

The Role of Product Preferences in Mediating The Influence of Product Knowledge on Customer Decisions

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Abstract: This study aims to determine and analyze the role of product preferences in mediating the influence of product knowledge on customer decision. The population in this study were all rice crop insurance customers in Jasindo Branch of Southeast Sulawesi in Konawe, Konawe Selatan and Kolaka regencies, with a total sample of 154 respondents. Respondents were obtained by convenience sampling method. The data for analysis needs were obtained by spreading the questionnaire using the Likert scale of 5 points. The next data was analyzed by structural equation modeling method using AMOS software version 24. The result of the analysis showed that product preference was to mediate the influence of product knowledge to customer's decision.

Keywords: insurance, product knowledge, customer decision

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I. Introduction

The gross regional domestic bruto of Southeast Sulawesi Province is still dominated by agriculture, forestry and fishery sector by contributing 24.88 percent in four years (2013-2016). Based on these data it can be seen that agriculture, forestry, and fishery sub-sector is still very potential to be developed in Southeast Sulawesi Province. Despite the considerable contribution and potential, however, the agricultural sector, especially rice crops, is a highly vulnerable sector to various problems. The problems related to rice farming according to Suryana et al (2009) in Suharyanto et al (2015), among others, the high incidence of pest and various diseases between regions and between growing seasons such as brown planthopper, stem borer, tungro and mice. The change in climate behavior also poses a risk to the agricultural sector, as is the statement from (McCarl et al, 2001 and Yohe and Tol, 2002), that agriculture is one of the most vulnerable sectors of the economy to the negative impacts of climate change behavior.

The possibility of risk of harvest failure can be considered by rice farmers in deciding to become rice crop insurance customers. Harvest failure is a heavy burden for farmers as the impact of lack of adaptability to the constraints of pests and natural disasters. Adapted limitations are caused by limited capital, technological mastery, and market access from farmers. Conventional approaches through the application of one or a combination of production, marketing, financial, and informal credit utilization strategies are estimated to be less effective. Therefore it is necessary to have a systemic and systematic formal protection system, through the development of agricultural insurance system (Sumaryanto and Nurmanaf, 2007).

The Government of the Republic of Indonesia has taken a policy to protect the risk of loss of farmers through rice crop insurance program. Rice crops insurance is a risk transfer for farmers in an effort to minimize losses due to crop failure. In its implementation, the government appointed PT. Jasindo as an executing company. Rice crops insurance can be utilized by rice farmers in the region of Southeast Sulawesi Province. The total land area until 2015 is 103,812 hectares, of which 22,338 hectares or 22.52 percent of the total land area in Southeast Sulawesi Province, as shown in Table 1.

Table 1. Land Size and Number of Rice Crop Insurance Customers in Southeast Sulawesi Province by Regency

Regency	Wide Rice Fields Insured (hectare)	Customer
Konawe	12.507	6.253
Kolaka	9.706	4.853
Konawe Selatan	125	62
Jumlah	22.338	11.168

Source: Jasindo Insurance Office Southeast Sulawesi, 2017

Rice fields that have been insured by rice farmers are located in three districts, namely Konawe, Kolaka, and Konawe Selatan. The rice field in Konawe Regency is the widest area that has been insured covering 12,507 hectares or 36.74 percent of the 34,040 hectares of existing paddy fields, with a total of 6,253 farmers. The condition shows that there are still 21,533 hectares or 63.26 percent of paddy fields in Konawe District that have not been insured. The rice fields in South Konawe Regency are covered by an area of 125 hectares or 0.58 percent, with a total of 62 farmers. These conditions indicate that there are still 21,489 hectares or 99.42 percent of paddy fields in the uninsured South Konawe District. Meanwhile, wetland in Kolaka Regency is mostly 88.62 percent or 9,706 hectares already insured, and only 11.38 percent are uninsured. Based on the criteria of selection of rice crope insurance candidates, the customers consist of paddy farmers owning paddy fields and conducting cultivation of rice cultivation on the widest 2 (two) hectares of land, and / or farmers who do not have farming land and working on wetland the most extensive 2 (two) hectares.

Benefits to be received by farmers by becoming rice crope insurance customers far greater than the burden of premiums to be paid, rice farmers should be interested to become rice crope insurance customers, but if seen from the comparison between the wide rice field in Southeast Sulawesi province with a wide of rice fields that have been insured, it is seen that rice crope insurance policy programmed by the government has not received an optimal response from rice farmers in Southeast Sulawesi Province, this is because the customer is still in three districts, and still relatively small.

