Supply Chain Strategy and Service Recovery as an Antecedent of Customer Loyalty for Insurance Company

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Abstract— The aims of this study is to examine the effect of switching barrier and service recovery on customer loyalty based on the supply chain strategy. Switching barrier variable consists of procedural, fincancial and relational switching cost. Meanwhile, service recovery consists of procedural justice, interactional justice and distributive justice. Research survey conducted by collecting information from respondents using a questionnaire. The sampel used in the study is individual customers in city of Bandar Lampung, Indonesia with a total of 571 respondent. Data analysis tool used is multiple regression analysis with SPSS 18.0. The results showed that the switching barrier had a positive and significant effect on customer loyalty. Service recovery has a positive and significant effect on customer loyalty. Eventually, the switching cost and service recovery simultaneously have a positive and significant effect on customer loyalty for Insurance company in city of Bandar Lampung.

Keywords— *Switching Cost, Service Recovery, Supply chain strategy, Customer Loyalty, Insurance.*

1. Introduction

For the last few years, the growth of the insurance business could not be separated from the increasing public awareness of the importance of insurance. According to the Indonesian Life Insurance Association (AAJI), the growth of individual insurance has been increased by 13.8% at the end of 2014 or equal to 15.5 million people, compared to the year of 2013 which was only 13.62 million people. This growth has given a good sign for the insurance business whereas the public is aware of the importance of insurance not only as an investment but also as a long-term needed [44].

Public awareness about the importance of protecting from various kinds of risks that can be occurred and happened to them at any time is one of the causes of the high number of insurance holder. These phenomenon has become an advantage for insurance companies to provide services for their clients and at the same time expand their marketshare [15].

Various types of insurance products that offered are health insurance, education fund insurance, pension fund insurance, car insurance, property insurance and many other types of insurance. The number of products issued by insurance companies creates a tight competition. As the impact, insurance company will compete each other to provide the best services and offering to their customers.

The growth of the insurance industry in Indonesia has a significant role in supporting the national economy development. Insurance companies that offer services to the public also get support in the form of protection for various risks and losses, especially when they have business entities. This protection is intended to protect consumer rights from the insurance that consumers have purchased. This is done by the Financial Services Authority [45].

A better understanding of public regarding the importance of insurance protection becomes important which affects the growth of the insurance business itself. When public trust in a product, it will be easier to develop and sell the product. This is also happens in the insurance business, where more people want a guarantee or protection against various risks that they will face in the future. The growth of the insurance industry could be seen from the insurance holder. From the year of 2014-2015, conventional insurance industry assets experienced a growth of 20.5% and from the year of 2015-2016 the growth was 9.0%. This growth also shows an increase in investment value and premiums. It is shown also in the growth in terms of investment value from 608.6 trillion rupiah in 2014 to 765.6 trillion rupiah in 2015 and another increasing to 841.7 trillion rupiah in 2016.

The growth of companies engaged in the insurance business has shown the wide opportunities for this industy. This also has a quite good impact for the customer, where they finally have many of option and could get insurance that best suit for their individual needs [22, 23]. Generally, insurance in Indonesia can be divided into 2 (two) types. First, conventional insurance is carried out by implementing various modern business policies in

