

Evaluating the Customer Retention and Satisfaction in the Albanian Auto Insurance

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Abstract

Customers are the reason why businesses exist, prosper, and expand. Customer acquisition is the main goal for sales teams because more clients mean more money. The pandemic constrained people to reconsider how they utilize their time and what companies they do business with, including their insurance options. The insurance industry has the highest customer acquisition costs of any industry. Customer acquisition in insurance costs are nine times higher than customer retention, so "Happy clients" is no longer a nice to have, but a must in insurance industry.

In order to be profitable in insurance, the industry should focus in the customer experience service by improving important indicators like loyalty and retention. In this study, I seek to understand the factors that may cause an insurance services firm to lose some of its customers who have auto insurance. The findings of this empirical research utilized NPS for measuring customer loyalty in the auto insurance market in Albania.

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To be successful in both customer acquisition and customer retention, Albanian insurance companies must focus in the factors identified in this research in order to influence customer loyalty and adjust their marketing strategies accordingly. The importance of the study consists on the lack of any similar research that looks at customer satisfaction, retention, and reasons for customer loss in the Albanian insurance sector. These variables have not been studied together previously. As a result, the findings of this study may serve as a starting point for other studies in the Albanian insurance sector.

Keywords: *customer loyalty, customer retention, customer satisfaction, auto insurance in Albania, NPS index, Cochran's test.*

I. Introduction

The main goal of every business is to keep its current clients happy while also bringing in new ones (Murali, et al., 2016). Posselt and Gerstner (2005) claim that greater customer satisfaction (CS) will eventually result in greater customer loyalty (CL) and increased customer retention (CR). To put it another way, cultivating a loyal customer base is the key to a successful business (Ansari & Riasi, 2016). Insurance companies are an example of financial services businesses that operate in a challenging and competitive market and should make the most of their limited resources to win over and retain consumers. Both Khatami et al. (2011) and Saeedpoor et al. (2015) have provide the significance of the insurance industry in emerging nations. Using artificial neural networks and linear regression, Ansari and Riasi (2016) examine the customer-service provider connections in the insurance business. According to the findings, factors that significantly predict customer loyalty include perceived value and customer happiness.

The basic auto insurance is mandatory in Albania. As a result, there are numerous applicants for this kind of insurance, and nearly all insurers are required to provide it. Providing competitive services will increase the likelihood that a policyholder would compare insurance options and maybe move to a different provider. Due to this issue, it is even more crucial to consider the many causes of client loss and come up with strategies to lessen their effects as well as raise the switching costs for consumers by offering them benefits that are competitive. Can an insurance company in Albania change its approach to attract more loyal customers? Using the premise that if loyalty can be predicted, a business can directly change its approach to attract more loyal customers. In order to answer these issues in this paper, I have divided the research into two primary sections: first, a study of the kind of client who is loyal, and second, a discussion of how an insurance company may make use of this knowledge to raise its potential levels of customer retention.

As a result, in order to succeed in both client acquisition and customer retention, the Albanian insurance firms must understand the variables influencing customer loyalty and should modify their marketing strategy in light of these variables.

II. Literature Review

Most businesses find it extremely difficult to keep current consumers for an extended period of time due to increased competition and the availability of a wide range of superior service and product providers (Fritsch & Changoluisa, 2017; Feliz & Maggi, 2019; Winer, 2001). One sort of competitive asset for a firm is a devoted customer base (Dekimpe et al., 1997). Customer loyalty is crucial for a company's survival and growth (Oliver, 1999; Olsen and Johnson, 2003) and also lays the path for it to build a lasting competitive advantage (Grönroos, 2009; Gummesson, 2008). Consumers' opinions and assessments of the benefits they derive from ongoing relationships can significantly affect their decision to remain with or leave a company (Ravald & Grönroos, 1996). This emphasizes even more the crucial part that service personnel play in providing customers with value and fostering customer loyalty.

Nowadays, buyers may readily compare several products or services before deciding, for example, by Googling information about potential choices (Bolton et al., 2014). In order to maintain its competitiveness and retain its clients, a service provider can be more productive in value creation and delivery. Better service options can benefit consumers, who may then choose to stick with the finest service provider they have access to. This emphasizes how competition may have a significant impact on research on consumer value and loyalty. Many businesses, like the insurance industry, are seeing growing competition. (Simarmata et al., 2017, Kumar et al., 2017) From a business's perspective, keeping current clients is unquestionably more profitable than spending a lot of money on attracting new ones (Weinstein, 2002; Seo et al., 2008). Additionally, even modest increases in retention can result in significant increases in revenues (Pfeifer & Farris, 2019).

II.1 *What exactly is loyalty?*

The most important characteristics of customer loyalty are related to a customer's repurchase relationship with the firm and recommendations to other customers (Aldaihani et al., 2020; Omoregie et al., 2019; Al-Hawary& Harahsheh, 2018). Customer loyalty is assessed through behavioural and attitude measures (Eldahamsheh et al., 2021; Saini & Singh, 2020). Early conceptions of loyalty, according to literature on the subject, put a strong emphasis on frequent purchasing.

