The Motivation of Surabaya Society on Saving Money in Unit Link Assurance Account In PT Prudential Life Assurance

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Abstract-
Bangkrutakibatbiayarumahsakitmenjadipertimbanganpentinguntukmenjagakestabilan perekonomian Indonesia.Jurnalinimenekankanpadamotivasiuntukmenabung di produkasuransi unit link dari PT Prudential Life Assurance.Tujuanutamadarijurnaliniadalahuntukmencarimotivasiterhadapprodukasuransi di Indonesia mengingatakanrendahnyapersentasepenggunaasuransi. Informasi yang didapat, dianalisaberdasarkan*Vroom's expectancy theory*denganmenggunakantigaelemen yang membentuksebuahmotivasi.Hasildarijurnalinimenunjukanadanyaperbedaanpersepsian taraduagenerasi yang berbedaberdasarkanumurterhadapprodukasuransi.Hasil yang dicapaidapatdigunakansebagairekomendasidanmembantuagen-agendari PT Prudential Life Assurance untukmeningkatkanmotivasimasyarakat Indonesia untukberasuransi
*Kata Kunci***:**Motivasi, PerilakuKonsumen, Asuransi, AsuransiJiwa, Prudential

Abstract- Personal bankruptcy due to health costs is the concern of Indonesia Government to make sustainable economic condition. This paper emphasizes on the motivation on saving money in insurance products from PT Prudential Life Assurance. The purpose of this study is to identify the people's motivation toward insurance products in Indonesia due to low penetration of insurance market. Informations from field are analyzed based on Vroom's expectancy theory to break down the human motivation into three elements. The result shows different perceptions between different generations that lead their motivation toward insurance products. The knowledge from this paper serves as the recommendation and help agents from PT Prudential Life Assurance to enhance Indonesian's motivation on insurance products.
*Keywords***:** Motivation, Consumer Behavior, Insurance, Life Insurance, Prudential

INTRODUCTION

Indonesia economic condition is on a good shape with a stable economic growth at 5.9% on average. This stable condition is supported by high consumption of Indonesians which contribute 55% of GDP. Especially when the income level was shifted to middle income level, as the food expenditure is fall, the consumption on

other goods is arise (Verma, Hertel, and Preckel, 2011). However, personal bankruptcy becomes the consideration of economic as well since it could increases number of poverty. One of the reason people went bankruptcy is caused by the health costs which barely can be burden by family with middle income level. The costs of critical illness such as cancer, heart disease, or stroke are above Rp 100 million, whereas the income per capita of Indonesians is around Rp 30 million a year. Even though health costs become the problem, life insurance penetration is still low compared to Malaysia. It is noted that only 7% of total population have covered by insurance.

One of the biggest insurance companies in Indonesia, PT Prudential Life Assurance also faces this problem to penetrate the market. Even though Prudential was the initiator of unit link products which are the combination of life insurance and investment, Prudential only gets 0.6% of total population in Indonesia. Considering there is a necessity of life insurance products, people seem to have lack of motivation. Especially in Surabaya where the regional GDP is similar with Jakarta, people tend to be less insurance-minded compared to Jakarta. Therefore, it is important to conduct a research to improve the penetration of insurance products in Surabaya and help to prevent poverty in Indonesia by identifying people's motivation toward insurance products.

Consumer behavior has commonly analyzed to see the pattern of what they really need or want. By having better understanding about consumer behavior, an effective marketing strategy can be developed (Boonlertvanich, 2009).Motivation is part of consumer behavior which influences them internally. Based on Durmaz and Ibrahim (2011), motivation refers to the processes that trigger people to behave as they do, which means it is important to understand people's motive to identify their behavior because by knowing their motivation, a proper marketing strategy can be developed to emerge consumer motivation. Moreover, since motivation comes from the inside of consumers, the process itself occurs in their mind. In this case, cognitive side, which is goal oriented mindset, is involved. Cognitive approach leads consumers decision making based on knowledge, perception, and the needs to be

fulfilled (Zanoli and Naspetti, 2002).Therefore, when there is a need to be fulfilled, actually, motivation will emerge and drive people to fulfill what they needs.

Motivation theory has been developed since long time ago. One of motivation theory is Vroom's expectancy theory which using cognitive approach to identify human motivation. The expectancy theory is a concept related to how people will be motivated to act a certain activity based on expectation. Vroom' expectancy theory identified the people's effort is depending on their expectation regarding to the reward of the effort (Johnson, 2010).Regarding to those statement about expectancy theory, it means that higher the expectation of the benefit gotten, more effort will be given, and results a better motivation.