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it, this is related to calculations and also various business lines run by the company. In general, this type of insurance is the most widely used by the public, because conventional insurance is basically the type of insurance that was first introduced to the public.
Second, Islamic insurance is an insurance company that giving service using sharia principles, all rules and also policies in sharia insurance are determined based on decisions taken by the Indonesian Sharia Board (DSI), to guarantee halalness and also the feasibility of various things with the principle of profit sharing, where the calculation will be applied in accordance with sharia rules. On the application of Islamic insurance principles, the risk is not transferred to the insurance company, but will be shared equally among insurance customers.
The growth of both conventional and sharia insurance companies are so rapid, each company trying to foster their competitive advantage through creative, innovative and efficient efforts, so it will becomes the first choice of customers, which in turn is expected to arise as a loyal customer. Customer loyalty has an important role in a company, because maintaining existing customers is more easier and cheaper compare to get new customers. Loyal customer will have an impact on the company's performance and could maintain the survival of the company in the long term [21, 25, 26]. The effforts to get loyal customers cannot be done at once, but through several stages ranging from seeking potential customers to finally getting loyal customers.
Customer loyalty is such as a tool to measure customer closeness with the company, including the possibility of renewing a brand contract in the future. How likely the customer will change his support for a cooperation contract with a company will depend on how much the company wants to increase its positive image. If the company is unable to satisfy the customer, then the worst possibility that will arise is the customer will react by stopping or not repurchasing [17,18, 28].
Insurance Company attempts to get strong customer loyalty by establishing good and professional relationships with customers. The existence of this relationship will lead to a long-term relationship between the company and the customer.
According to Zeithmal and Bitner to form the power of customer loyalty could be established through relationship development strategies namely swiching barriers, core service provisions and relationship bonds. Customer loyalty can be seen from the growth in the number of customers. During the last five years the number of customers of insurance company has seen an increase in the number of customers over the past five years, but the increase was due to an increase in the number of new customers, while many existing customers did not continue to pay insurance policies so that customer loyalty for Insurance Company looks very vulnerable [42].
Switching barrier refers to the difficulty of moving from one service to another faced by customers who are not satisfied with the service received. This happens because customers experience problems both financially, socially and psychologically, so that customers move to other services. If the barriers to moving are greater, the customer will use the service for longer. Valenzuela suggested that there are five dimensions in switching barriers, namely organizational credibility, value congruency, lack of attractiveness of other alternatives, switching costs and relational value [41].
Jones et al., found that several variables of switching barrier include switching costs which include customer perception of time, money and effort related to the transfer of a particular product brand, attractiveness of alternatives in terms of how much alternative good in the market and strong interpersonal relationships built between employees from suppliers with customers, as well as relationships between customers [11, 12].
In the insurance industry, switching costs are one factor that causes customers to be reluctant to switch to competitors. The existence of retention that includes the customer's perception of the time to be wasted, as well as the additional costs and the more effort that must be done when going to move to an insurance company makes customers prefer to continue to renew insurance policies or make re-purchases.
Research conducted by Kim et al., in addition to the three variables proposed by Jones et al., there is one more important variable that is service recovery. Service recovery is a systematic effort by a company after a service failure to correct a problem and maintain the customer's good will. Because after all, insurance companies are companies that sell services, where the benefits of services from new insurance will be felt after the customer has experienced a disaster and made a claim. However, often customers do not immediately satisfied with the results of claims obtained, so customers will appeal to the insurance company to get results that are in line with the customer's expectations. Therefore, corporate service recovery is very important to ensure customers get these expectations [12, 16, 29].

2. Theorithical Framework

2.1 Customer Loyalty

Loyalty is a situation where consumers are positive about a product or producer (service/product provider) and accompanied by a consistent pattern of repurchase. Consumer loyalty as a consumer

frame of mind that holds the preferred attitude towards a company, is committed to buying more company products/services and recommending these products/services [2].
The ultimate goal of any company for the long term is to build customer loyalty [6, 33]. Loyalty is a strategy that creates mutually beneficial relationships between companies and customers [31].
From the definition above, it can be concluded that loyalty is a positive attitude of consumers towards a product or service or the company itself which is accompanied by a commitment to buy the product or service of the company and recommend to other parties.
If the company has a loyal customer, then the company can maximize their profits as loyal consumers will do the following things: (1) make purchases more frequently, (2) use their money to try to buy new services or products produced by the company, (3) recommend products or services to others, and (4) give sincere advice to the company [32, 34].

