Research paper

Antecedents and consequences of perceived value in the insurance industry

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Abstract

Purpose: The objective of this paper is to understand the role that perceived value plays in the insurance industry, as well as its relational antecedents and consequences.

Design/methodology/approach: This investigation proposes a theoretical model tested using structural equation modelling (SEM). A questionnaire survey was developed to explore the relationships among service quality, reputation, distributive justice, lost benefit costs, perceived value, loyalty and word-of-mouth. For this study, 744 valid questionnaires were collected from a sample of Portuguese car insurance holders.

Findings: The results show that service quality, reputation, distributive justice and lost benefit costs directly influence perceived value and loyalty. Service quality, reputation, distributive justice and lost benefit costs also indirectly influence loyalty and word-of-mouth, through perceived value. Finally, loyalty influences word-of-mouth.

Originality/Value: This investigation examines the partial mediating role of perceived value in the relationship among service quality, reputation, distributive justice, lost benefit costs and loyalty, in a relational perpective. Also investigates the total mediating role of perceived value in the relationship among service quality, reputation, distributive justice, lost benefit costs and word-of-mouth. Finally, investigates the influence of loyalty on word-of-mouth.

Keywords: perceived value; antecedents and consequences of perceived value, insurance industry.

1. Introduction

Driven by demanding customers' keen competition and rapid technological change, more and more firms are searching for new ways to achieve, retain, upgrade and leverage competitive advantages. As some researchers have concluded (Day, 1990; Slater, 1997), creating superior customer value is a major goal for market-driven firms. In fact, delivering superior customer value is inevitably becoming one of the most important successful factors for any firm, due to its significant impact on satisfaction and behavior intentions of customers.

By reviewing the appropriate literature, we can see that perceived value has been approached in several different ways and that there is no consensus around the best way

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to measure it. Hence, this paper sought to study the value perceived by customers of insurance companies and verify the most important components for the measurement of this value and put forward a means of measurement that simultaneously studies the relationship of this construct with this precedents. On the other hand, it is also important to take into consideration the relationship between perceived value and its consequents, like loyalty and word-of-mouth (WOM).

This paper aims to identify the direct antecedents of perceived value and loyalty. In the current study, we suggest that service quality, reputation, distributive justice, and lost benefits costs, which are the independent variables, directly influence perceived value and loyalty. We also propose that the independent variables indirectly influence loyalty and WOM, via perceived value. Finally, we expected that loyalty has a positive impact on WOM.

2.   Literature Review and Research Hypotheses

2.1.   *The value concept*

Although the significance of customer value is widely recognized, the growing body of research about customer value is quite fragmented and the definition of customer value is divergent. Zeithaml (1988) considers value as the customer's overall assessment of the utility of a product based on the perception of what is received and what is given. Dodds, Monroe and Grewal (1991) argue that buyers' perceptions of value represent a trade-off between the quality or benefits they receive in the product relative to the sacrifice they perceive in paying the price. Woodruff (1997) defines customer value as a customer perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate achieving the customer's goals and purposes in use situations. In this study, we concur with the majority of researchers who define customer value in terms of get (benefit) and give (sacrifice) components (Zeithaml, 1988; Day, 1990; Woodruff, 1997).

To conceptualize the construct of perceived value, two common methods based on structural equation modeling are arrived from empirical studies (Lin, Sher & Shih, 2005; Roig, Garcia, Tena & Monzonis, 2006; Martín Ruiz, Gremler, Washburn & Carrión, 2008; Kwenye & Freimund, 2016).

The first conceptualization strategy treats perceived value as unidimensional and globally measures overall customer value perceptions. The second strategy treats perceived value as multidimensional and measures perceived value using various get (benefits) and give (sacrifice) dimensions. This multidimensional approach considers functional and affective aspects to measure the overall perceived value. The functional aspects include valuations of the establishment, the contact personnel, the quality of the service, and the price. The affective dimension is divided into an emotional dimension (relating to feelings or internal emotions) and a social dimension (relating to the social impact of the purchase made). The findings of Sheth, Newman and Gross (1991) established the foundations for this multidimensional approach and set out the dimensions of value as: functional value, that is the value associated to the benefits of owning a specific product or service; social value, that is the value derived from associated with specific social groups; emotional value, related with the capacity of a product or service to stimulate feelings or affective states towards the product or service to provide novelty or satisfy a desire for knowledge; and finally, conditional value that derives from the specific contexts of each situation.

