

Improving the quality of service through the application of CRM in insurance companies in Albania, increases consumer satisfaction

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ABSTRACT: *Nowadays the quality of service is becoming increasingly important in insurance product differentiation in terms of strong competitiveness. In order to be successful and to survive in the conditions of this competition, providing high quality service have special importance for any company or economic enterprises, in particular in the insurance industry . Even in Albanian insurance companies today are being dedicated more and more attention to increasing the quality of services. The relationship between service quality and customer satisfaction has received considerable academic attention in recent years. This article explores the impact of CRM on customer satisfaction and their retention in insurance companies in Albania. Primary data were collected using a structured questionnaire with questions related to CRM, its impact on customer satisfaction and loyalty to the insurance companies in Albania. Secondary data were analyzed using data published by the FSA (Financial Supervisory Authority). The findings of the study provide that CRM can impact positively on the customer satisfaction and their loyalty to the insurance companies. If the insurance company retains relationships with its customers, customer loyalty to the company will increase, therefore, a CRM application will increase customer satisfaction.*

Key words: *Quality of service, customer satisfaction, customer loyalty, insurance companies*

I. INTRODUCTION

Albania is characterized by a relatively small insurer financial market in terms of number of companies operating in the market and the total volume of gross written premiums. The incomes from gross written premiums of insurance for January - November 2015 amounted about 12.401 million, or 18.82% more than in the period from January to November 2014. During the period January-November 2015, the number of linked insurance contracts, arrived at 979.827 with an increase of 6.31% compared with the period January to November 2014. The market continued to be re-directed to the non-life insurance, which brought 93.00% of the total volume of premiums, leaving Life Insurance with 6.90 % and reinsurance operations of 0.10%. Seen from the point of view of the market by type of insurance, mandatory and voluntary, gross written premiums of voluntary insurance constitute 39.83% and gross written premiums of compulsory occupy 60.17% of total market. A company that wants success in today's competitive global market, where consumers have been empowered and erosion in brand loyalty is increasing, the service companies will have to focus on customer relationship management (CRM). Customer relationship management (CRM) enables organizations an excellent service to customers in real time through effective use of individual information (Kotler&Keller 2006 ,Marketing Management (12 edition) , New Jersey, USA: Pearson Prentice Hall). This requires a more complex approach, organizations need to investigate customer needs, they need to build relationships with existing and potential customers and will have to satisfy the needs of their customers (Rootman C. 2006. The influence of customer relationship management on the service quality of banks. Unpublished MCom dissertation. Port Elizabeth: Nelson Mandela Metropolitan University). Organizations understand the importance of customer satisfaction and their retention. It is known that the cost of attracting new customers is five times more than the cost that includes the maintenance and current customer satisfaction. Insurance companies, such as Sigal in Albania, require a loyal customer base to keep the good name in the market. Loyal customers can be generated through CRM. CRM can help insurance companies in building long term relationships with customers, which has a direct impact on creating value for customers, and their competitive position in the market. This will lead to customer loyalty and rising revenue for them. This article includes a review of the literature of CRM and customer loyalty, and an explanation of the problem that was investigated through interviews.

II. CUSTOMER RELATIONS MANAGEMENT

The concept of customer relationship management (CRM) came from the term "contact management" in the 1980s and it deals basically with the collection of all information when customers come into contact with companies (Simon Knox; (2003). Customer relationship management: perspectives from the marketplace. Oxford : Butterworth-Heinemann, 2003.) It can be described as a process that companies use to understand and react to the evolving desires of customers, using detailed elements of consumer behavior as well as information on the transactions made by them in order to manage and lead the process of customer buying, achieving loyalty, consumer satisfaction and profitability. Today, many organizations such as banks and insurance companies understand the importance of CRM and its potential to help them to attract new customers, retain existing ones and maximize their lifetime value. A close relationship with customers will require a strong coordination between information technology (IT) and Marketing Department to ensure a long-term retention of choosed customers. Wide CRM application has led to a number of definitions.