2.2 Switching Cost and supply chain strategy

As defined by Jones et al., (a switching barrier is any factor that makes it difficult or costly for customers to change providers [13]. Another brand loyalty determinant is known as switching costs, which can be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change brand [38]. Transfer costs include the struggle to change, the time and effort needed to obtain a particular product brand [14].
Switching costs are ‘one time costs facing the buyer of switching from one supplier’s product to another. While there is broad agreement on what switching costs are, the constituents of switching costs are less definite. These costs could be either monetary or nonmonetary; they could also be real or perceived [4]. A switching cost can be seen as a cost that deters customers from demanding a rival firm's brand [3]. It can be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change brand [37]. When the costs of switching brand are high for the customer, there is a greater probability that the customer will remain loyal in terms of repeat purchase behavior, because of the risk or expense involved in switching and because of the accompanying decrease in the appeal of other alternatives [7-9].
In general, switching costs are defined as costs that prevent consumers from moving from the company's current product or service to competitors' products or services. That is, when a relationship is established, one party will become more dependent on the other party. This means that the cost to move is high. It seems like consumers sometimes become locked into their service providers now because of the high switching costs. Burnham et al., summarized all kind of *switching cost* and offered a modified typology [5]. They proposed three *switching cost*: procedural, financial and relational switching costs [19].
The success of your business comes down to how efficient your supply chain management is. Your customers’ needs are constantly changing, which means you need a supply chain that’s optimally designed to keep up and gives you end-to-end visibility at a lower operating cost.
a. Procedural switching costs, which are related to time. Aspects of procedural switching cost:
1) Economic risk cost, which leads to the cost of the uncertainty risk of possible negative effects when receiving a new service provider service where consumers only have limited information.
2) Evaluation cost, which leads to the cost of effort and time to find information and the analysis process when determining the decision to switch.
3) Learning cost, which leads to costs for effort and time to learn new skills and knowledge needed, in order to effectively use the new product or service.
4) Set-up costs, which lead to costs for business and time needed to initiate a relationship with a new service provider or product.
b. Financial switching cost, which is related to monetary gain financial switching costs:
1) Benefit loss cost, leads to costs relating to contractual ties that create more value to stay with the service provider
2) Monetary loss cost, leads to costs that come out at once that appear in the process when consumers switch to a new provider, compared to those who make new purchases.
c. Relational switching cost, which is related to emotional factors. Relational aspects switching cost:
1) Personal relational loss cost, leads to emotional loss received by consumers when they have to break relationships with people who usually interact with consumers.
2) Brand relationship loss cost, which leads to emotional loss received by consumers when they make a connection to the identification that has been formed with the brand or company where the customer joins.

2.3 Service Recovery

Service recovery is various things that the company will do after a service failure occurs in service. Service recovery occurs when there are service complaints from customers who feel dissatisfied with the services of the company.
Here are some point of understanding / definition of service recovery according to experts. Tjiptono

states that service recovery is one of the significant determinants of customer satisfaction and loyalty as an effort to maintain relationships with dissatisfied customers through effective service recovery policies [40]. Lovelock and Wright state that service recovery is a systematic effort by a company after a service failure to correct a problem and maintain the customer's good will [20].
The forms of service recovery are generally realized in three main ways namely [1]:
a. *Procedural Justice*
This is an attribute that focuses on fairness that should be accepted by consumers when filing complaints in accordance with the rules and policies set by the company. Procedural justice refers to the policies, regulations and time used in the complaint handling process. Customers want easy access to fair procedures including three important elements; the company is responsible for service failures, each complaint is handled quickly starting with the employee who first experiences contact with the customer, and the existence of a flexible system and takes into acvalue the individual situation and input from the customer regarding the expected outcome. Procedural justice includes process control, decision control, accessibility, timing / speed, and flexibility in handling customer complaints.
b. *Interactional Justice*
This is an attribute that focuses on the behavior or response shown by the company when dealing with consumers who file complaints. Interactional justice includes causal acvalues, honesty/openness, politeness, effort, and empathy.
c. *Distributive Justice*
It is an attribute that focuses on the results of completing service recovery, for example what business is done by the company to handle customer complaints when the company makes a mistake even though the company has to incur large costs in lieu of losses. To overcome service failures the company carries out distributive justice actions that can be realized by compensating customers, for example giving free services, disvalues, coupons, refunds, free gifts, and apologizing because customer perceptions of distributive justice tend to be affected by the method or type of compensation.

