

RESEARCH IN CUSTOMER PREFERENCES SELECTING INSURANCE SERVICES: A CASE STUDY OF LITHUANIA

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ABSTRACT

The strong competition between insurance companies providing insurance services forces them to search for the ways to keep customers loyalty. Customers have many opportunities to meet their needs and they have many choices selecting products and services in the market. Loyal customers are each company's greatest ambition and purpose; however, the customer's preferences selecting products and services are turning into an important and topical subject nowadays. How to keep loyal customer who is going to change the organization providing insurance services? What factors inhibit the customer's intention from leaving an insurance service organization? The purpose of the research is then to identify and investigate the factors, influencing hindering customer's intention to change the organization working on insurance services in Lithuania. For the research completion, the methods of questionnaire survey were applied. The gained research outcome has disclosed that customers' intention to change the insurance organization influences the credibility of the organization and relational values.

KEY WORDS

Insurance services, insurance company, switching behavior, customer loyalty, Lithuania.

DOI: 10.23762/FSO_VOL5NO4_17_4

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Introduction

The research in customer preferences, selecting the insurance services, is related to the customer loyalty. Customer loyalty, as the research object, was analyzed as a process of re-purchase (Johnson et al. 2006; Pileliene et al. 2009). Later, loyalty was studied in the theory of relationship marketing, according Pileliene et al. (2009) where loyalty was seen as a long-term development of relations between an organi-

zation and a customer and this approach has been mostly studied in terms of loyalty to this day. The latest concept, analyzing customer loyalty is the concept of switching-behavior. Therefore, the concept of switching behavior is constantly affected by the certain factors that build customer frustration with the organization and with the purchased product / service. Finally, a customer assesses the potential switching

costs, chooses another alternative – migrates to another organization.

The factors, due to which customers are changing insurance companies, have not been studied in terms of insurance services in Lithuania. There is a lack of the research on customer preferences, disclosing what is requested to be replaced concerning the change of one insurance company into another. There are no identified factors revealing why customers leave the company and choose another one. Thus, the insurance services are very important to explain customers' loyalty correspondingly to the concept of switching behavior. Consequently, there are discussed the reasons that prevent customer migration to other insurance organizations.

In the following article there is set a problem that is formulated under a question – how to keep loyal customers who have an intention to change the organization providing insurance services?

The purpose of the research - to identify and investigate the factors influencing hindering customer's intention to change the organization working on insurance services in Lithuania.

The article object – the factors influencing hindering customer's intention to change the organization working on insurance services.

The objectives of the research:

- To identify the factors influencing hindering customer's intention to change the organization.
- To present main actors of insurance market in Lithuania.
- To investigate the factors influencing hindering customer's intention to change the organization working on insurance services in Lithuanian organizations.

The methods of the research. There has been chosen the secondary data analyze for insurance companies financial state-

ments for the period 2015. For the research of the empirical research problem has been chosen method – survey (in written), instrument – questionnaire. The questionnaire was distributed and sent to 384 respondents. However, only 121 respondents answered.

The questionnaire consists of three parts. The first part consists of 2 questions aimed at determining the duration of customer service for insurance services and ascertaining which clients are considering changing insurance services to another company's insurance services. Answering a question about the intention to change the insurance company, the respondents who will be analyzed. The first part is intended to determine which changes in behavior factors inhibit customer switching behavior and maintain customer loyalty. The second part of the questionnaire consists of five blocks of statements that the respondent has to assess in a five-point system (1-totally disagree, 2-disagree, 3-agree or disagree, 4-agree, 5-agree completely), in intermediate ranges. The statements are based on the classification of the consumer substitution behavior suppressed by the literature analysis. For each factor, the statements are formulated in which a clear and understandable situation for each user is defined. In order to name each claim, the respondent answers how he might react or act, which will reveal the strength of the factors that inhibit the behavior of the consumer's substitution behavior and influence the user's decisions. The third part of the questionnaire is designed to collect demographic information about the respondent (sex, age, place of residence, activity, education, income). The data were analyzed and administrated with a statistical package for social sciences (SPSS Statistic 17.0 version). There was also performed correlative (Spearman's rank correlations coefficients) analyze.