The not optimal utilization of rice crope insurance by these farmers can be caused by the lack of knowledge of farmers about rice crope insurance and farmers preferences on rice crope insurance. The condition raises the question for the researcher and also as the research problem in this research.

The decision of rice farmers to become customers or not to become customers, shows the behavior of the rice farmers. Because farmers who become customers of rice crope insurance in this study are consumers, the behavior of rice farmers is also included in the scope of consumer behavior. Consumer behavior according to Kotler and Keller (2012: 151) is a study of how individuals, groups, and organizations choose, buy, use, and how goods, services, ideas, or experiences satisfy their needs and desires. Purchasing decision is the consumer's understanding of the wants and needs of a product by assessing from existing sources by setting purchasing objectives and identifying alternatives so that decision makers to purchase are accompanied by behavior after making a purchase (Swastha and Irawan: 2008). Meanwhile, according to Setiadi (2008: 415) consumer decision is the process of pengintegresian that combines knowledge to evaluate two or more alternative behavior, and choose one of them.

The purchase decision can be influenced by preferences and product knowledge. Preference can be interpreted as someone likes to choose something (Simamora, 2003: 87), then Ulbrich (2011) defines preference as the process of sorting all possible consumption to be selected. Further We et al (2017) explain that a rapidly changing consumer reaction to the environment will depend on the consumer's preferences and environment. The relationship between consumer or customer preferences with purchasing decisions has been made in several studies, among others by; (Wibawanto, 2014; Wardhani et al., 2015; Erinda et al., 2016).

Consumer purchasing decisions and preferences can be influenced by consumer knowledge of a product. Sumarwan (2002: 120), explains that the product knowledge is a collection of various kinds of information about the product. Furthermore, Brucks in Hanjaya (2016) mentioned that product knowledge is knowledge based on memory or knowledge owned by consumers. The relationship between product knowledge and purchasing decision has been done by several research results, among others; (Lin and Chen, 2006; Lee and Lee 2009; Shirin et al., 2011; Rezvani et al, 2012; Hanjaya, 2016; Zubir, 2017), indicating that product knowledge significantly affects purchasing decisions.

Knowledge of products in addition to a significant effect on purchasing decisions, also affect the product preferences. The results of Lestari (2014) and Aravinth (2012) studies show that product knowledge significantly affects product preferences. Product preference in Sustainable research (2014) is in the form of services that is a savings product, while the product preferences in research Aravinth (2012) is in the form of goods, that is electronic goods. However, these two studies differ from those of Kumar et al (2017), which show that product knowledge has no significant effect on product preferences.

The relationship between product knowledge, product preferences, and purchasing decisions has been studied in several studies as described previously, but these studies do study on direct relationships. If there is a direct connection between the three variables, then there is the possibility of indirect effect because theoretically there is a relationship between product knowledge with product preferences and purchasing decisions, as well as product preferences on purchasing decisions. In the context of this research, farmers' knowledge of rice crope insurance can affect farmers' preference for rice crope insurance products and also impact on the decision of farmers to become rice crope insurance customers. Another possibility is that farmers' knowledge of rice crope insurance can also not directly make the farmers decide to become customers, but first create a preference or preferences of the farmer and after that just decided to become a customer. This means that farmers who have

knowledge of rice farm insurance business decided to become a customer of rice crop insurance after the preference to rice crop insurance.

The phenomenon that shows the lack of farmers to become farmers insurance customers and the existence of gaps (gaps) from the results of research, especially about the influence of product knowledge to the product preference, a motivation to conduct research on the role of product preferences in mediating the influence of knowledge of products on the decision to become rice customers crop insurance.

II. Literature Review And Conceptual Model

Customer decisions. Purchasing decisions according to Swastha and Irawan (2008) are consumers' understanding of the wants and needs of a product by assessing from existing sources by setting purchasing objectives and identifying alternatives so that decision makers to purchase are accompanied by behavior after making a purchase. Kotler (2005) mentions that there are five kinds of roles a person can do in purchasing decisions, namely; Initiator, Influencer, Decider, Buyer, and User.