3. Methodology

Qualitative research is survey research because in collecting data, researchers collect information from respondents using questionnaires as the main method. Research approaches that are qualitatively oriented are intuitive, relying on infrastructure and descriptive.
Quantitative research methods are also used because quantitative research aims to determine the relationship of two or more variables that are causal, test theory and analyze data by using statistics to test hypotheses. The hallmark of this quantitative research approach is the existence of variables, operational, reliability, hypotheses, validity and statistical significance [39].

3.1 Operational Variable

The variables in this study are as follows:
1. Independent variables, variables that affect other variables. In this study the independent variables are:
a. Switching Cost (X_1)
b. Service recovery (X_2)
2. Dependent variables, namely variables that are influenced by other variables. In this study the dependent variable is: Customer loyalty (Y).
Based on the above explanation, the operational definition in this study is as follows:
1. *Switching Cost*
Morgan and Hunt define transfer costs as termination relationship costs in the perspective of expectations of all losses due to termination of a relationship or move to another alternative [10, 24]. Moving costs include the struggle to change, the time and effort needed to obtain a particular product brand [14].
2. *Service Recovery*
Tjiptono found that service recovery is one of the significant determinants of customer satisfaction and loyalty as an effort to maintain relationships with dissatisfied customers through effective service recovery policies [40]. Lovelock and Wright emphasized that service recovery is a systematic effort by a company after a service failure to correct a problem and maintain the customer's good will [20].
3. *Customer loyalty*
Loyalty according to Tjiptono is a situation where consumers are positive about the product or producer (service / product provider) and accompanied by a consistent repurchase pattern [40]. Consumer loyalty as a consumer frame of mind that holds the preferred attitude towards a company is committed to buying more company products / services and recommending these products / services [2].

3.2 Population and Sample

The sample research in this study is individual customers of a total of 571 respondent in the city of Bandar Lampung within the year of 2017. Primary data is data used as the main component in analyzing the result of variables. This data was obtained directly from the questionnaires distributed to respondents. Secondary data is data obtained from books or literature related to discussion and research based on other supporting data related to the problem under study.

3.3 Data Analysis

Descriptive analysis is an analysis carried out to determine the value of a variable, either one variable or more (independent) without making comparisons or connecting between one variable and another. In this study, descriptive analysis was used to test each variable, namely the independent variable and the dependent variable [39].
Quantitative analysis is used to determine and examine the effect of switching costs and service recovery on customer loyalty. This analysis is carried out using statistical variables. Quantitative analysis consists of multiple linear regression analysis, correlation analysis, analysis of the determination coefficient and hypothesis testing.

3.4 Correlation Analysis

Correlation analysis is an analysis that is used to determine the closeness of the relationship between two variables and to determine the direction of the relationship. A simple correlation coefficient shows how much the relationship occurs between two variables. Correlation analysis consisted of simple correlation and multiple correlation.

3.5 Determinant Coefficient

To find out the magnitude of the influence of the independent variable (X_1, X_2) on the dependent variable (Y), the determination coefficient is simultaneously used (R^2) and to examine whether there is a functional relationship or causal relationship for each variable, the formula of Determinant Coefficient is used or (KP) = R^2 x 100%