1. Factors hindering customer's intention to change the organization

In order to identify factors that inhibit customer intention to change the organization has invoked customer loyalty concept. The customer loyalty concept is investigated in the theory of consumer behavior, in the concepts of relationship marketing and switching behavior.

According to Andreassen and Lindestad (1998), customer loyalty in consumer behavior is an intended behavior, related to a service or an organization, involving, the possibility for the completion of future contracts, customer change possibility (if they change one organization to another), a possibility that customers will disseminate positive reviews as in a „word of mouth“. Customers may be loyal agreeably with high barriers in order to change services or due to the absence of alternatives. Also, because they are satisfied and they are willing to continue the cooperation (Andreassen, Lindestad 1998). Mittal and Lassar (1998) state that in order to attract a new customer to an organization it costs five times more than to keep an old one. Thus, it is of great significance that an organization struggled to keep loyal customers applying a relevant loyalty programme such as programmes by Huang and Hsieh (2011) is strengthen customer loyalty and organization competitiveness in the market in particular.

Rojas-Mendez et al. (2009) state in the concept of relationship marketing that loyalty involves the certain customer actions, which make the process. Following the approach by these authors, talking about loyalty, the attention is paid to the acknowledged behavioral intentions, such as a repeated purchase of the certain brand/trademark.

In the switching behavior concept, the customer loyalty has been researched by the researchers Colgate and Lang (2001), Kiser (2002), Gerrard and Barton (2004), Shin and Kim (2008), Zikiene and Bakanauskas (2009), Huang and Hsieh (2011), Bhattecherjee et al. (2012), Zikiene (2015), Zikiene and Pileliene (2016) who investigated the assumption, which affects customers', who have been loyal, purchase and a willing to change the organization. This assumption implies customer-switching behavior of the concept emergence; i.e. what exactly is considered being customer disloyalty s caused by a number of factors that contribute to the organization change.

Authors define the concept of the customer switching behavior differently. According to Shin and Kim (2008) it is regarded as customer migration from one organization to another. Meanwhile, Nordman (2004) states that switching behavior receives customer disloyalty and running of specific factors terminates relationship between an organization and a customer.

According to Bhattecherjee et al. (2012), the customer replacement behavior manifests by customer dissatisfaction with the present choice, followed by potential selections as an alternative to a present selection and comprehension.

Thus, in the concept of the switching behavior there is analyzed customer disloyalty and there are investigated the factors, which influence the customer's intention to change an organization. In the switching behavior, it is significant to identify the factors, which foster a customer to change the organization. In other words, it is needed to find out the factors of customer's dissatisfaction with an organization, which force the customer to change the organization.

Many scholars have researched loyalty factors. According to Gerrard and Barton (2004), switching behavior is comprehend-

ed as a customer's decision to change the organization due to such factors as price, service defects and limits, employees' mistakes, ethnical problems, competitors' attractiveness, etc.

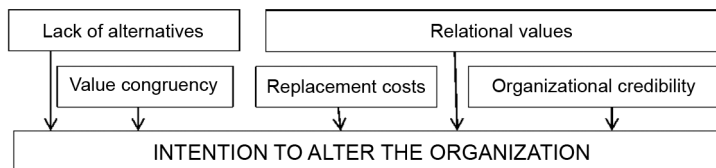
According to Valenzuela (2012), there are five key factors, which may retain customer loyalty in an organization: switching costs, lack of alternatives, relational values, value congruency and organizational credibility. These excluded factors are effective in a long-term period and they have to be created through the lifecycle of relationship between a customer and organization.

There is made a presumption that there are needed the following factors for a customer in order to change an insurance service company and change to another

one: switching costs, lack of alternatives, relational values, organizational credibility and value congruency. Thus, these factors are entitled as ones, which prevent the customer from leaving the organization.

For the formation of the theoretical research model, there was applied the model, created by Valenzuela (2012) that was modified in accordance with the before presented presumption. Due to the fact, that the purpose of the research is to intend the factors, capable of preventing possible switching behavior and the assurance of retained loyalty; in the model there are provided the factors, preventing customer switching behavior, which influence the intention to change the organization.

