer and put Takaful at par with the conventional insurance. As a business entity, Takaful operator needs to make some profit too to keep on survive in the market.

**Problem Statement:**

The majority of the previous researchers in Malaysia are more interested in investigating on the demand, awareness and participation of consumer in Takaful. There is a limited research on the marketing perspective of Takaful industry in Malaysia and it is not much as compared to the conventional sector (Che Mohd Salleh, Iwani Abdullah, & Salwani Razali, 2013; Juliana Arifin, Ahmad Shukri, & Zunaidah Sulong, 2013). Therefore, this study is to contribute to the extend knowledge in the literature on Takaful industry in Malaysia by focusing in customer satisfaction.

Furthermore, a number of participants especially in Family Takaful who surrenders were increasing in the year of 2006. The figure keeps on increasing in
2010 which is about 139,021 customers decided to surrender from their Takaful scheme and it was 81.5% increase from 2009 (Che Mohd Salleh et al., 2013). The number of policy termination (excluding maturity and death) also show inconsistencies as the highest is on year of 2012, which is 270,406 of certificate termination were recorded (Bank Negara Malaysia, 2016). This can be argued those Takaful operators are facing a problem of retaining its existing customer.

To seek for the answer, a review of existing literature is conducted to gather information and researcher also decided to adapt a western study and another study on Islamic financial institution (including Islamic banking) to the current study.

**Literature Review:**

Customer satisfaction has been received a considerable interest in recent years and it is one of the most popular research topic in marketing (Gandhi & Kang, 2009; Patterson & Spreng, 1997). This is because every business and marketing activities are evolved around it. Questions on how to provide the best to customers, how to attract customers and how to win customers are some examples of information that every entrepreneur desire to know. All of these are related to customer satisfaction.

Customer satisfaction is recommended as a core idea for the success of a business and many antecedents of customer satisfaction have been described in the literature and long been a study in consumer research (Anderson & Sullivan, 1993; Saeed, Niazi, Abdullah, Arif, & Jehan, 2011). It has been found to exhibit a strong influence on intent to re-purchase and it is described as a key to customer retention as satisfied customer stays loyal and it drives profitability and growth (Gandhi & Kang, 2009). Customer satisfaction is one of the important factors that leads to the company future profit, as satisfied customer are less likely to switch to other company and they make more purchase than similar non loyal customers (Bowen & Chen, 2001). By increasing the customer satisfaction level, it will help to retain the existing customer as the cost of acquiring the new customer is five times more than to retain the existing customer (Abu Hassan et al., 2014).

Previous literature on satisfaction relied mainly on the Cognitive Dissonance Theory. According to the theory, customer satisfaction is believed to result from a process of a customer comparing his/her expectations and perceptions of performance; the confirmation or disconfirmation of those expectations then predicts satisfaction. This theory is the most extensively accepted theory and has been applied by many researchers and marketers (Kim, Vogt, & Knutson, 2015).

**Service Quality:**

Service quality is important for any entrepreneur or an organization that either involves in a profit oriented activities or not. Service quality focusing on a product and services to attract and retain the existing customer, as this is a strategic requirement in highly competitive business environments which by giving the superior service quality it will help to increase the market share and the profits of the organization (Islam, Ahmed, & Abdul Razak, 2015).

SERVQUAL has attracted considerable number of attention and used by researcher to study on various service industries. It is being used in measuring a service quality in the banking industry, in the car service industry and also in medical services (Farah, 2011). The model of SERVQUAL examines five dimensions consists of tangible, reliability, responsiveness, empathy and assurance. Tangible is an appearance of physical facilities, equipment, personnel and communication materials. Reliability is an ability to perform promised service dependably and accurately. Empathy is the ability to identify, understand and respond appropriately to customer’s emotional state before, during and after the transaction. Assurance is knowledge and courtesy of employees and their ability to convey trust and confidence (Gandhi & Kang, 2009).