The expectancy theory is constructed through three elements which are expectancy, instrumentality and valence. Those elements generate value in respect of people expectation toward the probability of the rewards that might be gotten. Each values of those three elements will be combined which resulting the value of motivation. Expectancy variable represents the estimation of the effort given will result expected performance (Murphy, Dacin and Ford, 2004). Expectancy ranges from 0 to 1, where 0 represents there are no chance of the effort will lead to expected performance level, and 1 represents the confidence of achieving expected performance level.

The other component is instrumentality which is the human perception related to what the specific performance should be achieved in order to get the reward. Murphy, Dacin and Ford (2004) identify instrumentality as individual's expectation of good performance will give better rewards. There are instrumental range from 0 which indicates the certainty to get the outcome without having a specific performance first, and 1 value which indicates a certain action is necessary to get the expected reward as the outcome.

The last element of expectancy theory is valence. Valence, according to Lunenburg (2011), is the strength of an employees' preference for a reward. So, the attractiveness of the rewards will affect them whether to get it or not. The range of valence is from -1 to 1, where +1 means the reward has strong affection to arouse

people to achieve it, while -1 is the extreme opposite sides, and 0 represents how an individual has no intention to get the rewards. By multiplying those three elements values, the motivational value will be generated. The relation between those elements is showed in figure 1 and the equation that vroom proposed is showed in figure 2.
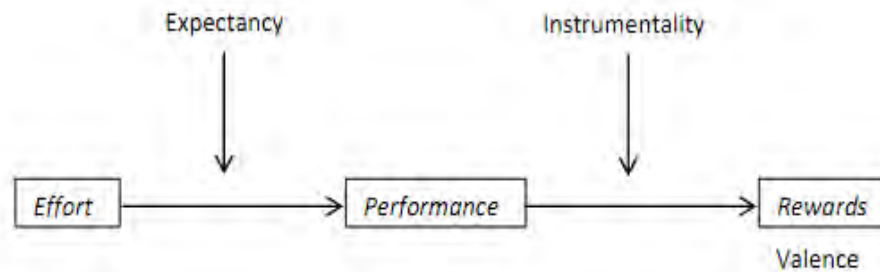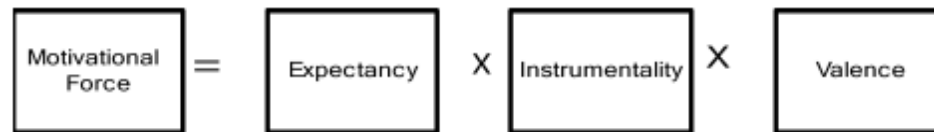

Figure 1. Expectancy Model

Figure 2.Vroom's Expectancy Equation

Based on Vroom's expectancy theory, the consumer motivation toward unit link products in PT Prudential Life Assurance will be described in this paper. Through this model, the problem of Surabaya society that lack of motivation to open insurance account can be identified based on those three elements which construct the motivation. As the multiplier effect in that model, each element has direct influence that might affect the motivation itself. Therefore, each element will be identified and analyzed to seek the problem that caused people have no motivation. Once the problems are found, the right strategy to maintain those elements can be developed to emerge the motivation on unit link products.

Company profile

Prudential plc is one of the biggest financial services institutions from England which established in 1848. It has served more than 25 million customers by helping them to make their own financial planning. Its financial products are ensuring clients' wealth have been protected by reducing the financial risks that might occur anytime. Prudential plc has for main business units across continents which are

Prudential Corporation Asia, Jackson National Life Insurance Company which is one of the largest insurance companies in US, Prudential UK and M&G which is the Prudential's fund management for UK and Europe market.

Derived from Prudential Corporation Asia, Prudential began to penetrate Indonesian market in 1995. Led by William Kuan as the President Director of PT Prudential Life Assurance, insurance product related to investment called unit link was introduced for the first time in 1999. Up to 2012, PT Prudential Life Assurance with its Prudential tower as the head office in Jakarta has six sales offices in Medan, Surabaya, Bandung, Denpasar, Batam, and Semarang. Moreover, in 2012, its sales grew 28% from the previous year with total income Rp 15 trillion. Its total assets had risen 32% to Rp 34 trillion and strengthen its financial position with 321% of its risk-based capital whereas government requirement is only 120%.