Figure 1. Conceptual model of associations between the hindering factors and intention to alter the organization



Source: Own elaboration based on Valenzuela 2012.

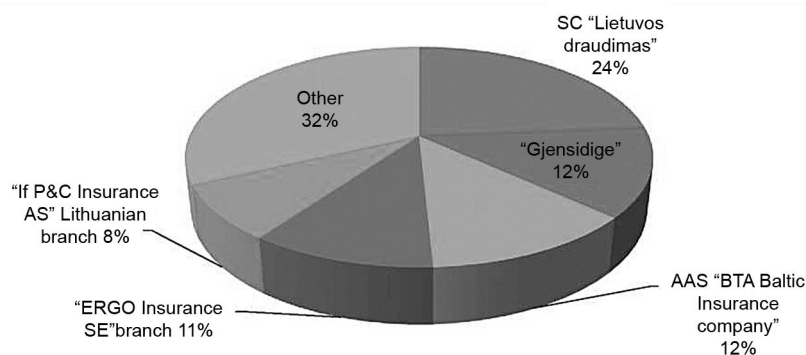
In the theoretical model there are distinguished five dimensions, which influence a customer's willing to change/leave the organization. The effects of these factors directly influence the intention to change the organization and it directly influences customer loyalty. The model has been researched and assessed applying empirical research.

2. The main actors of insurance market in Lithuania

In the Lithuanian insurance sector, there is quite a large number of insurance market participants. However, according to the number of the signed non-life insurance

group contributions and the market share there can be distinguished five insurance companies, which have the strongest positions in the sector of insurance services. They are the main actors of insurance market in Lithuania, as following: SC „Lietuvos draudimas“ (23.7%), „Gjensidige“ (13%), AAS „BTA Baltic Insurance company“ (12%), „ERGO Insurance SE“ branch (11%) and „If P&C Insurance AS“ Lithuanian branch (8%).

Figure 2. The market share among insurance companies in Lithuania



Source: Bank of Lithuania, 2015.

SC „Lietuvos draudimas“ is an insurance company, possessing the greatest experience in the country that provides non-life insurance services. It has more than 50 customer service divisions in all Lithuania (Association of Lithuanian insurances 2015). The company has 56 sales divisions of insurance services in the largest cities and smaller towns of Lithuania, where there work 1227 insurance agents. The company provides customers with possibilities to purchase all offered insurance services, the number of which makes 20 groups of insurance services, five of which are devoted to private customers and 15 to business customers. Private customers are provided with an opportunity to insure on e-space of the company's website. These services include civil liability insurance and travel insurance. Customers may also get insurance proposals for CASCO, property and personal insurance, and insurance against mites. On the website of SC „Lietuvos draudimas“ business customers may get proposals related to the company's asset security, business civil liability, business security and different kinds of staff insurance (Lietuvos Draudikų Asociacija 2015).

“Gjensidige” is a leading Nordic and Baltic general insurance company. In Lithuania its offer a wide range of insurance products for both private and corporate customers and its market share is 13%. The company has 86 sales divisions in all Lithuania, where there work 578 sales agents of insurance services. In the company's website there can get insured both private and business customers, who are offered civil, travel, property and accident insurance (Gjensidige Financial... 2015).

AAS „BTA Baltic Insurance Company“ is a company, providing insurance services in the sector of non-insurance services and its market share is 12%. The company has 111 sales divisions in all Lithuania, where there work 460 sales agents of insurance services. The company offers to its customers 18 groups of insurance services. 5 of them are for private customers and 13 for business ones. The company uses brokers and intermediaries' service, the number of whom is 364 and the number of their staff, who have the right to provide with insurance services of AAS „BTA Baltic Insurance company“ involves 436 insurance intermediaries and brokers. Insurance intermediaries, who sell the company's insurance services, are spread

in all Lithuania. In the company's website there can get insured only private customers, who are offered civil, travel, property and accident insurance. The company's customers can purchase some insurance services, proposed by the company, via email, which are devoted to private customers, apart from some insurance services, devoted to business customers - such as aviation risk, general civil, pets, company's assets, freight, collateral acceptance, marine, self-propelled mechanisms, construction engineering, mounting works and civil liability insurance of carriers (Lietuvos Draudikų Asociacija 2015).