Someone who consumes or uses certain products or services. Some experts such as Engel et al (1994) and Hawkins et al (1998) explain that consumer decisions are a process that consumers make in purchasing a product or service. The term purchasing decision such as a consumer is very careful in selecting the various attributes of a particular product, brand or service and rationally choosing one that has the smallest cost and that fulfills its clearly identified needs (Hawkins et al., 1998). According to Kotler (2009) there are five stages of the consumer through the purchase process, namely the introduction of problems, information search, alternative evaluation, purchasing decisions, and behavior after purchase.

The next indicators that can be used to measure the decision to become customers are; Ulbinaite et al (2013) classifies purchasing decisions in two variables, namely; inclination to purchase insurance services (consisting of: insurers provide financial security, insurers provide psychological security, need to purchase insurance services that are not compulsory under the law, and the tendency to periodically spend some money on insurance premiums as a guarantee of financial stability in the future) , and decision-to-purchase insurance services (consisting of: the need for time and consideration in deciding to purchase insurance services, the desire to consult an insurance company, the tendency to actively communicate with insurance companies to clarify questions, as well as to read and analyze thoroughly the entire contract and insurance requirements). While the indicators of purchasing decisions by Kotler and Keller (2008) consist of; stability of a product, a habit of buying a product, making repeat purchases, giving recommendations to others. Indicator used in this research is; Time required in purchasing decisions (Ulbinaite et al, 2013), stability using products, repurchasing, and recommending to others (Kotler and Keller, 2008)

Product knowledge. Product knowledge is the consumer's knowledge of the product. Rao and Sieben, et al (1992) in Waluyo and Pamungkas (2003) define product knowledge as the coverage of all accurate information stored in consumer memory as well as its perception of product knowledge. Furthermore, according to Kotler and Armstrong (2004) product knowledge is everything that can be offered to the market to get attention, bought, used, or consumed that can satisfy the desires or needs. The more knowledgeable consumers will be more realistic in their selection as expected. Product knowledge includes, awareness of product categories and brands within product categories, product terminology, product attributes, and beliefs about product categories in general (Sri, 2011).

Brucks (1985) in Wardhana and Iba (2014), measures product knowledge in three ways: subjective knowledge, objective knowledge, and experience-based knowledge. Indicator of product knowledge measurement proposed by Lin and Chen (2006), is; the consumer's perception of how much he knows, the number, the type and organization of what the customer stores in his memory, and the amount of purchasing and usage experience. While the indicators of measurement of product knowledge proposed by Shirin and Kambiz (2013) and Rezvani et al (2012) are; the level of knowledge about the product, the desire to understand this product actively, the actual level is stored in the memory of the product information. This research uses the indicator that is used is the level of knowledge of a product, with item statement which is adjusted with rice crop insurance, that is location criterion, guaranteed risk, compensation, sum insured, premium amount, sum insured, registration procedure, claim settlement procedure, intent and purpose and target of crop insurance programme.

Product preference. Preference comes from the word prefer which means a person's preference or tendency to choose something (Simamora, 2003: 87). Consumer preferences can be determined by measuring the level of usefulness or importance of each product or service. Assessment of a product or service describes consumer attitudes towards the product or service, so as to reflect consumer preferences in using or consuming a product or service. According to Asri (1990) customer preference is the attitude of customers who want a good or service based on the ability to provide value satisfaction to what is purchased or offered, so that people who want goods or services have a buying behavior attitude.

Indicators of preferences cultivated from Andarwulan et al (2011: 16) consist of: culture, social class, personal influence, motivation, perception, learning process, and demography. Furthermore according to Tjiptono (2007: 58) indicator of consumer preferences consists of; the tendency to like the product, not considering other types of products, and satisfied with the product. Indicator used in this research is; tendency to like to product, consideration in choosing product, and satisfied to product.

The effect of product knowledge on product preferences. Knowledge of good farmers on rice crop insurance can increase farmers preferences to rice crope insurance higher. Research conducted Lestari (2014) and Aravinth (2012) indicates that product knowledge significantly affects product preferences. Based on the explanation, the first hypothesis is formulated as follows:

H1: Product knowledge has a significant effect on rice crope insurance product preference.