For instance, Brown (1952) divides client buying habits into four categories: undivided loyalty, divided loyalty, unstable loyalty, and no loyalty. Bloemer and Kasper (1995) examined the distinctions between “genuine” and “spurious” loyalty and discovered that true loyalty entails more than just repeat business with the brand. Oliver (1997,1999) invokes this idea of commitment in his research on satisfaction and the relationship between brand loyalty and consumer behavior, which is consistent with their findings (Chumpitaz & Paparoidamis, 2004; Caceres & Paparoidamis, 2005). Two attitudinal measures (encouraging and positive word of mouth) are added to the ECSI loyalty measurements in this study. Therefore, while assessing loyalty, both behavioral loyalty (repurchasing, considering the first option) and attitudinal loyalty (recommendations, encouraging and positive word of mouth) are considered. According to Herhausen et al. (2019), in order to successfully manage these complex customer journeys, retailers must first understand the context of customer loyalty across the various online and offline channels that consumers use when interacting with the company.

II.2 Customer Retention

Customer retention occurs when product/service enterprises exceed customers' expectations and satisfaction, turning them into evangelists and supporters of the businesses. Attracting new customers is more expensive than keeping current ones (Vesel & Zabkar, 2009). Customers preferred receiving the greatest possible treatment, being recognized and made to feel valued (Wadud, 2013). Customer retention is now a significant problem for business operations and needs to be properly examined so that internal findings and market strategies tailored to them may keep existing clients. Managers are always looking for strategies to boost customer retention and their lifetime value (Rust et al., 2004). Once upon a time, customer retention was referred to as a defensive marketing tactic (Fornell & Wernerfelt, 1987). It appears to be a result of developing strong customer relationships. Client retention depends on maintaining customer satisfaction (Anderson & Mittal, 2000). This suggests that customer satisfaction is not the exclusive and necessary condition for client retention, it is a prerequisite. A positive and engaging customer experience delights the customer and leads to customer retention or repurchase of the product/service by satisfied customers (Gawron and Strzelecki, 2020). Firms can retain customers by providing quality services and enriching users' experiences with attributes that promote customer satisfaction and retention (Chen et al., 2021; Nani and Lina, 2021).

TABLE 1. Definitions of retention in terms of selected

Authors	Year&Page	Definitions of the concept of “retention”
Alshurideh	2016, p. 383	“all marketing plans and actions that seek to retain both existing and new customers by establishing, maintaining, and maximizing mutual long-term benefits that strengthen and extend the joint relationship between two parties”
Steiner, Siems, Weber and Guhl	2014, p. 885	“customer retention on the one hand involves actual behaviour such as repeat buying and recommendations to others, while at the same time it involves behavioural intentions in the form of planning to buy again (repeat buying intention) or to buy additional products or services (cross-buying intention), and intending to recommend a product or service to others”
Keiningham, Cooil, Aksoy, Andreassen and Weiner	2007, p. 364	“customers’ stated continuation of a business relationship with the firm”
Stauss, Chojnacki, Decker, and Hoffman	2001, p. 15	“includes emotional-cognitive retention constructs (liking, identification, commitment, trust) as well as behavioural intentions (willingness to recommend and repurchase intention)”

Source: own elaboration.

II.3 Customer Satisfaction

Customer satisfaction is a metric used to gauge how content customers are with your goods and services after utilizing them. It shows whether or not you were effective in exceeding customers’ expectations. Customer satisfaction is viewed as an overall evaluation of a company’s performance or use of a service after a purchase (Fornell, 1992). According to Parasuraman et al. (1988), the cognitive process that leads to a customer’s sense of fulfillment is a comparison between the customer’s perceived performance and one or more comparative criteria, such as expectations. Additionally, there are transaction-specific and cumulative ways to define satisfaction. Organizations must fulfill the demands and expectations of their consumers and modify their behavior accordantly if they want to achieve customer happiness (Hill et al., 2007). Consumers that are satisfied are more likely to display loyalty and stick with businesses longer; businesses want these customers to make repeat purchases and promote them to others in order to take their business to be more profitable (Sweeney & Swait, 2008) Customer satisfaction is a crucial component of marketing orientation since it influences consumers’ future purchasing decisions (Kotler & Armstrong, 2004). Effective long-term consumer relationships depend heavily on client happiness as stated by Homburg and Rudolph, 2001. According to Ovenden (1995), customers must be

content in order to remain loyal. Customers who are happy with the service may devote themselves more to it (Hennig-Thurau et al., 2002).

Numerous researchers have looked at the connections between customer satisfaction and customer retention since the concept of the customer-centric company was popularized (Hennig-Thurau, 2004; Murgulets et al., 2001; White & Yanamandram, 2007). The degree of customer satisfaction attained and the value added by firms were directly related to determining the key elements that influence customer retention (Sim et al., 2006). According to research (Dastane & Fazlin, 2017; Jallow & Dastane, 2016), customer satisfaction dimensions are linked to each individual customer's intention to make another purchase. This link directly affects cost, revenue, and profitability. Investigations in many industries reveal a positive, decreasing relationship between customer satisfaction and firm profitability. Such investigations have rarely targeted the insurance industry. Pooser and Browne (2018) began this discussion by looking at individual insurers in the United States.