4. Result and Disscussion

Switching Cost (X_1)
From the data description about switching cost, it was obtained the answer from the respondents that as many as 53 respondents (9.3%) stated strongly agree to switching cost, as many as 153 respondents (26.7%) agreed, and as many as 192 respondents (33.7%) stated neutral. Meanwhile respondents who disagree was 86 respondents (15,1%) and strongly disagree about switching costs are as much as 86 respondents (15.1%). Thus it can be concluded that the switching cost for customer in insurance company is included in the object that responds neutral by respondent because the proportion of respondents who stated neutral is the most compared to other categories. A neutral statement shows that the respondent has not been able to argue well or poorly and is in the process of undergoing and studying the object of the transfer fee at insurance company. This fact provides information that the implementation of switching cost still receives a moderate response so as to change respondents' assumptions, efforts need to be increased through an interpersonal approach and provide insight to customers so that customers can feel the benefits of these variables.
Service and Recovery (X_2)
Description of respondents' answer data about service recovery obtained answers from respondents that as many as 66 respondents (11.6%) gave very agree statements, as many as 172 respondents (30.2%) agreed, as many as 212 respondents (37.2%) stated neutral, while respondents who stated that they disagreed and strongly disagreed were 47 people (8.14%) and 73 respondents (12.8%).

4.1 Consumer Loyalty

Description of respondent's answer data about customer loyalty (Y) obtained answers from respondents that as many as 139 respondents (24.4%) stated strongly agree, as many as 212 respondents (37.2%) agreed, as many as 60 respondents (10.5%) stated neutral and disagree, and as many as 15 respondents (17.4%) stated strongly disagree. Thus it can be concluded that the respondent's statement about the loyalty of Insurance Company is mostly expressed by agreeing.

4.2 Data Analysis

Data analysis is intended to examine the effect of switching costs and service recovery on customer loyalty by using multiple linear regression equation tests carried out simultaneously (together) and partially (separately) as follows:

4.3 Equations of Multiple Linear Regression

$$\mathbf{Y = 8{,}49 + 0{,}332\,X_1 + 0{,}382X_2 + e}$$

A constant value of (a = 8.49) means that if there is no change in the factors of the independent variables which include switching costs and service recovery. Then customer loyalty still has a value of 8.49. Regression coefficient value (b1 = 0.332) means that the switching cost has a positive influence on customer loyalty of Insurance Company at 0.332. The regression coefficient value (b2 = 0.382) means that service recovery variable has a positive influence on customer loyalty Insurance company at 0.382.
Based on these results it can be concluded that the contribution and influence of service recovery (X_2) on customer loyalty (Y) customers of Insurance Company is more dominant than the effect of service recovery (X_2) on customer loyalty.

4.4 Correlation coefficient

Correlation coefficient value (r) product determination strategy variable (X_1) is 0.550. Based

on these values it can be seen that the direction of the relationship between the product determination strategy variable (X_1) with the purchase decision (Y) is positive because the correlation coefficient value is positive (+). This means that the better the product determination strategy (X_1), the better the purchasing decision (Y) will be.
Correlation coefficient value (r) price variable is 0.534 so it is known that the direction of the relationship between the price variable (X_2) with the purchase decision (Y) is positive because the value of the correlation coefficient is positive (+). This means that the better the price (X_2), the better the purchasing decision (Y). Based on the interpretation table r, it can be seen that the degree of closeness of the relationship between prices (X_2) with the purchase decision (Y) has a degree of closeness in the medium category because the value of r is located between 0.400-0.599.
Correlation coefficient value (r) price variable is 0.600 so it is known that the direction of the relationship between service quality variables (X_3) and purchasing decision (Y) is positive because the value of the correlation coefficient is positive (+). This means that the better the quality of service (X_3), the better the purchasing decision (Y) will be. Based on the interpretation table r, it can be seen that the degree of closeness of the relationship between price (X_3) with the purchase decision (Y) has a degree of closeness in the strong category because the value of r lies between 0.60 - 0.799.
Correlation analysis (R) strategy variable of product determination (X_1) and price (X_2) and service quality (X_3) is 0.693. Based on these values it can be seen that the direction of the relationship between the product determination strategy variables (X_1), price (X_2) and service quality (X_3) with the purchase decision (Y) is positive because the correlation coefficient value is positive (+). This means that the better the product determination strategy (X_1), price (X_2), and service quality (X_3), the better the purchasing decision (Y). The degree of closeness of the relationship between the product determination strategy (X_1), price (X_2), and service quality (X_3) with the purchase decision (Y) has a strong degree of relationship because the Rh value is between 0.600-0.799.
The amount of influence between the product determination strategy (X_1), price (X_2), and service quality (X_3) on the purchasing decision (Y) is known from the formula of Determination Coefficient (KD). The magnitude of the effect of the product determination strategy (X_1), price (X_2), and service quality (X_3) on purchasing decisions (Y) is 48.0% while the rest is caused by other factors.