„ERGO Insurance SE“ branch – a company, providing non-life insurance services, has a market share of 10.8% in the national non-life insurance services. The branch has sales divisions in the largest Lithuanian cities and smaller towns, where there work 657 insurance agents, selling company's insurance services. In the company's sales divisions, customers can purchase all insurance services, proposed by the company, the total proposed number of which is 10. Four insurance service groups are devoted to private customers and six ones to business customer. The company cooperates with agents, who provide with insurance services at the insured person's house. The agents' number is currently 180. Besides, all day long, the company's private customers can immediately and with no inquiry purchase such services as civil insurance, travel insurance, property insurance, insurance against accidents and cyclist's insurance. Just private customers can be insured online, purchasing the mentioned insurance services. Meanwhile, business customers are not provided with online service. This is very convenient for private customers; however, the following limits business customers' possibilities to purchase insurance services online. Cus-

tomers may purchase the proposed insurance services on the phone or via email. It is of great significance to mention that „ERGO Insurance SE“ offers a self-service only in the field of life-insurance; meanwhile, there is no set self-service in the provision with the company's non-life insurance services.

In the Lithuanian sector – for non-insurance services there is present an insurance company – „If P&C Insurance AS“. Its market share is 8% and it has 15 customer service divisions in the largest cities of the country and in larger settlements. The company sells insurance services, using the service of 133 insurance brokers and intermediaries. They are conferred the right to sell 13 insurance services, offered by the company. The company's private customers can purchase online the following insurance services: compulsory civil liability service and CASCO insurance. Customers can also make inquiries online concerning the purchase of property and travel insurance. Meanwhile, business customers are not provided with opportunities to purchase insurance online - they have to apply to company's agents on the phone, via email or arrive to a customer service division.

Other companies as Compensa, Reso Insurance also providing non-life insurance services, have a market share of 32% in the national non-life insurance services.

Competition among insurance services companies is quite high in Lithuanian insurance service market. Each company, which provides insurance services, in order to effectively carry out its activities, must take into account not only insurance service, sales channels and its process for logistics in order to follow current and potential competitors and their actions, but also in order to meet customers' needs and priorities in selecting insurance services.

Thus, in the Lithuanian insurance service market, Lithuanian customers have an opportunity to choose insurance services in different companies, which provide insurance services. Consequently, customers can exchange one insurance company to another if one does not meet their needs. In addition, insurance service managers must know the key factors of customer choice, preparing marketing strategies for future company activities in particular.

Having compared customer behavior with other services, insurance services, are specific, since the purchase of financial services and their result is not always appreciable, but only in case of a disaster, from which a customer was pre-insured. The customer is difficult to assess the quality or value of the insurance service. For this reason, it is not easy to attract customers, and it is even more difficult to keep customer loyalty. Customer have many opportunities to meet their needs, they have many choices when selecting products and services in the market. Loyal customers of each company's greatest ambition and purpose, however, the important and topical subject becomes the customer's preferences selecting products and services. As a result, there is question - how to keep a loyal customer, who is going to change the organization providing insurance services?

3. Materials and methods

Research in customer preferences, selecting the insurance services, was researched after having modified a model according to the customer loyalty by Valenzuela (2012). There has been chosen the method – survey (in written), instrument – questionnaire. The scope of the research sample is 121, while surveying the population of Alytus district, Kaunas district, Klaipėda district, Marijampolė

district, Panevėžys district, Šiauliai district, Tauragė district, Utena district and Vilnius district. 45% of men and 55% of women participated in the survey. The major part of the surveyed (43%) is at the age of 26-35 and (33%) is at the age of 36-45. Even 40% have average monthly income that is 351-700 EUR, and 31% have average monthly income month that is 501-700 EUR. Respondents are from all over Lithuania, i.e. survey outcomes reveal population opinion from different Lithuanian districts. The questionnaires were distributed to respondents in an electronic way (uploading them on websites and sending via emails).

