

## **Customers Switching Behavior in Automobile Insurance Industry: A Case on Galle District**

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### **Introduction**

With the intense competition and increasing globalization in the financial markets, financial managers must develop customer-oriented strategies in order to compete successfully in the competitive business environment. Numerous studies have shown that financial organizations' profitability is closely associated with customer retention (Garland, 2002; Anderson; Reichheld and Sasser, 1990). Maintaining an existing customer is five times cheaper than obtaining a new one as the advertising, sales, and set-up costs can be amortized over a longer customer lifetime (Morgan, 2007; Clemes, Gan and Zheng, 2007; Reichheld and Sasser, 1990).

The insurance industry is a very competitive industry. They must develop strong relationships with their customers in order to compete successfully. However, customers are also more prone to change their automobile insurance behavior when they can purchase nearly identical financial products provided by the competitive companies. The Researcher has identified that Sri Lankan automobile insurance consumers are not brand loyal, and are switching to new brands continuously or they have an intention to switch (Brand switching behavior). Therefore, it is significant to identify the dimensions that lead consumers for the switching behavior in automobile insurance Sri Lankan insurance service providers sector.

This study has mainly focused on identifying demographic characteristics and other factors that influence the consumers in switching the service provider and identify the relationship between the factors that influence customers' switching behavior in the automobile insurance to delve into finding out the likeliness of switching the service provider.

### **Methodology**

The sample of this study comprised with 170 automobile insurance customers in Galle district and structured questionnaires were used to collect data from sample. Simple random sampling technique was used to select the sample. Descriptive analysis, tabulate statistics and Uni-variant analysis was used to determine research objectives and exploratory factor analysis was used to determine the factors that contributed to switching behavior. Subsequently, a logit regression analysis was used to test the conceptual model and the five hypotheses.

The regression model can be expressed as follows.

$$BSB = A + \beta_1 PR + \beta_2 SQ + \beta_3 SC + \beta_4 IS + \beta_5 EAC + \beta_6 \beta_2 SQ + \epsilon$$

Where as PR = Price, SQ = Service Quality, SC = Switching Costs, IS = Involuntary Switching, EAC= Effective Advertising Competition,  $\beta_2 SQ$ = Personal selling.

**Results and Discussion**

Table 1: Uni-varient analysis

Factor	Mean	Std. Deviation
Price	2.7074	0.8800
Service Quality	3.9192	0.8244
Switching Costs	2.8207	0.5393
Involuntary Switching	1.6511	0.7368
Effective Advertising Competition	2.7654	0.6056
Personal selling	2.9399	1.1017

The uni-varient results showed that Service Quality had the maximum impact on switching behavior. Personal selling, switching cost and effective advertising were the second third and fourth important factors influencing customers' switching behavior. Findings showed that the involuntary switching was the least important factor and respondents are almost disagreeing with this factor and also their switching behavior is not depending on this factor.

The fitted regression model can be expressed as follows.

$$BSB = 3.379 + 3.9424PR - 16.2459SQ - 6.5546SC - 0.99287IS - 4.85791EAC + 2.09807PS + \epsilon$$

The results showed a significantly negative relationship between customers' switching behavior and the influencing factors (Service Quality, Effective Advertising Competition, Involuntary Switching, and Switching Costs). As an example, when companies are not using advertising as an effective tool to beat competition customer switching behavior will be increased. Further service quality, involuntary switching, and switching costs will followed the same procedure. Among all six factors service quality plays the most important role in switching the automobile insurance policy and involuntary switching the least important role. It is found that there is a relationship between switching the service provider and the factors excluding involuntary switching.

**Conclusion**

The results from the study reveal that service quality plays the most important role in switching the automobile insurance policy and involuntary switching is playing the least important role. It is found that there is a relation between switching the service provider and the factors excluding involuntary switching. After analyzing the findings of the study, researcher proposes that the insurance companies should concentrate to develop appropriate strategies based on the important factors that had been found by study.

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