Customer retention is a direct result of customer satisfaction and satisfaction is significantly influenced by the assessment of services delivered to the customers (Farah, 2011).

**Price:**

Prices are the amount of money that being the charge (or in exchange) for a product or services (Kotler & Keller, 2012; Lew & Sulaiman, 2014). The level of acceptance for the customer to buy the product can thus be defined as the maximum price which a buyer is ready to pay for the product (Saeed et al., 2011).

In Takaful, the price of the service and product also plays an important part in the decision of enrollment and the post purchase too as customers are willing to pay for product or services receive because they purchase the service or product to satisfy his/her need or to solve the problem they have. In insurance or Takaful, from previous research, the indicator of price in life insurance is not available in the most studies as it is difficult to determine the price of insurance with various customized nature of policies (Outreville, 1996; Saeed et al., 2011; Ward & Zurbruegg, 2000).

If after the enrollment of the policy the participant finds out that the price he/she paid is not up to the service and product they expected to receive then it will cause dissatisfaction. Higher the satisfaction level of a customer satisfaction higher will be the willingness to pay more prices (Saeed et al., 2011).

**Agent/Wakalah:**
Agent is the representative of the company and acts as a middle person in between the participant and the company. Agent is appointed by a Takaful operator that will help to promote and share the product of the company. They are responsible in influencing the customer or the prospect customer to purchase the product. Agent at the same time will receive an amount of commission or fee based on their performance as per agreed in between the participant and agent during akad (oath).

The fees are charge as a fixed amount or percentage or based on the agreed ratio on the agreement profits (Arifin, Yazid, & Hussin, 2014). In Takaful, the agent is known as Wakalah, Wakalah model is a form of relationship between the Takaful operator and the participant (Arifin et al., 2014; Bashir & Hj Mail, 2011). In Takaful, it is revealed that customer or participant are more interested in using a Wakalah or agent in dealing with the Takaful company and it help to generate greater benefits to Takaful operators while not causing any harm to customers (Arifin et al., 2014).

However, there are some arguments about Wakalah or agent in Takaful, as it contributes towards customer decision to withdraw from Takaful. Some participant seems to have a problem with agent or Wakalah. This might happened because the agents might be insufficiently servicing their customers by failing to fulfill their responsibility, provide wrong information to the customer, no after sale services and poor relationship with customers.

**Decision-Making Process:**

Post purchase behavior is the last step in a consumer decision-making process.

![Fig. 1: The Consumer Decision Process](image)

The first step for a customer to make a decision either to participate or not in insurance or Takaful, he/she needs to identify what is the need & problem that he/she faces. For example, if the people do has a family history of a critical disease, then he/she might be looking for a coverage that gives a higher benefit on that part. If the customer has a higher commitment then he/she might look for higher life coverage. For Muslim customer, Shariah compliance is the best criteria in making a decision. It is a step where the customers need to identify what is the need for it. Then it will go to the next step of getting information on what is the company in the industry, package that is able to provide with the need and financial budget and start to evaluate all the alternatives. The most that can satisfy the need will be purchase. It might sound easy but in decision process, all the step play an important role for the customer to get the best of what he/she need and also as a strategy for the marketer or the company to plan what is the best marketing strategy on each step of the process.

Insurance or Takaful is a high involvement product, as it need a lot of commitment from the customer not just before the purchase (information search, knowledge and alternative) but also after the purchase, especially on financial. Decisions about insurance are among the most difficult ones that consumers face since they require individualized predictions about the likelihood and magnitude of highly unlikely and largely unfamiliar future events (Ulbinaitė & Kučinskenė, 2013). Insurance services are both difficult to sell for the provider and also difficult to purchase for consumer as consumers are faced with difficulties in understanding risks in properly evaluating their extent, frequency and probabilities, in correctly interpreting them, in choosing and evaluating service price, quality and benefits in comparing different services provided in the markets (Ulbinaitė & Kučinskenė, 2013).