4.5 Simultaneous Hypothesis Testing (Test F)

The third hypothesis in this study is: switching cost and service recovery have a significant effect on customer loyalty Insurance company? Statistical hypothesis testing can be done by comparing the value of F-value with F-table. The F-test condition is if F-value <F-table, then Ho is accepted and if F-value is ≥ F-table, then Ho is rejected. From table ANOVA the calculated F value is 13.9 while F-table with $\alpha = 0.05$ and df: n-k-1 (86-2-1 = 83) is 3.07 (t-table). Because of the F-value> F-table (13.9> 3.07), then the proposed Ho is rejected and Ha is accepted. This means switching costs and service recovery have a significant effect on customer loyalty Insurance Company.

4.6 Partial Hypothesis Testing (t test)

The first hypothesis in this study is: The switching cost has a significant effect on customer loyalty Insurance company? Statistical hypothesis testing can be done by comparing the value of t-value with t-table. The t-test provision is if t-values < t-table, then Ho is accepted and if t-values ≥ t-table, then Ho is rejected. From the coeffecient table, the results of simple linear regression analysis showed that t-value was 2.586 while t-table with $\alpha = 0.05$ and df: n-2 (86-2=84) was 1.667 (t-table). Therefore the value of t-value > t-table value (2.586 > 1.667), then Ho proposed is rejected and Ha accepted means the cost of switching (switching cost) has a significant effect on customer loyalty of Insurance company.
Hypothesis testing can be carried out probabilistically by comparing the significance value in the table coefficient with the degree of error (0.05). The provisions of the study are if the sig value > $\alpha = 0.05$ then Ho is accepted and Ha is rejected and if the value of sig < $\alpha = 0.05$ then Ho is rejected and Ha is accepted. The calculation results produce a sig value for the variable switching cost (X_1) of 0,000, it can be concluded that the value of sig (0.011) < α (0.05). This means that Ho is rejected and Ha is accepted so that it can be concluded that switching costs have a significant effect on customer loyalty of Insurance company.
The second hypothesis in this study is: service recovery has a significant effect on customer loyalty of Insurance company? Statistical hypothesis testing can be done by comparing the value of t-value with t table. The t-test provision is if t-values < t-table, then Ho is accepted and if t-values ≥ t-table, then Ho is rejected. From the coeffecient table, the results of simple linear regression analysis showed that the t-value was 2.086 while the t-table with $\alpha = 0.05$ and df: n-2 (86-2 = 84) was 1.667 (t-table). Because the value of t-value > t-table value (2.965> 1.667), then the

proposed Ho is rejected and Ha is accepted. This means that service recovery has a significant effect on customer loyalty Insurance Company Bandar Lampung.
The probabilistic hypothesis test shows that the calculation results produce a sig value for service recovery (X_2) variable of 0.004. It can be concluded that the sig value (0.042) < α (0.05) means that Ho is rejected and Ha is accepted so that it can be concluded that service recovery significant influence on customer loyalty of Insurance Company Bandar Lampung.