The effect of product knowledge on customer decisions. Knowledge of good farmers on rice crop insurance can increase the possibility of farmers to become rice crope insurance customers. The results of Zubir (2017) show that consumer knowledge, where one of the indicators is product knowledge significantly influence customer decisions. Similarly, the results of research (Lin and Chen, 2006; Lee and Lee 2009; Shirin, et al., 2011; Rezvani et al., 2012; Hanjaya, 2016), show that product knowledge significantly affects purchasing decisions. Based on the explanation, then formulated the second hypothesis as follows:

H2: Product knowledge has significant effect to customer decisions to become rice crope insurance customer.

The effect of product preferences on customer decisions. Farmers' preference for rice crope insurance will encourage farmers to become rice crope insurance customers. Research results (Wibawanto, 2014; Wardhani et al, 2015; Erinda et al, 2016). Research Erinda, et al (2016) showed that product preferences significantly influence consumer purchasing decisions. Based on the explanation, then formulated the third hypothesis as follows:

H3: Product preferences have a significant effect on customer decisions to become rice crope insurance customers.

Product preferences as mediator the influence of product knowledge to customer decisions. The relationship between product knowledge and product preferences has been studied by Lestari (2014) and Aravinth (2012), which indicates that product knowledge significantly affects product preferences. This means that the increased consumer knowledge of a product then the preference for the product will increase. The relationship between product knowledge and purchasing decisions has been investigated by; (Lin and Chen, 2006; Lee and Lee 2009; Shirin, et al., 2011; Rezvani et al., 2012; Hanjaya, 2016), indicating that product knowledge significantly affects purchasing decisions. This means that the increased consumer knowledge of a product then consumers will be able to decide to buy the product. Furthermore the relationship between product preferences to consumer decisions has been investigated by; (Wibawanto, 2014; Wardhani et al, 2015; Erinda et al, 2016), suggest that product preferences have a significant effect on purchasing decisions. This means that the consumer preference will increase to a product, then consumers will be able to decide to buy the product. Other research results (Jothi, 2014) indicate that product preferences have a significant correlation to customer decisions to become life insurance customers. Based on the explanation, the fourth hypothesis is formulated as follows:

H4: Product preferences play a role in mediating the impact of product knowledge on farmers' decisions to become rice insurance insurance customers.

Based on theoretical and empirical studies, the conceptual model designed in this study, can be presented in Figure 1.