According to studies done so far in the insurance industry, there is a correlation between customer happiness and cooperation (responsiveness), speed of operation, cost of services, and aftersales service quality (Fard & Hosseini, 2015). Additionally, taking complaints seriously right away in services improves client happiness and builds trust in the business (Shams, 2020). Relationship marketing, whose major objective is to establish and preserve mutually beneficial and long-term customer relationships, is a significant component of customer retention (Küster & Vila, 2006). When businesses provide services, maintaining and establishing relationships with clients is very crucial (Brodie, 2017). Relationship marketing is defined as “attracting, building, and maintaining customer relationships” in one definition (Berry & Parasuraman, 1991).

II.4 Net Promoter Scores

Customer satisfaction measurement and integration into performance-oriented business management systems are currently among the main points of interest. With the complexity of loyalty models, it was difficult for corporate executives to select a satisfaction or loyalty model with any real sense of making an adequately informed decision.

According to a December 2003 Harvard Business Review article, loyalty consultant Fred Reichheld changed the status quo in terms of how management teams perceived the value of loyalty. Reichheld achieved this status shift by emphasizing a common survey-based metric and introducing it as a simple loyalty metric: The Net Promoter Score (NPS). According to Fred Reichheld research: “Willingness to talk up a company or product to friends, family, and colleagues is

one of the best indicators of loyalty because of the customer’s sacrifice in making the recommendation. When customers act as references, they do more than indicate they’ve received good economic value from a company; they put their own reputations on the line. And they will risk their reputations only if they feel intense loyalty.”

The main point is that NPS is the single most reliable indicator of a company’s ability to grow. NPS is calculated using survey responses on an 11-point scale to a likelihood to recommend question. The NPS is calculated from a single loyalty question, “How likely is it that you would recommend this company to your friend or colleague? Customers are divided into three groups based on their responses to this question using a 0–10 likelihood scale, where 0 means “not at all likely” and 10 indicates “extremely likely”: Detractors (ratings of 0–6), Passives (ratings of 7 and 8), and Promoters (ratings of 9 and 10). (ratings of 9 and 10). By simply deducting the number of Detractors from the proportion of Promoters, a business can determine its Net Promoter Score.

Average Net Promoter Score measured for each industry suggest that the auto insurance market should have an NPS greater than 43% to be considered profitable in the long-term.

FIGURE 1. Average Net Promoters Score for 23 industries

Net Promoter Scores vary widely by industry, as you can see from the average scores for 23 industries. Knowing what similar companies have achieved helps you to set realistic goals for improvement, and realism is key to the long-term success of your program.



Source: Harvard Business Review article from Fred Reichheld (2003)

II.5 Insurance Albania Sector

The insurance market is a critical component of the overall financial system. In Albania, it includes private insurance companies that offer coverage to individuals and businesses. Individuals and businesses pay premiums to protect themselves from specific events, and if these events do occur, they receive a specific amount stipulated in the insurance policy. Albania is a Balkan nation with 2.838 million people (2020). Compared to other European countries, it has fewer citizens and a smaller economy. One of the world's smallest insurance markets is in Albania. The overall insurance market income from 2021 was ALL 19.24 billion where non-life premium income was ALL 17.81 billion. The insurance industry in Albania is supervised as part of the financial system. Albania's insurance market is a recent development. There were no insurance businesses functioning in the nation prior to 1991. With an insurance law in place, the Albanian insurance market is currently professionally regulated. Based on the Albanian Bank Report "List of institutional units classified in the Albanian financial sector" (2022), In Albania there are 12 insurance company: 4 of them are life insurance companies and 8 are non-life insurance companies.

TABLE 2. Insurance company in Albania (2022)

Nr	NUIS	Company Name	Type of Company
1	J62006012D	INSIG sh.a	Insurance Company
2	J91329003O	SIGMA INTERALBANIAN VIENNA INSURANCE GROUP sh.a	Insurance Company
3	J91809007H	"SIGAL UNIQA GROUP AUSTRIA" sh.a.	Insurance Company
4	K51423801Q	"SIGAL - LIFE UNIQA GROUP AUSTRIA" sh.a.	Insurance Company
5	K11807008V	"ATLANTIK- SHOQËRI SIGURIMESH" sh.a.	Insurance Company
6	K12201002T	"INTERSIG VIENNA INSURANCE GROUP" sh.a.	Insurance Company
7	K42108801C	"ALBSIG" sh.a	Insurance Company
8	L92019017V	"ALBSIG JETE" sh.a	Insurance Company
9	K41926801W	"EUROSIG" sh.a.	Insurance Company
10	L21319037M	"ANSIG" sh.a.	Insurance Company
11	K42201801Q	"SICRED" sh.a.	Insurance Company
12	L71325020H	"INSIG JETË" sh.a	Insurance Company