PT Prudential Life Assurance has its own mission which is *"MenjadiperusahaanJasaKeuanganRitelterbaik di Indonesia, melampauipengharapanparanasabah, tenagapemasaran, stafdanpemegangsahamdenganmemberikanpelayanansempurna, produkberkualitas, tenagapemasaranprofesional yang berkomitmentinggisertamenghasilkanpendapataninvestasi yang menguntungkan."***.**PT Prudential Life Assurance has four fundamentals as the foundation of company's development and distinguishes Prudential with competitors. Moreover, its credois "by listening, we can understand what people's need, and by understanding what people's need, we can give products and service level as it is expected".

PT Prudential Life Assurance has awarded Lifetime Achievement Award for Best Life Insurance Company by Investor magazine after its achievement to get Best Life Insurance Company award since 2003 up to now in a row. In 2012, there were several achievement earned from Marketeers and MarkPlus Insight which are:

- Gold Brand Champion of Health Insurance Brand 2012 Category: Most Popular Brand
- Gold Brand Champion of Health Insurance Brand 2012 Category: Best Customer Choice Brand

- Gold Brand Champion of Life Insurance Brand 2012 Category: Best Customer Choice Brand
- Gold Brand Champion of Unit Link Insurance Brand 2012 Category: Most Popular Brand
- Gold Brand Champion of Unit Link Insurance Brand 2012 Category: Best Customer Choice Brand
- Gold Brand Champion of Sharia Insurance Brand 2012 Category: Best Customer Choice Brand
- Indonesia Most Favorit Youth Brand 2012 Category: Financial Product, Health Insurance
- The Best of Indonesia Service to Care Champion 2012 Category: Insurance

Besides appreciation from Marketeers and MarkPlus Insight, Investor magazine awarded Star Performance Trophy 2012 to PT Prudential Life Assurance as The Best Insurance Company for ten years in a row in Investor Award. In first quarter of 2013, SWA Magazine and Inventure awarded Prudential as The Indonesia Middle-Class Brand Champion 2013 for "Educational Insurance", "Life Insurance", and "Unit Link" category based on the Middle-Class Consumer Survey in 9 cities in Indonesia. There are more awards and achievements earned from other institution every year. It reflects Prudential's commitment and seriousness to be the best in the market as its goal.

RESEARCH METHODOLOGY

This study uses qualitative method to get deeper understanding related to the consumer's motivation toward unit link products.In order to construct motivation, this paper uses Vroom's expectancy model to explain the human motivation. Through Vroom's expectancy model, each element in that model is identified and combined to see how the people's motivation toward unit link products is. Depth interview is conducted to find people's perception and point of view about unit link accounts. Semi structured questions are prepared, so, those questions can be developed when interviewing them to get deeper reason of their answer.

There will be 13 informants who have permanent job with the age range between 25 and 60.Depth interview is conducted by meeting with them face-to-face to ensure the questions are clearly answered. First, they will be explained and offered to open a new account in PT Prudential Life Assurance. Then, based on their answer whether they agree or disagree, depth interview is conducted. The questions will lead to each element in Vroom's expectancy theory, so, in the end of interview, their answers are analyzed based on Vroom's expectancy model to explain their motivation and the reason behind it. Moreover, since it must be two sides which agree and disagree, each of side is compared to seek the differences between the one who have motivation and the one who lack of motivation to open unit link account in PT Prudential Life Assurance.

RESULT AND DISCUSSION

The author finds that from 13 people, 7 of them agreed to open unit link account and all of those are young people with age between 27 up to 35 years old. They are more open-minded about insurance products compared to the elder generation. The other 6 people are in age above 40 years old and they rejected to open an account in PT Prudential Life Assurance. Even for some of them who already have insurance products, when they were offered a products that complement their previous insurance account, they kept have objections to reject the offer.