This paper proposes a unidimensional approach of perceived value for car insurance and operationalizes the construct directly through multiple-item. As highlighted Lai (2015), value can be described as the customer's overall appraisal of the net worth of the service

or products based on their assessment of what is received (benefits provided by the service) as against what is offered (costs or sacrificed time, effort, and opportunity costs in acquiring and utilizing the service). Although much empirical investigation has considered only monetary value, perceived value for the purposes of this study can be described as the customer's overall appraisal of the net worth of the service, following the definition offered by Hellier, Geursen, Carr and Rickard (2003).

2.2.   *The antecedents and consequents of perceived value*

They are several antecedents of perceived value. At present, a large group of authors defends that service quality is a direct antecedent of perceived value. Other variables are identified as direct determinants of perceived value. Among these, we can include reputation, switching costs, and distributive justice. Finally, loyalty and WOM are two important variables that are consequences of perceived value. In this paper, we consider that service quality, reputation, switching costs, and distributive justice are identified as direct antecedents of perceived value and loyalty and they are, simultaneously, indirect antecedents of loyalty and WOM, via perceived value.

2.2.1. The effects of service quality on perceived value and loyalty

Service quality is widely argued as one of the important variables that influence customers' perceptions of value and as a prerequisite to customer loyalty (Allred & Adams, 2000). We define service quality as the customer's overall assessment of the standard of the service delivery process (Hellier, Geursen, Carr & Rickard, 2003).

Lai, Griffin and Babin (2009), Aurier and N'Goala (2010), He and Li (2011), Jayawardena and Farrell (2011), Parahoo (2012), Sainesh (2012), Howat and Assaker (2013), Rasheed and Abadi (2014), Thaichon, Lobo and Mitsis (2014), Mason and Moretti (2015), Sun, Huang, Scott and Lee (2015), and Hapsari, Clemes and Dean (2016) support the direct effect of service quality on perceived value. In the insurance services, Hellier, Geursen, Carr and Rickard (2003), Durvasula, Lysonski, Mehta and Tang (2004), and Gera (2011) identified that service quality has a strong impact on perceived value. Hence, the quality of service provided by the insurance agent influences perceptions of value of the insurance product. Consequently:

H1. *Service quality has a positive influence on perceived value.*

The anticipation of future relational exchange is generally expressed in terms of two behavioral outcomes, namely, repeat purchase (re-patronage) and word-of-mouth recommendation (Bitner, 1990). Repeat purchase is viewed as an indicator of whether or not a customer will maintain the relationship with the company (Zeithaml, Berry & Parasuraman, 1996). Word-of-mouth recommendation (WOM) is the extent to which customers will inform their friends, relatives, and colleagues about the consumption experience (Söderlund, 1998). Therefore, customer loyalty is defined as the intention to repurchase and word-of-mouth as the intention to provide positive word-of-mouth.

Service quality also influences loyalty (Ehigie, 2006; Rauyruen & Miller, 2007; Poddar, Donthu & Wei, 2009; Ozdemir & Hewett, 2010; Mandhachitara & Poolthong, 2011; Parahoo, 2012; Sumaedi, Bakti & Yarmen, 2012; Abd-El-Salam, Shawky & El-Nahas, 2013; So, King, Sparks & Wang, 2013; Tarus & Rabach, 2013; Casidy, 2014; Ha, Akamavi, Kitchen & Janda, 2014; Orel & Kara, 2014; Giovanis, Athanasopoulou & Tsoukatos, 2015; Gracia, Arino & Blasco, 2015; Izogo & Ogba, 2015, Kondasani & Panda, 2015; Mustaffa, Hamid, Bing & Rahman, 2016; Rajaguru, 2016). In insurance

sector, Rai and Medha (2013) demonstrated that service quality influences loyalty. Therefore:

H2. *Service quality has a positive influence on loyalty.*

2.2.2. The effects of reputation on perceived value and loyalty

Doney and Cannon (1997) define supplier reputation as the extent to which firms and people in the industry believe a supplier is honest and concerned about its customers. A favorable reputation is easily transferable across firms and enhances the credibility of the vendor (Ganesan, 1994). Reputation, from a more global perspective, is associate with the credibility of the organization. In this case, reputation would be the consequence of the comparison between what the company promises and what it eventually fulfills. Thus, reputation would show how honest the company is and how much it cares for its environment (Doney & Cannon, 1997).