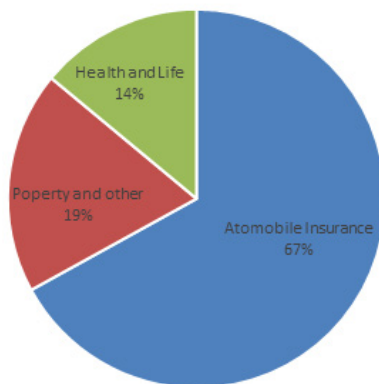
Source: Own elaboration of the Albanian Bank Report
 "List of institutional units classified in the Albanian financial sector" (2022)

The insurance market in Albania still depends on non-voluntary insurance and basic insurance in motor vehicles. According to the data published by the

Financial Supervision Authority of Albania, the market remains oriented towards non-Life insurance, which brought 92.56% in the period January-October 2021 of the total volume, while life insurance has 7.28%. From the point of view of market division according to the type of insurance, non-voluntary and voluntary, the gross written premiums of voluntary insurance occupy 38.91% and the gross written premiums of non-voluntary insurance occupy 61.09% of the total market. Non-voluntary motor insurance premiums during the period January-October 2021 reached about 9,616 million ALL, or 12.77% more than in the period January-October 2020.

The insurance market is critical because it allows risk to be transferred from one party to another. Individuals and businesses that do not wish to bear risk can transfer it to an insurance company. This is a critical component for a country's economic and financial markets to function properly. In relation to neighbouring nations in the region and in absolute terms, Albania's insurance market is still modest (EUR 164 million in written premiums in 2021). (Croatia – EUR 1.55 billion., Serbia - EUR 1.02 billion, Bosnia and Herzegovina - EUR 418.44 million). The structure of the insurance Albanian market has historical been dominated by auto insurance, followed by proper insurance and life and health insurance. For the period January-October 2021 the structure of the insurance Albanian market as shown in the graf.2 the auto insurance market share is ~1.5 greater than the other insurance takes together.

FIGURE 2. Market Structure of insurance company in Albania

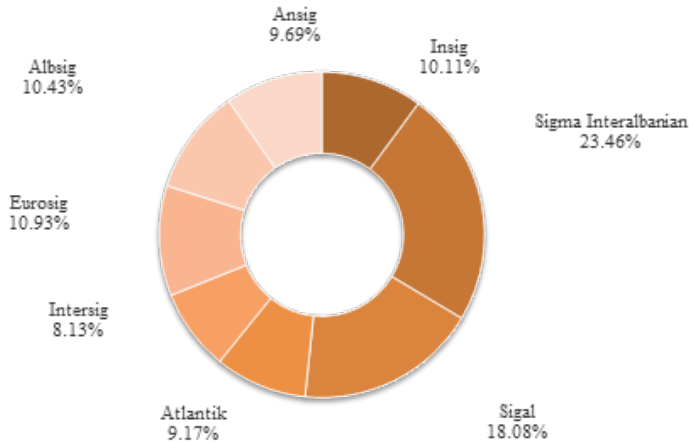


Source: Publication of AMF- Financial Supervision Authority for the period January-October 2021

There are several ways to calculate each insurance company's market share, but the simplest is to total the premiums received by each company in a given year. Based on the publication of Financial Supervision Authority (AMF) the leader

in the sector for motor insurance is Sigma with 23.46% market share followed by Sigal with 18.08% and Eurosig with 10.93%.

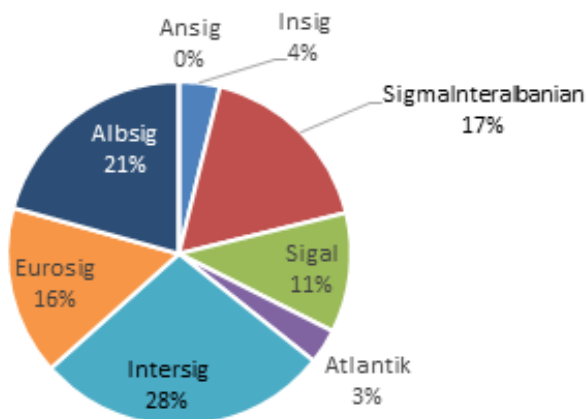
FIGURE 3. Market Share 2021 of motor insurance in Albania



Source: Publication of AMF- Financial Supervision Authority: Insurance Geography 2021

Regarding the market share of the Non-Life Insurance Companies in Albania the leader of the market for 2021 was Intersig with 28% market share, followed by Albsig with 21% and Sigma Interalbaniian by 17%.

FIGURE 4. Market Share 2021 of non-life insurance market in Albania



Source: Own Elaboration from AMF data published in 2021

As shown in the table 3, Tirana has the biggest market share (~58%) in the insurance market followed by Durresi. Also as reported by the Albanian National Bank (2022) all the insurance companies that operate in Albania have their main offices in Tirana.