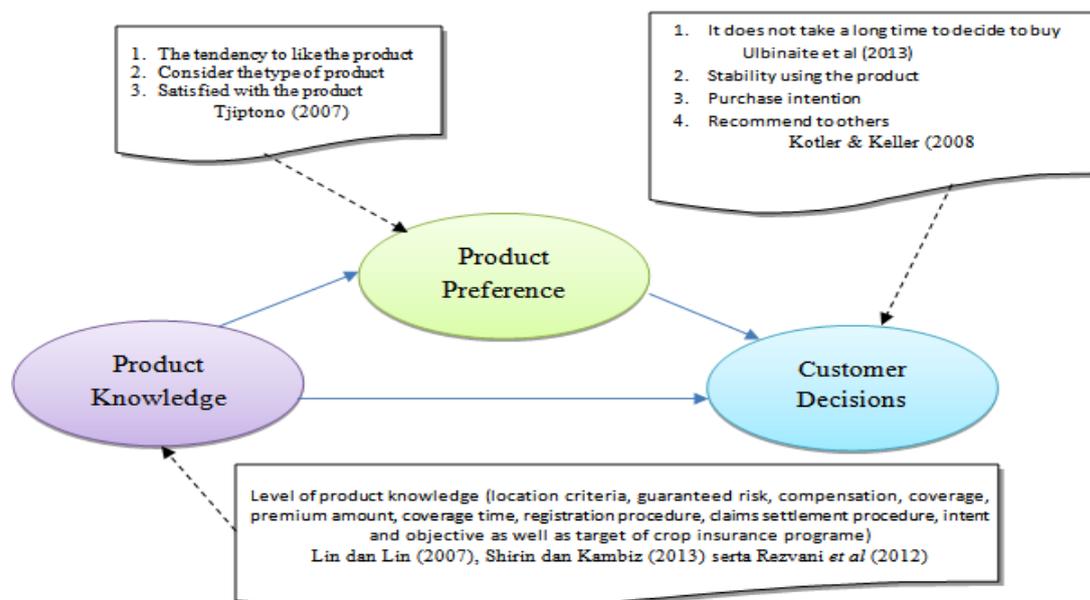


Figure 1. Conceptual model

III. Research Methods

This research design is explanatory research, to give explanation of causal relationship of research variables through hypothesis testing. Unit of analysis in this research is customer of rice crop insurance. The population in this study is all rice crop insurance customers on Jasindo Branch insurance of Southeast Sulawesi. The study was conducted in three areas: Konawe, Konawe Selatan, and Kolaka. The sample size was determined by 154 respondents obtained by Slovin method, and then distributed proportionally according to the number of customers in each research area. Furthermore, respondents were obtained by convenience sampling method. Data collection in this study used survey method through questionnaire instrument to obtain primary data. Measurement data for all research variables using Likert scale with 5-point scale. Testing the validity and reliability of the research conducted on 30 people before the spread of the questionnaire. The results showed that the overall instrument is valid and reliable. Based on the test results, all instrument items have correlation coefficient ≥ 0.30 which means that all statement items used as instruments in this study are valid, so also reliability test results show Cronbach alpha coefficient of all items statement as instrument in this research still above ≥ 0.60 , which means all items that make the statement are reliable. Therefore, questionnaires are used as feasible instruments for measuring each variable. Analyzer used in this research is structural equation modeling by using software of amos version 24.

IV. Data Analysis And Results

The result of data analysis is known that the characteristic of respondent is by age mostly most of them between 36 to 45 years old, the level of education of the majority of high school (43.51%), the area of rice field owned by the customer mostly (46.75%) between 1 up to 3 hectares, the land is mostly (69.48%) is self-owned. Respondents' income from crops mostly (48.70%) between 10 million rupiah to 20 million rupiah. Crop failures occurring in the past five years were largely (61.04%) between two to four times, with harvested cropland ranging from 50 percent to 74 percent.

Respondents' answers to the statements in this study are categorized between the minimum score and the ideal score. Total category total score for each indicator or product knowledge and product preference variable between 1540 (lowest score) to 7700 (ideal score), while total category total score for customer decision variable is between 616 (lowest score) to 3080 (ideal score).

Tabel 2. Total Score Answer Respondents

Variable	Total Variable Score	Position on the Total Score	Position on the Likert Scale
Product Knowledge	5935	4620-6160	Neutral-Agree
Product preference 1	5898	4620-6160	Neutral-Agree
Product preference 2	6146	4620-6160	Neutral-Agree
Product preference 3	6053	4620-6160	Neutral-Agree
Customer Decisions	2388	1848-2464	Neutral-Agree

Source: Primary data

Table 2 shows that the position of the total score for the product knowledge, product preference, and customer decisions variables is at a distance between neutral and agree. These results indicate that most respondents tend to have good knowledge about rice corp insurance. Score of respondents' answers to product preferences indicates that respondents tend to like the provision in rice corp insurance, considering any provisions in rice corp insurance, and satisfied with the terms of rice corp insurance. Scores of respondents' answers to the decision to become rice corp insurance customers indicate that the respondent has a tendency to; it does not take long to decide to become a customer, feel solid to be a customer of rice corp insurance, use insurance every season planting, and recommend to other farmers to become nasaba rice corp insurance.

Based on the results of confirmatory factor analysis for product knowledge, product preference, and customer decision variable, the critical ratio (CR) is greater than cut off 1.96 and the loading factor (λ) above 0.50 for each indicator. Therefore, all indicators can reflect all research variables.

The results of model feasibility testing show that chi square, probability, GFI, TLI, and CFI are fit, whereas AGFI is marginal. If judging from the value of the five criteria has met the cut off value, then the model is considered feasible and feasible for use in testing the hypothesis.

Table 3. Evaluation of Fit of Model

Goodness of fit index	Cut of value	Hasil Model	Keterangan
<i>Chi Square Statistic</i>	Diharapkan nilainya kecil	Chi Square =139,101	Fit
CMIN/DF	≤ 2.00	1,199	Fit
Probability	≥ 0.05	0,071	Fit
GFI	≥ 0.90	0,902	Fit
AGFI	≥ 0.90	0,870	Marginal
CFI	≥ 0.95	0,984	Fit
TLI	≥ 0.95	0,981	Fit

Source: Primary data

The result of analysis of the relationship between product knowledge, product preferences, and customer decisions are shown in Figure 2:

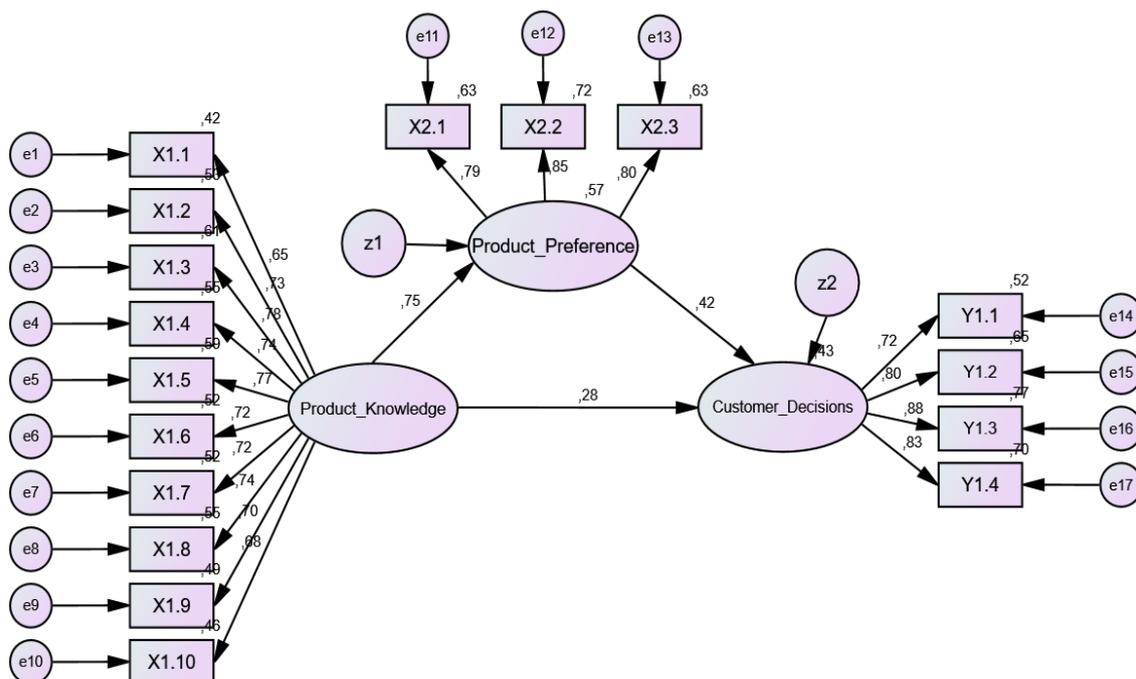


Figure 2. Test Results
Source: Primary data

The value of path coefficient, standard error, and the value of critical ratio and probability as the basis of hypothesis testing are shown in table 4.

Table 4. Intervention Effect Testing Variables

Variabel Dependen		Variabel Independen	Estimate	S.E.	C.R.	P
Preferensi_Produk	<---	Pengetahuan_Produk	0,755	0,089	6,920	<0,001
Kep_Menjadi_Nasabah	<---	Pengetahuan_Produk	0,281	0,117	2,154	0,031
Kep_Menjadi_Nasabah	<---	Preferensi_Produk	0,419	0,149	3,089	0,002

Source: Primary data

The direction of the relationship for the three research variables shows a positive or one-way relationship. The resulting critical ratio value is 6.920, greater than the cut off of 1.96 with probability below 0.001, smaller than the significance level of 0.05. Based on these results, the first hypothesis which states that product knowledge significantly affects the preference of paddy rice product insurance products, is accepted. This means that the increasing knowledge of rice farmers on rice farming insurance, the farmers' preference for rice farming insurance is increasing, with a significant increase.

The value of the resulting critical ratio of 2.154, greater than the cut off of 1.96 with probability of 0.031, smaller than the significance level of 0.05. Based on these results, the second hypothesis which states that product knowledge significantly affects the decision to become a rice farming insurance customer, is accepted. This means that the increasing knowledge of rice farmers on farming insurance, then the decision to become rice farming insurance customers is increasing, with a significant increase.

The resulting critical ratio value is 3.089, greater than the cut off of 1.96 with probability of 0.002, smaller than the significance level of 0.05. Based on these results, then the third hypothesis that states the product preference significantly affects the decision to become a rice farming insurance customer, accepted. This means that the increase of rice farmer preference to rice farming insurance, then the decision to become rice farming insurance customers is increasing, with a significant increase.