Based on the Vroom's expectancy theory, human motivation consists of three elements which have multiplier effects. So, in the case of people motivation on open an account in unit link, those elements are constructing their motivation. Since there are two conditions which are the one who have the motivation and the one who have no motivation on opening a unit link account in PT Prudential Life Assurance. So, each condition will be explored to identify its elements that construct the motivation. Figure 3 shows customer's motivation on open an account in unit link products. Figure 3 also defines the element occurs in between the effort of potential customers to the performance of the company which is expectancy, and the instrumentality that emerges between the performance of the company with the reward which is the valence.
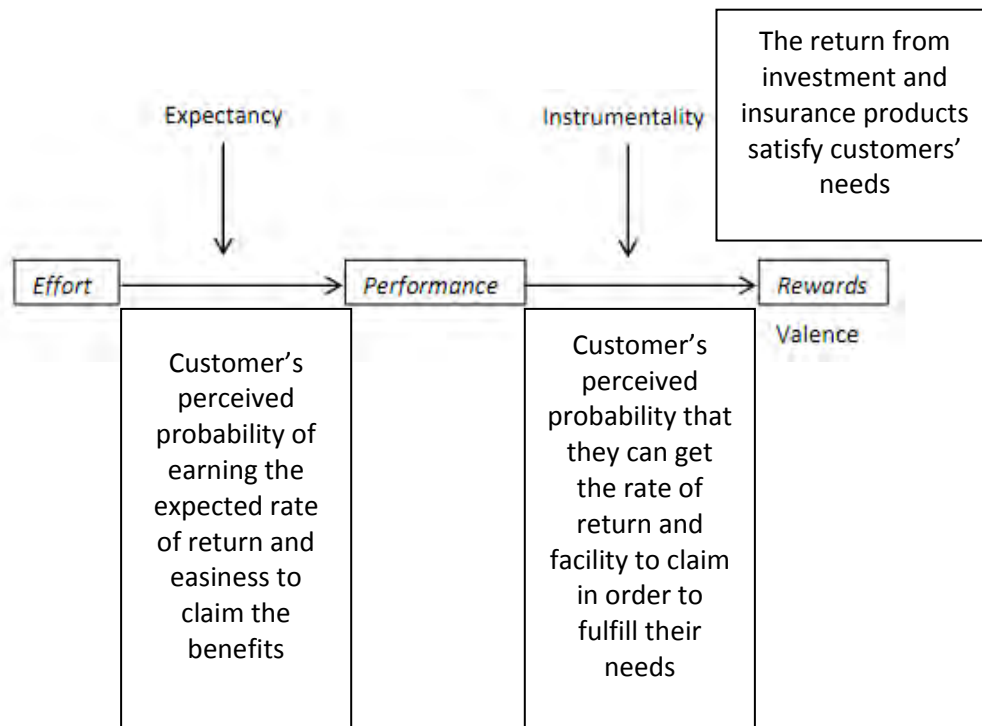
Figure 3. Unit link customer' motivation model

The first element is expectancy, which is the probability of earning the expected return and how easy to claim the benefits after customers put their efforts by saving money in unit link products. Some of them concerned about the premium in order to generate the expected amount of benefits especially for elders generation with age above 40 years old. Most of them always complained about expensive premiums. Then, one of them demanded to reduce the premium instead of adjusting the benefit that can fulfill her needs. Since insurance company calculates the price of the insurance products based on the risks that increase along with their age, if she forced to adjust the premium, of course the benefits will get lower. Therefore, the result seemed not worth for them to put money there.It means that they perceived that their effort to invest money monthly will not generate the expected performance of the company, which can be defined that the expectancy is quite low.

In the other hand, for some of them who have the motivation to open unit link account in PT Prudential Life Assurance, they perceived that the company will generate the expected return stated in the proposal. Moreover with their knowledge

about the equity market, it will convince them to open unit link account. Two of those who agreed to open a unit link account in PT Prudential Life Assurance were confidence to put more money. After they were showed the proposal and they satisfied with the return from the insurance products, they interested in the performance of the company to generate the rate of return. After saw the historical rate of return from the company, they said that they want to invest more and put it in the PRUsaver. It means that they were confidence with the performance of the company which leads to high expectancy element.

The second element is instrumentality which occurs in between the performance of the company with the reward that will be yield by customers. As the extent of low expectancy, people tend to have lack of trust to insurance company. Especially when they had bad experience with previous insurance company related to the claim, they felt that the claimed benefits were not as it was stated in the beginning and too complicated to claim the benefits. Therefore, they perceived that insurance company will not provide the benefits as they promised to fulfill their needs.

Moreover, some people felt insecure on investing money in insurance due to the return that offered to them. They preferred other investment such as gold or properties that have no risk to get profit based on their perception. It means that they have no confidence that the return of the investment will satisfy them since there's a risk that the rate might decline. Typically, once they were showed the historical data of the rate of return and they saw in 2008 the rate of return was negative, it discouraged them if another crisis will strike and impact the rate of return. So, the instrumentality which is how customers perceived the probability that they can get the return to fulfill their needs is low.