TABLE 3. Type of insurance in each Albanian prefecture in 2021

Type of insurance 000 Lekë/ALL	Accidents and sickness	Motor third party liability	* MTPL e brendshme / DMTPL	* Kartoni Jeshil / Green Card	* Kufitare / Border	Motor	Other	TOTAL
BERAT	3,793	405,649	388,970	13,699	2,980	3,880	6,404	419,725
DIBËR	8,561	299,154	226,811	66,375	5,969	2,393	4,311	314,420
DURRËS	32,806	1,193,524	859,213	129,214	205,097	50,171	132,925	1,409,426
ELBASAN	15,406	770,230	688,121	73,719	8,390	22,329	40,368	848,332
FIER	16,632	878,384	827,653	39,903	10,828	21,333	35,541	951,889
GJIROKASTËR	2,755	317,089	219,434	93,930	3,724	10,115	10,977	340,937
KORÇË	12,303	792,042	565,120	216,406	10,516	12,155	35,256	851,755
KUKËS	2,868	206,648	179,094	8,205	19,348	710	2,500	212,725
LEZHË	7,022	416,000	394,349	11,056	10,595	6,821	26,378	456,222
SHKODËR	14,159	799,190	658,235	62,702	78,253	14,707	43,571	871,627
TIRANË	1,083,655	5,051,477	4,447,706	506,732	97,040	921,450	3,237,048	10,293,631
VLORË	15,532	748,836	629,334	75,466	44,037	22,871	52,339	839,579
MARKET	1,215,491	11,878,224	10,084,039	1,297,408	496,777	1,088,936	3,627,618	17,810,270

Source: Own Elaboration from AMF data published in 2021

III. Research Methodology

Customers have the power of choice and can choose from a variety of options to satisfy their demands in a business setting where there is rough competition. By analysing the Albanian market share of the insurance companies, it is clear that there is a rough competition between insurance companies. One of the most competitive businesses in Albania is insurance, which has 8 active companies and insurance penetration (defined as premiums as a percentage of gross domestic product (GDP)) to be 0.91 % penetration rate. The motor insurance is the largest single general insurance line in the country and the one that has consistently demonstrated as having the most disloyal customers.

Naturally, a business wants to make more money by attracting new customers by promising superior value and to keep and grow current customers by delivering

value and satisfaction. (Kotler & Amstron, 2020). Companies should apply client retention initiatives in addition to attracting new customers in order to make this goal a reality.

Regarding the argument that keeping existing customers is less expensive than acquiring new ones, I am investigating the reasons why some auto insurance policyholders are hesitant to renew their insurance contract with existing company. As a result, this study seeks to answers the following three major questions:

- Question 1: How loyal is a policyholder loyal with the existing insurer?
- Question 2: What are the characteristics of a loyal customer and disloyal customer in the auto insurance market in Albania?
- Question 3: What are the reasons that some of the policyholders of an Albanian motor insurance are not willing to renew their auto policies with the current provider?

The study is being conducted in Tirana as it has the biggest market share compared to other Albanian city (based on the insurance geography of Albania (2021) published by AMF.

As Tirana has 61% of the Gross Written Premium in Albanian is the main market share of the insurance companies and the market with the greatest competition. Tirana population is representative sample of the auto insurance sector in Albania in terms of market share, annual sales volume, and the number of insurance stores listed in Albania.

TABLE 4. Gross Written Premium in Albanian by prefectures

Gross Written Premiums and Paid Claims according to Albanian Prefectures in 2021	Gross Written Premium (in 000 ALL)	Gross Written Premium (in %)	Paid claims (in 000 ALL)	Premiums per capita (in ALL)
BERAT	420,516.91	2%	84,377.90	3,655.08
DIBËR	314,774.94	2%	66,515.85	2,872.43
DURRËS	1,421,408.66	7%	575,335.52	4,879.12
ELBASAN	858,011.94	4%	222,781.75	3,311.36
FIER	958,716.76	5%	207,810.95	3,443.51
GJIROKASTËR	344,212.65	2%	60,703.86	6,226.94
KORÇË	859,960.16	4%	160,958.03	4,358.58
KUKËS	213,989.67	1%	52,809.88	2,940.71
LEZHË	462,415.02	2%	181,955.32	3,942.73
SHKODËR	890,638.77	5%	166,399.48	4,614.49
TIRANË	11,640,642.35	61%	4,478,684.98	12,659.60

VLORE	855,243.48	4%	138,014.38	4,624.06
TOTAL MARKET	19,240,531.29	100%	6,396,347.91	6,887.38

Source: <https://amf.gov.al/>

When the population size is known, Cochran (1977) is one of the formulas that may be used to determine the sample size. For small populations of a known size, it uses Cochran's equation together with a population correction to calculate sample size. Cochran created the following formula in 1977 to determine a representative sample for proportions (Sarmah et al., 2013):

$$n = \frac{n_0}{1 + ((n_0 - 1) / N)}$$

TABLE 5. Calculating the sample sizes of the study through Cochran's test:

Precision Level	±5%
Confidence Level	95%
Estimated Proportion	0.5
Tirana Population Size	919,511
Sample size	272

Source: Own Elaboration

The appropriate sample size given the population size and specified combination of precision, confidence and variability is 272. Data were collected during the period August-September of 2022 using the online survey. The questioners were made online using google form. Simple random sampling was used, which ensures approximate independence of observations. Then, results were extracted and analysed. Respondents were asked questions regarding: (1) recommendation intent; (2) satisfaction; (3) loyalty; (4) repurchase intention and (5) demographic traits. Consumers were analysed using the following questions:

- Do you have a personal vehicle for which you purchase a motor insurance?
- Are you the one who makes the automobile insurance purchases? If not, who is?
- How many years have you been carrying out the annual car insurance?
- How many companies have you changed during your life in making auto insurance?
- What were the main reason you have change the insurance company?
- How many years do you have with the correct insurance company?
- What is the name of your current insurance company?