Hypothesis testing about the role of mediation variables in this study using Baron-Kenny method. Product Knowledge has significant effect to product preference with coefficient value of 0,755. Product preferences significantly influence the decision to become a customer with the value of the coefficient of the path of 0.419, and product knowledge significantly influence the decision to become customers with a coefficient of 0.281 lines. The results show that these three pathways have a significant effect, and the indirect path coefficient value of the product knowledge to the decision to become the customer through product preference of 0.316, greater than the direct path of the influence of product knowledge on the decision to become a customer. Thus, product preferences mediate the influence of product knowledge on the decision to become a customer, therefore the fourth hypothesis which states product preference serves to mediate the effect of product knowledge on the farmer's decision to become a rice farming insurance customer, is accepted.

V. Discussion

The result of analysis indicate that product knowledge have a significant influence to the preference of paddy farm product insurance, accepted. This means that the preference of respondents to rice farming insurance is due to the knowledge of respondents to rice farming insurance covering: location criteria, guaranteed risk, compensation, sum insured, premium amount, coverage period, registration procedure, claims settlement procedure, target. In the context of farmers who have not become customers, the results of this study can show that, increasing knowledge of farmers on rice farming insurance, it will increase the preference of farmers to rice farming insurance.

The results of this study support the results of Lestari (2014) and Aravinth (2012) studies which show that product knowledge significantly affects product preferences. Respondents' knowledge of risk also becomes the basis for a respondent to be interested in a product, as Rullisha (2014) suggests, that risk has a positive and significant influence on people's preference for insurance. The results of this study show different conditions with the results of research from Kumar et al (2017), which indicates that product knowledge has no significant effect on product preferences.

The result of the analysis shows that product knowledge significantly influence to the decision to become the insurance customer of rice farming. This means that the decision of the respondent in deciding to become a customer due to the knowledge of respondents to the insurance of rice farming. In the context of farmers who have not become customers, the results of this study can show that, increasing knowledge of farmers on rice farming insurance, it will also increase the possibility of farmers to decide to become rice farming insurance customers.

The results of this study are in line with the results of research from; (Lin and Chen, 2006; Lee and Lee 2009; Shirin, et al., 2011; Rezvani et al., 2012; Hanjaya, 2016; Zubir, 2017), indicating that product knowledge significantly affects purchasing decisions. Judging from the indicators of purchase decisions, manurut Susilowati (2016) insurance premiums have no effect on insurance demand. The result of Susilowati (2016)

study is not supported by the result of this research, because the respondent's knowledge about rice insurance premium in this research become the basis of the respondents in deciding to become rice insurance farmers.

The result of the analysis shows that product preference has significant effect to the decision to become rice insurance insurance customer. This means that the decision of the respondent in deciding to become a customer due to the preference of respondents to the insurance of rice farming. In the context of farmers who have not become customers, the results of this study can show that, increasing the preferences of farmers on rice farming insurance, it will also increase the possibility of farmers to decide to become rice farming insurance customers.

The results of this study support the findings of: (Wibawanto, 2014, Wardhani et al, 2015; Erinda et al, 2016), which states that preference has an effect on purchasing decisions, as well as research results from Jothi and Sitaram (2014) (life insurance) has a significant correlation to customer decisions.

The results of this study indicate that product preferences play a role mediate the influence of product knowledge on the decision to become rice farming insurance customers. The results of this study if associated with farmers who have not become rice farming insurance customers, indicate that farmers who have a good knowledge of rice farming insurance products, it will further increase the preference of rice farming insurance, and eventually the greater the possibility of the farmer to decide to become an insurance customer of rice farming.

VI. Limitations Research

Based on the results of the research note that the education of respondents consists of three levels, namely primary education, secondary education, and higher education, which can cause the presence of respondents who still have a low knowledge about farm insurance. Subsequent research can examine the relationship between product knowledge, product preferences, and consumer decisions by comparing the customer with basic education, secondary education and higher education.

VII. Conclusion

The results show that; product knowledge has a significant effect on rice product insurance product preference, product knowledge significantly influence to decision to become rice farmer insurance consumer, product preference significantly influence to decision to become rice farming insurance consumer, and product preference contribute to mediate the influence of product knowledge to the decision to become insurance customer of rice farming .

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