For Cretu and Brodie (2007), Hansen, Samuelsen and Silseth (2008), Awang (2010), Babic-Hodovic, Mehic and Arslanagic (2011), Chang (2013, 2015), Nugroho and Suroto (2015), and Pool, Pool and Taghipourian (2016), reputation influences perceived value. Therefore:

H3. *Reputation has a direct positive effect on perceived value.*

Reputation also impact on loyalty (Shergill & Li, 2005; Goode & Harris, 2007; Nesset & Helgessen, 2009; Caruana & Ewing, 2010; Bartikowski & Walsh, 2011; Pan, Sheng & Xie, 2012; Abd-El-Salam, Shawky & El-Nahas, 2013; Dehghan, Dugger, Dobrzykowski & Balazs, 2014; Loureiro, Kaufmann & Rabin, 2014; Chiu, Liu & Tu, 2016; Kasuma, Kanyan, Kamri & Yacob, 2016; Van, Chi, Chi & Quang, 2016). In insurance sector, Mutlu and Tas (2012) demonstrated that reputation influences loyalty. Consequently:

H4. *Reputation has a direct positive effect on loyalty.*

2.2.3. The effects of switching costs on perceived value and loyalty

Switching costs may be defined as the sacrifices or penalties consumers feel they may incur in moving from one provider to the next. Lost benefits costs are the cost reflecting the potential loss of special discounts and unique benefits if the consumer switched from her or his current service provider to another (Jones, Reynolds, Mothersbaugh & Beatty, 2007). It is a positive switching cost that derive primarily from positive sources of constraint because they represent the positive benefits and value beyond the core service, that a customer would have to give up to switch. Lost benefit costs are likely to be associated with positive value enhancement (Reynolds & Beatty, 1999), negative switching costs are likely to be viewed as binding elements, causing customers to feel like "hostages" in the relationship (Sharma & Patterson, 2000).

The influence of switching costs on loyalty is demonstrated in many studies (Burnham, Frels & Mahajan, 2003; Lam, Shankar, Erramili & Murthy, 2004; Matos, Henrique & Rosa, 2009). For Meng and Elliot (2009), the positive switching costs have a direct influence on satisfaction. Perceived value is a determinant of satisfaction. So, we expected that:

H5. *Lost benefits costs have a direct positive effect on perceived value.*

H6. *Lost benefits costs have a direct positive effect on loyalty.*

2.2.4. The effects of distributive justice on perceived value and loyalty

In the recent marketing literature, within the service recovery area, perceived justice is recognized as a key influence in the formation of customers' evaluative judgments on organizational responses to a service failure (Blodgett, Hill & Tax, 1997; Tax, Brown & Chandrashekaran, 1998; Schoefer & Ennew, 2005; Ambrose, Hess & Ganesan, 2007). Perceived justice is a very broad concept and can be broken down into independent dimensions (Patterson, Cowley & Prasongsukarn, 2006). Traditionally, in the service recovery literatures, this concept has been considered three-dimensionally. Thus, perceived justice comprises procedural justice, interactional justice, and distributive justice (Mattila & Cranage, 2005; Ambrose, Hess & Ganesan, 2007). In this paper, we consider only the distributive justice to influences perceived value. Distributive justice refers to the customer's perception of the equity of the resources allocation and the tangible outcome of the service encounter, whatever the company offered the customer to recover from the service failure (Blodgett, Hill & Tax, 1997; Homburg & Fürst, 2005).

For Aurier and Siadou-Martin (2007), Chang and Hsiao (2008) and Gohary, Hamzelu, Pourazizi and Hanzaee (2016), customer value is positively affected by perceived justice. Distributive justice has also an impact on loyalty (Maxham & Netemeyer, 2003; Dayan, Al-Tamimi & Elhadji, 2008; Wang, Wu, Lin & Wang, 2011). Consequently:

H7. *Distributive justice has a direct positive effect on perceived value.*

H8. *Distributive justice has a direct positive effect on loyalty.*

2.2.5. The effects of perceived value on loyalty and WOM

The studies of Brodie, Whittome & Brush (2009), Jayawardena (2010), Chahal & Kumari (2011), Marimon, Yaya & Fa (2012), Parahoo (2012), Tam (2012), Hansen, Samuelsen & Sallis (2013), Llach, Marimon, Alonso-Almeida & Bernardo (2013), So, King, Sparks & Wang (2013), Chang, Backman & Huang (2014), Rasheed & Abadi (2014), Thaichon, Lobo & Mitsis (2014), Allameh, Pool, Jaberi, Salehzadeh & Assadi (2015), Lee, Liu, Chung & Ho (2015), Lien, Wen, Huang & Wu (2015), Lopes & Silva (2015), Roger-Monzó, Martí-Sánchez & Guijarro-García (2015), Sajtos, Kreis & Brodie (2015), Yan & Lau (2015), Akhoondnejad (2016), Jalil, Fikry & Zainuddin (2016), Nikhashemi, Tarofder, Gaur & Haque (2016), and Thaichon & Jebarajakirthy (2016) support the direct effect of perceived value on loyalty. Ansari & Riasi (2016) demonstrated the positive effect of perceived value on loyalty in the insurance sector. Therefore:

H9. *Perceived value has a positive influence on loyalty.*

For Chang (2015) and Nugroho & Suroto (2015), WOM is positively affected by perceived value. Santos & Basso (2012), Pilelienė & Grigaliūnaitė (2014), and Widianti *et al*. (2015) demonstrated the impact of perceived value on loyalty and WOM. In insurance sector, Gera (2011) demonstrated that perceived value influences loyalty and WOM. Consequently:

H10. *Perceived value has a positive influence on WOM.*

2.2.6. The effect of loyalty on WOM

Finally, the finding of several previous studies support the effect of loyalty on word-of-mouth communication (Carpenter & Fairhurst, 2005; Alves & Raposo, 2007, 2009, 2010; Matos & Rossi, 2008; Yi & Cong, 2008; Tsiotsou & Alexandris, 2009; Rivera & Croes, 2010; Li, 2013; Choi & Choi, 2014; Roy, Lassar & Butaney, 2014; Ruiz, Esteban & Gutiérrez, 2014; Salehnia, Saki, Eshaghi, & Salehnia, 2014; Chai, Malhotra & Alpert,

2015; Sirakaya-Turk, Ekinci & Martin, 2015; Xu, Peak & Prybutok, 2015; Watson, Beck, Henderson & Palmatier, 2015; Akbari, Kazemi & Haddadi, 2016). Thus, the following hypothesis is proposed:

H11. *Loyalty has a positive influence on WOM.*

3. Research Methodology

3.1. *Sample selection and data collection*

The conceptual model proposed in the present study is depicted in Figure 1. This research model investigates the antecedents and consequences of perceived value in the insurance sector. For this purpose, we will test a model where service quality, reputation, distributive justice, and lost benefit costs are direct antecedents of perceived value and loyalty and indirect antecedents of WOM, via perceived value. Therefore, perceived value influences loyalty and WOM. Finally, loyalty influences word-of-mouth.

Figure 1 - Proposed Conceptual Model
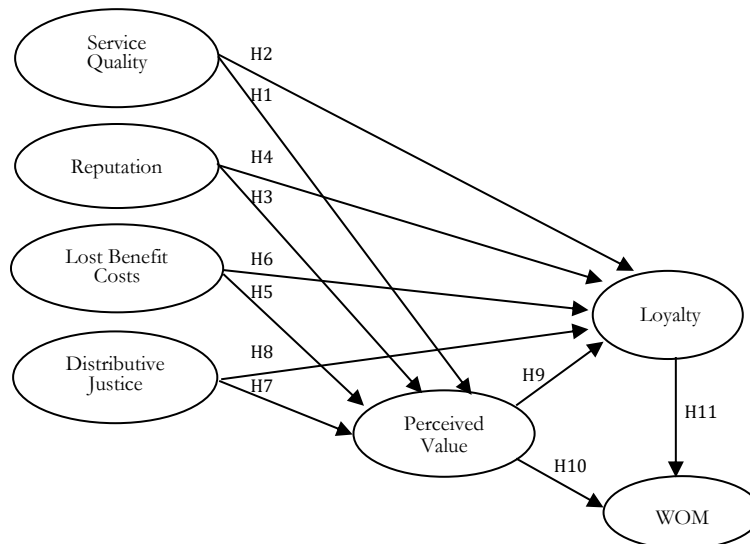
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Extensive qualitative interviews were conducted on this topic prior to the collection of quantitative data. To achieve the purposes of the study, a total of 744 Portuguese car insurance holders were invited to complete the survey. The demographic characteristics indicate that a diverse group of respondents were recruited. Approximately 51.9% were female, while 48.1% were male. The majority of the respondents of this study were between 25 and 54 years old (86.5%). Moreover, 61.7% were married. Finally, 38.8% had completed high school and 38.0% held a university degree.

3.2. *Measures*

Established scales were used to measure the variables being studied, based on the review of the most relevant literature on relationship marketing. All the variables were measured on a seven-point Likert scale, ranging from 1- strongly disagree to 7- strongly and appear in Table 2.

The scale used to measure service quality was adapted from the work of Antón, Camarero and Carrero (2007) and Parasuraman, Zeithaml and Berry (1988). The scale items were: "The attitude of this company's contact personnel demonstrates their willingness to help me" (SVQ1), "The contact personnel are very competent" (SVQ2), "The contact personnel are courteous" (SVQ3), and "The contact personnel give me confidence" (SVQ4).