4.7 Interpretation

The results showed that the value of t-value > t-table (4.800 > 1.667), then Ho proposed was rejected and Ha was accepted. This means switching costs have a significant effect on customer loyalty of Insurance company. In the service transfer variable (X_2) also obtained the value of t-value > t-table (2.965 > 1.667), then Ho proposed is rejected and Ha is accepted. This means that service recovery has a significant effect on customer loyalty of Insurance company.
The results of the analysis simultaneously show the F-value is 13.9 while F-table with $\alpha = 0.05$ and df: n-k-1 (86-2-1 = 83) is 3.07 (t-table). Because of the F-value > F-table (13.9 > 3.07), then the proposed Ho is rejected and Ha is accepted. This means that switching costs and service recovery have a significant effect on customer loyalty Insurance company.
Regression Analysis equation generated from this study provides an illustration that the contribution and effect of service recovery (X_2) on customer loyalty (Y) customers of Insurance Company is more dominant than the effect of service recovery (X_2) towards customer loyalty.
The results of this study support Siahaan which states that switching barrier have a positive and significant effect on customer loyalty [36]. These results are also support the opinion of Ranaweera and Prabhu which found that switching barriers are consumers assessment of the resources and opportunities needed when moving or limiting actions to move. Switching barriers are included in one useful customer loyalty program and could improve long-term relationships with customers [30].
The results of this study also note that switching barriers have a significant effect on customer loyalty. This is in in line with the theory expressed by Palupi which states that switching barriers affect a person's loyalty because the barriers of customers feeling are not only based on consideration of economic values, but also related to psychological, social, functional and ritual factors [27]. However, this result is opposited from the research conducted by Zhang which proving that trust has a moderating effect on the relationship between switching barriers and customer loyalty. So, it could be concluded that switching barriers have a significant effect on customer loyalty of Insurance Company [43].
Loyalty is a situation where consumers are positive about a product or producer (service / product provider) and accompanied by a consistent pattern of repurchase. Consumer loyalty as a consumer frame of mind that holds the preferred attitude towards a company is committed to buying more company products or services and recommending these products or services [2].
The switching barrier is all the factors that make consumers difficult to switch brands. Switching barrier could be an obstacle for consumers to move from one brand to another brand. The barrier is like an investment for company where's trying to encourage and support customer to continue the relationship and how customer feel obliged to continue the relationship. The main focus of switching barrier is consumer perceptions, time, money, and effort related to displacement.

5. Conclusion

1. Switching cost has a positive and significant effect on customer loyalty of Insurance company in the city of Bandar Lampung
2. Service recovery has a positive and significant effect on customer loyalty of Insurance company in the city of Bandar Lampung
3. Switching costs and service recovery simultaneously have a positive and significant effect on customer loyalty of Insurance company in the city of Bandar Lampung

6. Implications

Insurance company should improve the quality of customer complaints services for those who are less satisfied with the results of the claims that they have received. Improving the quality of service not only in the speed of service and accuracy, but also an increase in the emotional relationship between employees and customers. So that complaints services can eliminate the negative impression due to a feeling of dissatisfaction with the results of the unsatisfactory claim. The steps that could be taken are to apply the standard of complaint service, specifically in the procedures for communicating with customers who have complained that the standard has not been in the claim handling and complaints section at Insurance Company. It also requires the implementation of a role play system or routine training in handling complaints from customers so that employees in claim handling and complaints are trained and do not appear to be rigid when handling various types of complaint cases from customers.

Insurance company should increase its understanding of switching costs. An understanding of switching costs can be included in the agent or marketing education materials of company. With the competency in understanding the switching costs that will arise when customers move to another company, marketing has more bargaining power in retaining customers with the ability to calculate and deliver costs - costs incurred to customers who switch brands so that customers will be reluctant to switch to another company and choose to extend the insurance policy.
Insurance company should improve its competitiveness, not only focusing on getting as much production from new businesses, but also increasing competencies to retain old customers. The step that can be taken is through the establishment of insurance product user community that arises a sense of pride in the minds of customers. Another thing that can be done is the procurement of Insurance company customers gathering where at the event rewards can be given to customers who make extensions within a certain period. With more attention to existing customers, customer loyalty is expected to arise and it is also expected that loyal customers can refer Insurance company to their close relatives who need insurance protection.

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