**Post-Purchase Behaviour (Cognitive-Dissonance Theory):**

The final stage in the consumer decision making is the post-purchase behavior. This is the stage when the customer started to re-thinking back about the decision that has been made. After all the process of recognizing one need, evaluation of alternative and decision making, there will be a certain perception or standard that the customer have established in their mind about the product or services that they already purchased. This is because the customer already goes through a process of evaluating certain alternatives and lead to why they make the decision so they do
will establish a certain values or perception about the selected one in their mind.

The chosen one is normally perceived as the best quality or services than others. But if none of the alternative or the perception or values meets it, then it will create a cognitive dissonance. Cognitive dissonance is a theory by Leon Festinger and known as the theory of Festinger (1957). Cognitive dissonance refers to a situation involving conflicting attitudes, beliefs or behaviors. This produces a feeling of discomfort which leading to an alteration in one of the attitudes, beliefs or behaviors to reduce the discomfort and restore balance etc. (McLeod, 1998). It is an unmatched expectancy, which it creates a state of dissonance or “psychological discomfort” because the outcomes conflict with the original concerns. It is a post-purchase cognitive dissonance/dissonance and it is most likely to occur among individuals with a tendency to experience anxiety, after an irrevocable purchase, when the purchase was important to the consumer, and when it involved a difficult choice between two or more alternatives (Mosala, 2007).

In a Takaful or insurance situation, it is important for the operator or the agent to take care of the customer that already purchase the service and persuade the customer that they are making a right choice and the product is what they need. After purchasing the product, the buyer will experience some level of satisfaction or dissatisfaction and that is why a marketer should not end their job once the product has been bought, but continues into the post-purchase period which a marketer must monitor post-purchase satisfaction, post-purchase actions and cognitive dissonance (Mosala, 2007).

The future behavior of the customer or the buyer is depending on either he/she is satisfied or dissatisfied with the purchase or not. If satisfied, the buyer will decide to purchase the product again and recommend it to others while the dissatisfied buyer will respond differently which they may stop using the product, return it, or take some form of public action. This theory is relevant with Takaful situation is. As a Takaful operator should not ignore their customer after the purchase is done because when the customer feels abandoned, the cognitive dissonance will surface and they will either stop using the product or service and the worst part is they will spread a bad word of mouth to others potential customer. Some more in today market situation which is the competition is high, customer also have a better option and knowledge and the probability the customer to stop with the service is higher.

Customer today are looking for the best deal, something that worth the price they paid, worth the effort they spend in making a decision and worth to be committed for. In the case of poor post-purchase service especially in Takaful for surely customer will feel unsatisfied/dissonance and start to look for other option and alternatives. They will start to consider either to continue or to switch to other brand or alternative or discontinued to use it.

**Fig. 2: Post-Purchase Consumer Behaviour**

The development of propose conceptual framework is based on the review of the previous literature on customer satisfaction on the various service sector, conventional insurance, and other literature related to Islamic financial, Islamic banking and also Takaful itself.

The proposed framework featured three behaviors that would affect the customer satisfaction among Takaful holder. These variables are service quality, price and agent/Wakalah.
Fig. 3: Proposed conceptual framework

Conclusion:
Marketing strategy is important in the Takaful industry to help it able to compete and to develop at par or better than the conventional insurance in the world and especially in Malaysia. Nowadays, customers are looking forward to the best deal of service and a good post-purchase relationship. This study is sought to come up with a conceptual model by identifying a set of determining factor that would contribute to the customer satisfaction in Takaful industry in Malaysia. Further empirical study is therefore needed to examine whether all these factors do contribute significantly to the customer satisfaction in Takaful or not.

Based on the existing literature, positive relationships between all of the proposed factors and customer satisfaction are expected. Limitation on the previous study on the same topic of customer satisfaction in Takaful industry in Malaysia, had led to some difficulties for authors to get extra information to support the proposed model.

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