Reputation measured according to the scale used by Ganesan (1994). The scale items were: "The insurance company has a reputation for being honest" (REP1), "The insurance company has a reputation for being concerned about the insured parties" (REP2), "The insurance company has a good reputation in the market" (REP3), and "The insurance company has a reputation for being fair" (REP4).

Distributive justice measurement was drawn from the scale of Varela-Neira, Vázquez-Casielles and Iglesias-Argüelles (2008). The scale items were: "Given the inconvenience caused by the problem and the time lost, the response I received from the insurance company has been correct" (JD1), "The insurance company been quite fair when solving the problem" (JD2), and "Overall, the outcome I received from the insurance company in response to the problem in the service performance has been adequate" (JD3).

The scale used to measure lost benefits costs was adapted from the work of Jones, Reynolds, Mothersbaugh and Beatty (2007). The scale items were: "Staying in this insurance company allows me to get discounts and special deals" (LBC1), and "Staying in this insurance company allows me to get extra service benefits" (LBC2).

The scale used to measure perceived value scale was adapted from the work of Hellier, Geursen, Carr and Rickard (2003). The scale items were: "The premium cost for the company's insurance is low compared to other car insurance companies" (VAL1), "The flexibility of the company's insurance is sufficient to meet my needs" (VAL2), "I can readily understand the exclusions in the insurance policy document" (VAL3), "I regard the policy premium as acceptable" (VAL4), "I consider car insurance to be a good buy" (VAL5), and "The insurance company offers a good value for money" (VAL6).

Loyalty measurement was drawn from the scale of Martín Ruiz, Gremler, Washburn and Cepeda Carrión (2008). The scale items were: "I intend to continue doing business with this insurance company in the future" (LOY1), "As long as the present service continues, I doubt that I would switch insurance companies" (LOY2), and "I will choose this insurance company the next time I need this service" (LOY3).

The scale used to measure word-of-mouth was adapted from the work of Palmatier, Scheer and Stenkamp (2007). The scale items were: "I say positive things about this company insurance to other persons" (WOM1), "I would recommend this company insurance to someone seeking my advice" (WOM2) and "I encourage friends and relatives to do business with this insurance company" (WOM3).

3.3.   *Measurement Model*

An initial screening of each scale was conducted using item-total correlations and exploratory factor analysis (EFA), using SPSS 24.0. Following Anderson and Gerbing's (1988) two-step approach, a measurement model was estimated before testing the hypotheses using a structural model. The analysis of data was realized through confirmatory factor analysis (CFA) and structural equation modeling (SEM) using the statistical software AMOS (*Analysis of M*o*ment Structures*) version 24.0. Maximum likelihood estimation procedures were used, since these afford more security in samples which might not present multivariate normality.

The measurement model fits the data well. The chi-square of this model is significant (X^2=664.303, *df*=254, *p*<0.01). Because the chi-square is sensitive to sample size, we also assessed additional fit indices (1) goodness of fit index (GFI), (2) normed fit index (NFI), (3) incremental fit index (IFI), (4) Tucker-Lewis coefficient (TLI), and (5) comparative fit index (CFI). All of these fit indices are higher than 0.9 (GFI=0.93, NFI=0.97, IFI=0.98, TLI=0.98, and CFI=0.98). Because fit indices can be improved by allowing more terms to be freely estimated, we also assessed the root mean square error of approximation (RMSEA), which is 0.047.

CFA enables the performance of tests regarding convergent validity, discriminant validity and reliability of study constructs. A commonly used method for estimating convergent validity examines the factor loadings of the measured variables (Anderson & Gerbing, 1988). Following the recommendations by Hair, Anderson, Tatham and Black (2005), factor loadings greater than 0.5 are considered very significant. In addition, we used the Average Variance Extracted (AVE) to contrast convergent validity. Fornell & Larcker (1981) suggested adequately convergent valid measures should contain less than 50% error variance (AVE should be 0.5 or above). Convergent validity was achieved in this study, because all the factor loadings exceeded 0.5 and all variance extracted estimates (AVE) were greater than 0.5.