In the other hand, once customers acknowledge about the company's performances, and realize that the company will give the return for certain, it made them feel secure. Especially when customers realized the potential return that will be yield based on historical data of Prudential's rate of return. Moreover, they who are used to invest their money in equity market have better confidence in respect of the crisis that might occur like in 2008. They know exactly what they can do to utilized

the declining price of stock at crisis, and take that as the opportunity as the stock will rebound. So, they felt confidence with the performance of the company to manage its assets to generate the amount of money to satisfy their needs. Moreover, after customers got all the information needed due to claim or about the insurance products and the facilitation to maintain the process, they seemed confidence and directly agreed to open account without any further objection or time to think over again. Therefore, the instrumentality on the customers who accept to open unit link account is high regarding to their confidence about the probability that they will earn the amount of money that will satisfy them.

The last element of the Vroom's expectancy theory is valence. Valence determines the satisfaction of the customers due to the benefits and returns that given by PT Prudential Life Assurance. In both condition whether the one who have motivation and no motivation is supposed to be same because the one who determine that the value of insurance coverage and the approximation of return from PRUsaver are themselves. It means that they capable to adjust the total value that can satisfy and fulfill their needs and wants. Therefore, the valence is high.

Based on the Author's finding, those 13 people show the differences between the one who has motivation and not on saving money in PT Prudential Life Assurance in expectancy and instrumentality. They who have no motivation on open unit link account in PT Prudential Life Assurance perceived that their effort will not be paid off by the performance of the company. One of the objections is related to the premium of the policy. Considering about the age variance between they who accept and reject the proposal, the premium goes higher along with the increment of age. Therefore, different perception occurs due to that condition lead the expectancy and instrumentality becomes difference.

They supposed to notice about higher probability on experiencing health risk along with the increment of their age which makes the premium become higher as well. Higher the probability on getting the risk, more funds need to be invested. However, it seems that they expect equality on the premium with the younger one in order to get the return that they need, but it would be impossible since the insurance

company needs to consider their risk to generate the amount of premium. As a company that dealing with the customer's risks, there will be lots of factors that affect the premiums especially the age of the customers. Therefore, there must be different premium even if the benefits are same. So, they should realize different effort will be needed to fulfill their needs or wants.

The other objection to their motivation is related to the rate of return from the investment. Even though the options for fund allocation are available with various rates of return and risk, but most of them prefer the fund allocation with the highest rate. As result, some of them prefer to invest on others which more promising whereas some of them argued that the profit is certain and higher return that is showed in proposal. Younger generation seems accepting the risk that occurs on equity market, even though one of them likes to invest on gold, yet he perceived the probability that the return will fulfill his needs. There is a probability that different education gotten from different period of time resulting various acceptance on risk in equity market. Therefore, different perception occur which results different instrumentality.

Actually the main objection is caused by wrong perception about insurance products. Agents who are dealing directly with customers should give all the information and educate potential customers about the necessity of certain efforts in order to get the return and benefits. Especially when agents are facing different mindset and perception in this stage, so, first thing to do is leading potential customers to have the right perception about the insurance concept. One of the objections that affect the expectancy is about the risk that the rate of return will possibly decline in future. Agents should convince them that the declining rate when the obligation to pay premium are still going, it becomes the opportunity for customers because it affects the stock price as well, so, with the same amount of premium, they can get more stocks in the equity market. This kind of information has been proved by the author will give customers feel secure and even motivate them to invest more money when the stock price go down due to the declining of the rate of return.

CONCLUSION AND RECCOMENDATION

In conclusion, by applying Vroom's expectancy theory, there are two opposite types of motivation in Surabaya based on their ages. Some of them have low motivation on open account in unit link products due to low expectancy and instrumentality elements. Especially elder generation with age above 40, bad perception becomes the objection to develop expectancy and instrumentality elements. In the other hand, younger people are more open minded to unit link products which make them have better instrumentality and expectancy. As result, younger people have motivation on open account in unit link products in PT Prudential Life Assurance. Different perception is the major cause of those different elements since people are dealing with intangible products which the benefits cannot be predicted exactly when can be earned.

The author suggests to improve the service level of the company due to the typical objection which is the complicated claim process by including critical illness claim in hospital card. Therefore, customers just need to put the card when they are in hospital, and directly processed to the company. Moreover, agents should get more education about investment market to be able to educate and convince people about the opportunity on equity market, and able to utilize other funding instruments to reduce risks. In the end, agents should educate people that unit link products are not two separate products which consists of life insurance coverage and investment, but products that should be seen as single insurance product. Investment should be treated as complimentary of life insurance value to cover the decrement of value due to inflation or other factors. Hence, the motivation of Surabaya society can be maintained and personal bankruptcy is expected can be reduced by these recommendation.

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