There was applied Cronbach's Alpha coefficient for the estimation of the data credibility. Realibility of questionnaire questions - Cronbach's Alpha coefficient is 0.723. The coefficient exceeds 0.7, and as a result might be drawn that the questions are consequential and reliable.

A correlation strength scale for the estimation among variables in order to assess correlation coefficients was applied. According to Pukenas (2009) and Cekanavicius (2012) there is existent very weak (0.00-0.19), weak (0.20-0.39), average (0.40-0.69), strong (0.70-0.89) and very strong correlation (0.90-1.00). The correlation coefficient varies from - 1 to 1, and its strength is not equal. Correlation coefficient may gain values from -1 to 1. The bigger is the correlation coefficient in terms of the absolute value (further from zero), the stronger is dependence. Correlation is statistically significant, when $p < \alpha$, statistically insignificant, when $p \geq \alpha$, here α – the defined level of significance.

4. Research analyze and findings

In order to identify connection among variables there was carried out computing of variables and question statements were

divided into blocks 'switching costs', 'lack of alternatives', 'relational values', 'organizational credibility', 'value congruency' and 'intention to alter the organization'. The estimated coefficients are provided in Table 1.

Table 1. Correlations coefficients between variables

	Switching costs	Lack of alternatives	Relational values	Organizational credibility	Value congruency	Intention to alter the organization
Switching costs Correlation Coef. Sig. (2-tailed)	1,000					
Lack of alternatives Correlation Coef. Sig. (2-tailed)	-0,189* 0,038	1,000				
Relational values Correlation Coef. Sig. (2-tailed)	0,040 0,666	0,248** 0,006	1,000			
Organizational credibility Correlation Coef. Sig. (2-tailed)	-0,067 0,465	0,149 0,103	0,648** 0,000	1,000		
Value congruency Correlation Coef. Sig. (2-tailed)	-0,077 0,404	0,561** 0,000	0,264** 0,003	0,333** 0,000	1,000	
Intention to alter the organization Correlation Coef. Sig. (2-tailed)	0,014 0,880	-0,070 0,443	-0,598** 0,000	-0,656** 0,000	-0,152 0,097	1,000

****.** Correlation is significant at the 0.01 level (2-tailed). *****. Correlation is significant at the 0.05 level (2-tailed)

Source: Own elaboration.

The gained outcomes of the correlation analysis show that statistically significant correlation is between the intention of the statistically significant variable to change the organization and the relational values (coefficient = -0,598, $p=0,000$) and the intention to change the organization and the credibility of the organization (coefficient = -0,656, $p=0,000$). The correlations are average strong, but negative, that means that in the case of the increase in the credibility of the organization, and the relational values, there decreases the expectation for the emerging of the intention to change the organization. Meanwhile, between the intention to change the organization and the factors, such as switching costs, a lack of alternatives and the value congruency, there is no significant correlation (p value $>0,05$).

The analysis of correlation showed that there is a meaningful and the strongest correlation between the relational values and the intention to change the organization and the credibility of the organization.

Conclusions

The literature analysis concerning consumer loyalty enabled the distinguishing and identification of five damping factors, which keep a consumer in an organization.

The market analysis of the insurance services disclosed that consumers might select non-life insurance services from five strong companies, which compete with each other and which provide with a wide range of similar non-life insurance services and have a rich network of them in all Lithuania.

Having modified the model, created by Velenzuela, there was prepared an empiric research model that states that there are five factors, damping a customer, which aid at the keeping of a customer in an organization, i.e. a consumer stays in the organization and does not change it to another if there are present these factors. Agreeably with the empirical research, it was defined that only two factors from five aid the organization at the keeping of customers and other three are insignificant. The research disclosed that average strength correlations are present between these factors.

A customer is encouraged to stay in a company by a relational values and organizational credibility in the insurance service company. A consumer, selecting an insurance company, assigns his/her preference to the relations values and credibility of the organization in Lithuania.

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