- Do you consider yourself a loyal customer of your current insurance company?
- On a scale of 0-10, how satisfied are you with the current insurance company?
- How did you inform about your current insurance company?
- On a scale of 0-10, would you recommend the current insurance company to your family members or friends?
- How likely is it that you will continue to renew your car insurance with the same insurance company?
- Choose the 3 main characteristics that you value when choosing the insurance company.
- What age group does your age belong to?
- What is your gender?
- Your employment status?

The information was then analysed to determine if there were any significant variables or suggestive trends that would have an impact on the crucial choice of whether or not a policyholder would likely stick with their current insurer. Ratings need to be critically analysed to make sure I comprehend the meaning underlying the ratings because of the way customers interpret survey questions and the inherent error associated with measuring psychological constructs (yes, measured in surveys, customer loyalty is a psychological construct).

There were 302 people completing the questioner but I removed the ones who didn't have a vehicle or have not made an automobile insurance purchases, because I am interested only in the data of the customers in the auto insurance market, in order to evaluate the Customer Retention and Satisfaction in the Albanian Auto Insurance. By doing this the sample remained 272 people which is still within the Cochran's simple size recommendation.

Further, I looked at the length of a customer's association with their previous insurer as well as the amount of time they had been with their current insurance to extract another set of data from the initial set. Loyalty is measured by repurchase intention, price tolerance and intention to recommend products or services to others. (Anderson & Fornell, 2000). Customer loyalty is identified via the relation of the years of purchases and repeat purchases with the existing company and the survey feedback expressing the current opinion and likely future intent of the customers.

Many of today's leading companies use the Net Promoter Score (NPS) to track and manage customer relationships. According to Fred Reichheld and his co-creators of the NPS, businesses only require one survey question as a measure of customer loyalty in order to expand. Reichheld, Satmetrix, and Bain & Company, the other NPS creators, have all presented some very compelling arguments for why the NPS is superior to other loyalty measurements. They have explicitly stated that:

- The NPS is “the strongest predictor of development” Reichheld (2003)
- The NPS is “the single most accurate indication of a company’s ability to develop,” according to research (Netpromoter.com, 2007)
- “There is no reliably observable link between satisfaction and growth” (Reichheld, 2003)

According to the creators of NPS, here is the breakdown of the scores:

TABLE 6. NPS score meaning.

NPS Score	Score Meaning
Below 0	Customers aren't happy. There is considerable scope for improvement for companies falling in this range.
1 to 30	This score is acceptable, but there is still a lot that companies can do to grow.
31 to 50	Most companies get NPS scores in this bracket. It shows they value customer experience as a good number of customers are willing to recommend the brand to others.
51 to 70	Companies with scores in this range have a large group of promoters.
71 to 100	Such scores are difficult to attain. Businesses with scores in this bracket are leading the market.

Source: Own Elaboration

After combining these data sets, I was able to categorize customers into 3 different groups. Based on the ratings customers provide, they are classified into three groups:

- (1). Detractors Customers - the ones that received a score of 0 to 6. They typically don't enjoy the company services and aren't likely to tell anybody in their social network about the company. In fact, they have the power to disseminate unfavourable evaluations and damage the reputation of the business.
- (2). Passives - Customers who give you ratings of 7 and 8 are passives. They are consumers who have no strong feelings about the brand; they are neither satisfied nor dissatisfied, but they are willing to switch to a rival.
- (3). Promoters – They are the ardent, brand advocates that every company aspires to acquire. By giving a brand a rating of 9 or 10, these customers demonstrate their unwavering devotion to it. They are quite happy and would love to tell their friends and family about their wonderful experiences.

The goal of this research, as previously said, is to determine whether loyalty and disloyalty can be predicted, particularly during the acquisition process.

Getting important demographic information on a potential customer is crucial to this procedure. Therefore, by examining loyalty in respect to these important demographics, I can have a better understanding of what makes a loyal consumer in auto insurance market.

IV. Results

What are the signs of loyal and disloyal customer in auto insurance?

Disloyalty is easy to define because this group makes up a significant portion of the whole sample.

TABLE 7. Categories of customers in auto insurance

Categories	Percentage %
Detractors Customers	25%
Passives	45%
Promoters	30%

Source: Own elaboration of data

TABLE 8. Net Promoter Score (NPS)% of Auto Insurance Companies in Albania

Albanian Auto Insurance Company	% of people responded	Net Promoter Score (NPS)%
Albsig	2%	0%
Ansig	2%	0%
Atlantik	4%	-33%
Eurosig	4%	-33%
Insig	4%	50%
Intersig Vienna Insurance Group	13%	50%
Sigal Uniqa Group Austria	35%	13%
Sigma InterAlbanian Vienna Insurance Group	9%	25%
I don't know	26%	-42%

Source: Own elaboration of data

TABLE 9. Chances to stay loyal to the current auto insurance company

Categories	Percentage
Low chances to stay	25%

For sure I will change it	20%
I don't know	25%
I will stay for sure	30%
Total	100%