Next, CFA was used to assess discriminant validity. If the AVE is larger than the squared correlation between any two constructs, the discriminant validity of the constructs is supported (Fornell & Larcker, 1981). Discriminant validity was also assessed for each pair of constructs by constraining the estimated correlation between them to 1.0 and a difference test was performed on the values obtained from the constrained and unconstrained models (Anderson & Gerbing, 1988). Discriminant validity of the scales was also supported as none of the confidence intervals of the phi estimates included 1.0 (Anderson & Gerbing, 1988). Finally, Gaski (1984) suggests the existence of discriminant validity if the correlation between one composite scale and another is not as high as the coefficient alpha of each scale. These tests demonstrated that discriminant validity is present in this study.

To assess reliability, the composite reliability (CR) for each construct was generated from the CFA. The composite reliability (CR) of each scale must exceed the 0.7 threshold (Bagozzi, 1980). As Table 1 shows, the composite reliability coefficients of all the constructs are excellent, being larger than 0.9, except for the variable lost benefits costs (0.87). Cronbach's alpha indicator was also used to assess the initial reliability of the scales, considering a minimum value of 0.7 (Cronbach, 1970; Nunnaly, 1978). As shown in Table 1, coefficient alpha values are all over 0.9, exhibiting high reliability. Table 1 also shows the AVE for each construct and a correlation matrix of constructs.

Table 1 - Factor Correlation Matrix and Measurement Information

	Construct	Nº Items	*CR*	*AVE*	1	2	3	4	5	6	7
1	Service quality	4	.95	.84	(α=.95)						
2	Reputation	4	.95	.83	.70	(α=.95)					
3	Lost benefits	2	.87	.77	.47	.44	(α=.87)				
4	costs	3	.96	.88	.55	.54	.36	(α=.96)			
5	Distributive	6	.91	.61	.60	.65	.52	.47	(α=.91)		
6	justice	3	.95	.85	.67	.68	.57	.57	.70	(α=.95)	
7	Perceived value	3	.95	.87	.66	.67	.58	.54	.69	.85	(α=.95)
	Loyalty										
	WOM										

Note: CR = Composite Reliability; AVE = Average variance extracted; α = Cronbach's alpha.

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The term multicollinearity refers to the correlations among the independent variables, which could make the solutions of regression analysis unstable (Hair, Anderson, Tatham and Black, 2005). To achieve an acceptable level of multicollinearity, each variable in a scale should exhibit a low level of collinearity with other variables. The extent of collinearity could be measured by the variance inflation factor (VIF), which evaluates the degree to which each variable is explained by the other variables. Hair, Anderson, Tatham and Black, (2005) suggest that a VIF value of 10 or less indicates an acceptable level of collinearity for a variable. In this study, the VIF indicating that the effect of multicollinearity among the constructs is negligible.

The measurement information is shown in Table 2.

Table 2 - Measurement Information

Construct	Item	Standardized Loading	t-value
Service Quality	SVQ1	0.895	31.178
	SVQ2	0.931	33.409
	SVQ3	0.910	32.103
	SVQ4	0.928	33.238
Reputation	REP1	0.920	32.674
	REP2	0.925	32.983
	REP3	0.891	30.935
	REP4	0.916	32.469
Distributive Justice	JUD1	0.932	33.466
	JUD2	0.949	34.565
	JUD3	0.941	34.028
Lost Benefit Costs	LBC1	0.888	26.575
	LBC2	0.864	25.690
Perceived Value	VAL1	0.693	21.165
	VAL2	0.801	25.959
	VAL3	0.675	20.454
	VAL4	0.805	26.173
	VAL5	0.898	31.144
	VAL6	0.916	32.226
Loyalty	LOY1	0.918	32.490
	LOY2	0.928	33.140
	LOY3	0.922	32.764
WOM	WOM1	0.942	34.134
	WOM2	0.956	35.068
	WOM3	0.892	31.027

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4.   Structural Model

The structural model fits the data well (X^2=700.056, *df*=258, *p*<0.01; GFI=0.93, NFI=0.97, IFI=0.98, TLI=0.97, CFI=0.98; RMSE=0.048). This model is depicted in Figure 2.