Source: Own elaboration of data

The profile of a loyal customer in auto insurance sector:

TABLE 10. Loyalty by gender

Categories	Man	Woman	Total
Detractors Customers	35%	14%	25%
Passives	46%	43%	45%
Promoters	19%	43%	30%
NPS	-16%	29%	5%

Source: Own elaboration of data

TABLE 11. Loyalty by employment status

Categories	Unemployed	Part-time employed	Full-time employed	Self-employed	Student	Retired	Total
Detractors	0%	100%	27%	0%	33%	0%	25%
Passives	0%	0%	46%	57%	50%	0%	45%
Promoters	0%	0%	27%	43%	17%	100%	30%
NPS	0%	-100%	0%	43%	-16%	100%	5%

Source: Own elaboration of data

TABLE 12. Loyalty by age

Categories	18–24 old	25–29 old	30–34 old	35–39 old	40–44 old	45–49 old	55–59 old	Total
Detractors Customers	33%	50%	33%	22%	8%	0%	0%	25%
Passives	50%	38%	56%	56%	42%	50%	0%	45%
Promoters	17%	12%	11%	22%	50%	50%	100%	30%
NPS	-16%	-38%	-22%	0%	42%	50%	100%	5%

Source: Own elaboration of data

TABLE 13. Marketing communication channel to make Loyal customers

Categories	Detractors Customers	Passives	Promoters	NPS
Digital Marketing	0%	100%	0%	0%
Sales Promotion	13%	54%	33%	21%
Referral marketing	33%	0%	67%	33%
Public relations (PR)	0%	100%	0%	0%
Advertising	0%	200%	0%	0%
Personal selling	56%	33%	11%	-44%
Other	50%	0%	50%	0%
Total	25%	45%	30%	5%

Source: Own elaboration of data

TABLE 14. The main reasons why some policyholders of an Albanian Insurance company did not renew their auto insurance policies

Categories	Percentage
Price and a good deal offer	39%
Not a specific reason	41%
Reference from a friend	4%
I have never changed the current company	8%
Service	4%
Location of the insurance company	4%
Total	100%

Source: Own elaboration of data

TABLE 15. The main characteristics that policyholders' value when choosing the insurance company?

Categories	Percentage
Price	53%
Company Reputation	20%
Warranty the company give	17%
Service they offered	9%
Online Service	1%
Total	100%

Source: Own elaboration of data

V. Discussions

What are the signs of loyal and disloyal customer in auto insurance?

Disloyal customer makes up a significant portion of the whole sample in the auto insurance industry. In Auto insurance industries the NPS is recommended to be minimum of 43%. The Net Promoter Score (NPS) in auto insurance industry in Albania is calculated to be 5%. These numbers clearly show that preventing disloyalty rather than fostering loyalty is the main challenge facing insurers. By identifying a such strategy, an insurer can lower customer defection rates and the likelihood that customers will switch to a competitor. Insig and Intersig have the average of NPS higher than the recommendation NPS for the industry. The NPS is the lowest among the brands name that are not remember by the clients. More than 49% of the interviewer have change at least 2 insurance company. A very good percentage of 29% is loyal to his current company and they never change that since the first transaction. The NPS categorization was confirmed to be accurate because is very similar with the findings of the other question made to the customer: "What are the chances you will stay as a customer at the current company": 30% of the people response that they will stay for sure, demonstrating the same % as the member in the group of promoters who are consider to be loyal to the brand.

The profile of a loyal customer in auto insurance sector:

The findings indeed reveal clear differences in loyalty between male and female buyers. These findings demonstrate that women are more loyal than men. Auto insurance companies should focus in increasing the promoters group within men gender. If an auto insurance company could convert the man customers from detractors to promoters would increase their overall NPS score. People who work part-time were the most disloyal category in the study. Followed by students and full time employed. Self-employed scored NPS of 43%. On the other side, the retirees are the most loyal group with a NPS of 100%. These results shouldn't come as a surprise for the younger end of the spectrum, especially those between the ages of 18 and 29. This is primarily due to the fact that the younger generations, specifically Generation Y (born between 1983 and 1994), are well-known for having disloyalty as a quality or attribute. According to a US publication called Customer Relationship Management, "Published reports have branded Generation Y as fiercely disloyal, claiming its access to Web information and online communities empowers members of this cohort to research vendors in a market and switch to a competitor if they're

unhappy with their existing vendor “. The article goes on to say that the only thing more likely to persuade a younger person to stay with a specific company or brand is a positive customer experience. So, insurance company should focus in the young generation to improve their NPS as consider the life time values that can bring a lot of profits to the company. Also, they can profit by converting them to loyal customer and cross sell other insurance products. The results of my study show that NPS score in insurance company improves through age in the auto insurance sector.

The most effective marketing communication channel to make Loyal customers.