Figure 2 - Structural Model
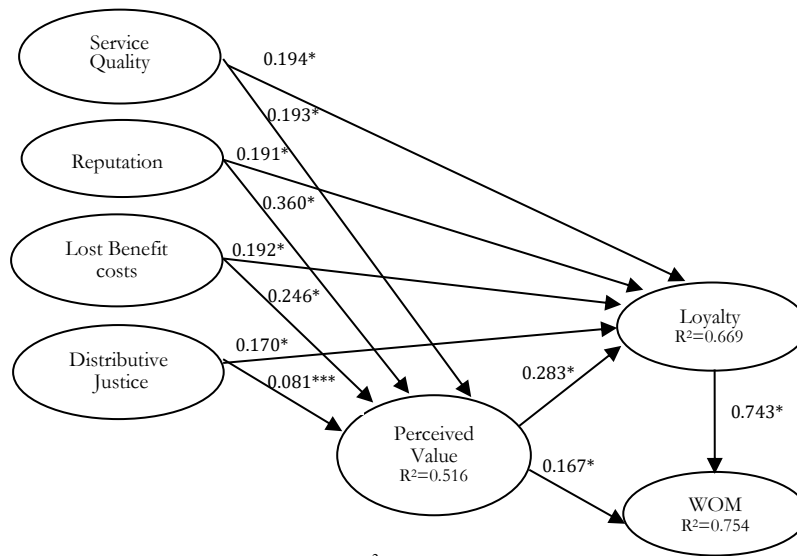
Note: * p<0.001; ** p<0.01; *** p<0.05; R²=Squared Multiple Correlations.
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The results in Table 3 show the analyses of the causal paths hypothesized in the structural model. The model supports the eleven hypotheses.

Table 3 - Estimation Results of the Structural Model

Path			Standardized Coefficient	t-Value	Hypotheses
Perceived Value	←	Service Quality	0.194	4.310 *	H1 (+): S
Loyalty	←	Service Quality	0.193	5.104*	H2 (+): S
Perceived Value	←	Reputation	0.360	7.880*	H3 (+): S
Loyalty	←	Reputation	0.191	4.903*	H4 (+): S
Perceived Value	←	Distributive Justice	0.081	2.255***	H5 (+): S
Loyalty	←	Distributive Justice	0.170	5.610*	H6 (+): S
Perceived Value	←	Lost Benefit Costs	0.246	6.626*	H7 (+): S
Loyalty	←	Lost Benefit Costs	0.192	6.036 *	H8 (+): S
Loyalty	←	Perceived Value	0.283	7.414*	H9 (+): S
WOM	←	Perceived Value	0.167	5.069*	H10 (+): S
WOM	←	Loyalty	0.743	21.301*	H11 (+): S

Note 1: * p<0.001; ** p<0.01; *** p<0.05 (one tail tests).
Note 2: S=supported

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According to Bollen (1989), analyzing the effects of total effects (direct and indirect effects) becomes very important, since only examining the direct effects could be misleading. The analysis of indirect effects highlights the importance of mediating variables in explaining loyalty and WOM, as we can observe in table 4.

We used the Boostrapping technique with a sample of 2 000 random observations generated from the original sample, and a confidence interval of 90% was also used in the estimation of the proposed model. This is because the analysis of total and indirect effects is only possible with the use of this method of estimation.

Table 4 - Standardized Effects Direct, Indirect and Total

Dependent	Perceived Value			Loyalty			WOM		
Predictor	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
Service quality	0.194**		0.194**	0.193**	0.055**	0.248**		0.216*	0.216*
Reputation	0.360*		0.360*	0.191*	0.102*	0.293*		0.277*	0.277*
Distributive Justice	0.081***		0.081***	0.170*	0.023*	0.193*		0.157*	0.157*
Lost Benefit Costs	0.246*		0.246*	0.192*	0.069*	0.261*		0.235*	0.235*
Perceived Value				0.283**		0.283**	0.167*	0.210*	0.377*
Loyalty							0.743*		0.743*

Note: * $p \leq 0.001$; ** $p \leq 0.01$; *** $p \leq 0.05$; **** $p \leq 0.1$

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5.   Findings and Discussion

In car insurance, service quality, reputation, distributive justice, and lost benefits costs are antecedents of perceived value and loyalty. In turn, perceived value is a determinant of loyalty and WOM. Finally, Loyalty is a determinant of WOM.

When we analyze the direct effects, the strongest effect on perceived value comes from reputation. Thus, our results support hypothesis 3. According to Chang (2013, 2015), corporate reputation generates a strong direct effect on perceived value. Lost benefits costs and service quality are other variables which can be highlighted as important. Thus, the results support hypotheses 5 and 1. In the insurance services, Hellier, Geursen, Carr and Rickard (2003), Durvasula, Lysonski, Mehta and Tang (2004), and Gera (2011) identified that service quality has a strong impact on perceived value. Distributive justice has a weak effect on perceived value. However, the result supports hypothesis 7.

The strongest direct effect on loyalty comes from perceived value, followed by service quality, lost benefits costs, reputation, and distributive justice. The results support hypotheses 9, 2, 6, 4 and 8. In the insurance sector, Ansari and Riasi (2016) demonstrated the positive effect of perceived value on loyalty and Mutlu and Tas (2012) demonstrated that reputation influences loyalty. In insurance sector, Rai and Medha (2013) demonstrated that service quality influences loyalty.

Loyalty has the strongest effect on WOM. Thus, the result supports hypothesis 11. So, in the insurance industry, the loyal car insurance holders speak well about the insurance company. Several authors defend this relation, as is the case of Salehnia, Saki, Eshaghi, and Salehnia (2014), Chai, Malhotra and Alpert (2015), Sirakaya-Turk, Ekinci and Martin (2015), and Akbari, Kazemi and Haddadi (2016).

Santos and Basso (2012), Pilelienė and Grigaliūnaitė (2014), and Widianti *et al.* (2015) demonstrated the impact of perceived value on loyalty and WOM. In insurance sector, Gera (2011) demonstrated that perceived value influences loyalty and WOM. In our study, perceived value influences loyalty and WOM. Thus, the results support not only hypothesis 9 but also hypothesis 10.

Reputation is expected to play an important role in the building of perceived value and loyalty, which seems comprehensive given the industry being studied. Consequently, insurance company managers must give special attention to building of a good reputation of the company. Because perceived value is seen to have an important direct influence on loyalty, this model highlights the role of perceived value which cannot be isolated from the crisis situation being faced by people. Consequently, insurance company managers must give special attention to the value the customers perceive and to the nature of the relationship they maintain with them. These priorities can become more pertinent as the

crisis deepens. Thus, insurance car holders speak well about the company if they perceive value in your offer.

However, we must look at both direct and indirect effects, because the consideration of the total effects will give us a more rigorous assessment about the relationships between the variables under analysis.

The strongest total effects (direct and indirect) on loyalty comes from reputation, followed by perceived value, lost benefit costs, service quality, and distributive justice. Reputation and perceived value play an important indirect role in the building of loyalty, which seems understandable given the industry being studied. Consequently, insurance company managers must give special attention to building a good reputation for the company and give an appropriate value for their insurance holders.

In turn, the strongest total effects (direct and indirect) on WOM comes from loyalty, followed by perceived value, reputation, lost benefit costs, service quality, and distributive justice. For Chang (2015), WOM is positively affected by perceived value. However, reputation play a strong indirect influence on WOM.

In conclusion, in the insurance industry, reputation has a very significant indirect effect on achieving customer loyalty. Therefore, the insurance company must not forget to ensure a good reputation. If this is achieved, customers will become loyal and speak well about the company. Simultaneous, the customers perceive the insurance company give them a good value.

6. Implications and Limitations

6.1. Theoretical Implications

Much of the value of the present work lies in our findings regarding the relational antecedents and outcomes of perceived value in the insurance sector. This study is original in that it is the first to examining the mediating role of perceived value in the relationship between service quality, reputation, distributive justice, lost benefit costs and loyalty and WOM. Perceived value can be described as the customer's overall appraisal of the net worth of the service or products based on their assessment of what is received (benefits provided by the service) as against what is offered (costs or sacrificed time, effort, and opportunity costs in acquiring and utilizing the service). This study supports the view that service quality, reputation, distributive justice and lost benefit costs do not influence WOM directly, but indirectly, via perceived value and loyalty. In turn, service quality, reputation, distributive justice, and lost benefit costs directly influence perceived value and loyalty.

6.2. Managerial Implications

The main goal of this research is to evaluate the principal antecedents and outcomes of perceived value in the insurance sector. This study is one of the first to be conducted in the context of insurance in Portugal. Therefore, the results of the current study have clear implications for insurance companies because they allow them to perceive the role of perceived value for fostering loyalty and WOM, which can help managers to anticipate a customer's decision to switch to another insurance company.

It becomes essential for insurance companies to understand that service quality, reputation, distributive justice, and lost benefit costs directly contribute toward building loyalty and indirectly contribute toward buiding loyalty and WOM, via perceived value.

In this way, insurance companies should not neglect their service quality, reputation, distributive justice and lost benefit costs, because they are antecedentes of perceived value and loyalty. Finally, the loyal customers speak well about the insurance company.

6.3. Limitations and Future Research

The findings from the current research should be interpreted with certain limitations. Future studies could examine other antecedents and consequences of perceived value. In the current study, the focus was on customers in the context of the insurance industry. Although this method enhances the generalizability of the findings, future research aimed at replication should examine the model when used with different types of service firm (e.g. banks) or in different insurance contexts (e.g. life insurance).

Given that the current study used cross-sectional data, it would also be useful for future research to investigate a set of customers longitudinally. This longitudinal research could investigate the nature of the perceived value over time.

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