An important component that auto insurance company should take in consideration is marketing. One of the key elements of marketing is the discipline of marketing communications, which aims to promote the business or brand, as well as its goods and services, using a number of marketing and communication channels (Sebastiano & Mereu, 2020). Integrated marketing communications are, in the definition of Batra and Keller (2016), “Integrated marketing communications are the coordinated, consistent means by which firms attempt to inform, incent, persuade, and remind consumers—directly or indirectly— about the products and brands they sell” (p. 137). In order to find out how respondents first learned about their existing auto insurance. The most devoted clients are those who arrive as a result of personal referrals, as demonstrated by Table.13. On the other hand, clients who use personal selling to make purchases are the least loyal. With a proper sales promotion strategy client tend to be more loyal to the insurance company. The data analysed in the study showed that insurance companies need to assess the appropriateness of their marketing and communications channels for reaching a desired objective or outcome along the consumer journey. It makes sense for a sample population to switch based on pricing, why internet users who locate one insurance will keep looking the identical channel for better and better deals, fostering a vicious disloyalty cycle. My findings showed that insurers looking to build a more loyal relationship with their customers have a greater opportunity to accomplish so by using referral marketing stimuli to boost their existing customer database to gain new customers.

What are the main reasons why some policyholders of an Albanian Insurance company did not renew their auto insurance policies with the previous company?

Customers who wish to switch from one insurer to another can easily and inexpensively obtain all of the information they require about various companies via the Internet or with just a phone call. Overall, the insurance market is becoming more competitive, with fluctuations in business volumes and margins, as well as

the quantity and quality of existing policies. Price and offers are one of the most influenced factors for not renewal the auto insurance with the previous company. Insurance customer shows to be very sensitive when it comes to price. Also, a big percentage showed that they didn't have a specific reason for not renew their auto insurance policies with the previous company.

What are 3 main characteristics that policyholders' value when choosing the insurance company?

The customer of the auto insurance sector value price as the main reason when choosing an insurance company. The company reputation is considered also an important element and insurance company. Marketing techniques, such as a brand campaign, can help improve a company's reputation. Insurance company should monitor what their customer think about the brand and how they can improve the perception of the company and how it operates. It is showed that customers who have a positive experience with the company and the personnel who provide customer service are more likely to stay loyal. They're also more likely to tell others about their experience, which can increase the insurance company customer base.

VI. Research limitations/implications

The study is based on auto insurance sector in Albania. In future it would be interesting to study a representative sample of the whole insurance sector. As the survey is administrated online could have some error associated with the way customers interpret survey questions and the inherent error associated with the sincerity of their answers.

VII. Conclusions

According to the literature, customer satisfaction has a positive impact on profitability per customer in many industries. Despite the fact that there are several, mostly theoretical, reasons why this relationship may differ in the insurance industry, insurance has rarely been the subject of research in this field. This is the first paper to investigate this topic using customer-level data and an examination of all major business lines of a non-life insurance company. Putting the customer at the centre of the organization (customer centricity) is a critical approach for auto insurance management because satisfied customers create value for the company (they remain with you, they refer the company to their friends and families and they are usually prepared to buy new products). As a result, determining customer loyalty should

be based on a thorough understanding of the customer. The findings reveal clear demographic indicators of customer loyalty, some of which are especially significant.

In short, people who learn about their insurer through a personal recommendation or a newspaper advertisement are more loyal. People over the age of 60 and those who have retired are far more loyal than those under the age of 60. However, I discovered that defining the types of people who are likely to be disloyal is much easier. According to my findings, the key demographic categories for disloyalty are people under the age of 35, part time employed, student or nonemployee who get informed through personal selling people.

The study showed that using current data collection techniques, it is possible to screen loyal and disloyal customers. The findings revealed a significant relationship between price sensitivity and the propensity to switch insurers: the greater the price sensitivity, the greater the propensity to switch insurers. These personality traits are reinforced by an industry that offers the lowest price to new customers while continuing to raise rates for existing customers. As showed the sales promotion are important to the reinforcement of loyalty. To avoid disloyalty within the insurance market, companies must examine how their pricing is structured. If their pricing is structured to reward customers who switch frequently, they are likely to find that customers will do just that.

According to my findings, it is possible to detect both loyalty and, more importantly, disloyalty during the renewal process. This can be influenced by asking simple questions about customers' previous switching habits. Those who switch frequently are more likely to be disloyal.

My recommendations are:

- If customers are acquired by an insurer, it is better to price properly. This would entail providing preferential rates to customers who have been with their previous insurer for a longer period of time or who refer his friends/family to the company.
- Customer disloyalty is clearly a major issue for the Albanian insurance industry, but it is not currently being addressed seriously by underwriters when it comes to renewals. Nonetheless, as showed in this study not only is it possible to predict customer loyalty, but it is also possible to adjust pricing levels in order to reward loyal customers far more than current practice allows.
- Different marketing strategies for different types of customers. We could have a more loyal consumer base in the auto insurance sector with a more logical pricing structure in place.
- As a result, specific data about each customer's loyalty and profitability must be generated.
- Insurance company must take/think: improved communication, smarter use of data and analytics.

- Insurance company should gain information about the position of the company in the market and always ask for customer feedback. Simply by monitoring its own records of new contracts and cancellations, the company learns about how it compares to its competitors in terms of customer recruitment effectiveness, as well as about its position in the insurance market.

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