(Krasnikov, Jayachandran and Kumar (2009) The Impact of Customer Relationship Management Implementation on Cost and Profit Efficiencies: Evidence from the U.S. Commercial Banking Industry. *Journal of Marketing*: November 2009, Vol. 73, No. 6, pp. 61-76) describes CRM as a wide engagement to identify individual customers of an organization, and to create a relationship between the organization and these customers as long as the relationship is mutually beneficial. CRM has evolved from organizational processes such as RM (relationships managing) and it is increased by emphasizing the improving of customer retention through effective management of relationships with customers. CRM is important for service organizations. If organizations want a good relationship with customers, they should ensure that their management and staff are reliable and show a strong commitment to their service. (Tynan, C. and McKechnie, S. 2009. Experience marketing: a review and reassessment. *Journal of Marketing Management*, 25(5): 501-517). Trust and commitment are the key elements for keeping customers (Du Plessis, L. & Roberts-Lombard, M., 2013, 'Customer loyalty in the South African long-term insurance industry, *Acta Commercii* 13(1), Art. #167, 8 pages) CRM offers a transition from a transaction-based model to a relationship-based model, which focuses on acquiring, developing and maintaining profitable relationships with customers (Baran, R.J., Galka, R.J. & Strunk, D.P. 2008. *Principles of customer relationship management*. Mason, USA: Thomson South-Western). If there is a minimum level of trust between the parties in a relationship is unlikely that a relationship will be maintained. When belief breaks down in a relationship,, this relationship is likely to be solved. Confidence can only be strengthened after numerous interactions developed between the parties. Trust between the parties should be developed and this should be seen as an investment in building relationships that has long-term benefits for both sides. Faith consolidates while parties share experiences, perform and evaluate each other's motives . As more parties (customer - organization) learn about each other, reduce the risk and doubt (Kim, K.H., Kim, K.S., Kim, D.Y., Kim, J.H. & Kang, S.H. 2008. Brand equity in hospital marketing. *Journal of Organisation Research*, 61:75–82.) . Two-way communication with customers is provided by advances in information systems and telecommunications. All communications with customers, when IT is integrated, registered and managed in the organization, allow the customer relationships to develop and maintain (Alhabeeb, M.J. 2007. On consumer trust and product loyalty. *International Journal of Consumer Studies*, 31: 609-612.). The goal of CRM is to create an opportunity for re-purchase by a customer by improving the communication process with the customer, providing the right offer, about the product and price, through the right channel, at the right time .This will make customers perceive that the organization is interested in the needs of the customer, and this in turn can lead to increased satisfaction to the company. When the customer has had other experiences with the organization and consumer needs are satisfied, the customer can develop a sense of loyalty for this organization (Kim, K.H., Kim, K.S., Kim, D.Y., Kim, J.H. & Kang, S.H. 2008. Brand equity in hospital marketing. *Journal of Organisation Research*, 61:75–82.). Similar to trust, the commitment seems to be one of the most important variables in understanding the relationship, and this is a useful construct to measure the probability of customer loyalty, as well as to predict the future of the frequency of purchases (Van Doorn, J. & Verhoef, P.C. 2008. Critical incidents and the impact of satisfaction on customer share. *Journal of Marketing*, 72: 123-142.) The way conflict is handled between the organization and the customer or will ensure loyalty or customer will leave the organization and go to another competitor (Ndubisi, N.O. &Wah, C.K. 2005. Factorial and discriminant analyses of the underpinnings of relationship marketing and customer satisfaction. *International Journal of Bank Marketing*, 23(7):542-557). Long-term relationships with clients can establish successfully building, strengthening and maintaining the trust of customers in an organization over time, demonstrating a commitment from the service organization, communicating with customers in a timely, reliable and pro- active, addressing conflicts between the organization and customers effectively (Ndubisi, N.O. 2007. Relationship marketing and customer loyalty. *Marketing Intelligence & Planning*, 25(1):98-106).

III. SATISFACTION AND CONSUMER LOYALTY

The purpose of marketing of relations is Creation and maintenance of long-term relationships with clients (Zeithaml, V.A., Bitner, M. & Gremler, D.D. 2006. *Services marketing, integrating customer focus across the firm*. New York, USA: McGraw-Hill). Organizations understand that it is more profitable to keep existing customers satisfied than to renew a narrow base of customers. In order to well function a relationship marketing, marketers have adopted a customer-oriented management, which stresses the importance of lifetime customer value, retention and dynamic nature of relations Client - organization for a long period of time. (Reinartz, W.J., & Kumar, V. (2002).The mismanagement of customer loyalty. *Harvard Business Review*, 80 (7), 4-12). Customer satisfaction increases because penetration to consumer allows organizations to understand them better, and through this, organizations proposed creating customer value. Meanwhile, the consumer satisfaction increases, increases the possibility of repurchasing by clients. This afterwards affects the actual purchase behavior, which significantly affects the performance of the organization (Alhabeeb, M.J. 2007. On consumer trust and product loyalty. *International Journal of Consumer Studies*, 31: 609-612) CRM improves the performance of the organization by increasing customer satisfaction and increasing customer loyalty. It was built a model to explain this logic, and it is called profitable satisfaction chain. (Lehmuskallio, S. 2009. Intranet editors as corporate gatekeepers and agenda setters. *Corporate Communications: An International Journal*, 13(1):95-111). There are two major approaches when define and measure loyalty: one is based on behavior and the other on the standing. Loyalty refers to the behavior of consumer behavior in buying repetitive, showing a preference for a brand or a service over time. Referring Sigal clients we asked for this study, we faced in 38% of them the core of loyal customers and 24% of them a clientele that is approaching that core (2-5 years Customers in Relations with an insurance company). Organizations must follow customer loyalty as the true measure of comparison with competitors and it will divert the interest of from customer acquiring to customer retention (Baran, R.J., Galka, R.J. & Strunk, D.P. 2008. *Principles of customer relationship management*. Mason, USA: Thomson South-Western). Behaviour loyalty refers to the goal of bringing the client to repurchase and recommend which are the the best indicators that a customer be faithful. A client who intends to repurchase and recommend, is likely to remain with the organization Tynan, C. and McKechnie, S. 2009. Experience marketing: a review and reassessment. *Journal of Marketing Management*, 25(5): 501-517).

IV. THE PROBLEM INVESTIGATED

The goal of CRM is to enhance customer satisfaction, improve customer perception on the quality of service and increase customer loyalty (Baran, R.J., Galka, R.J. & Strunk, D.P. 2008. *Principles of customer relationship management*. Mason, USA: Thomson South-Western) Right applied CRM leads to the customer loyalty and loyal customers are usually more useful (more profitable) (Helkkula dhe Kelleher, 2010 Circularity of customer service experience and customer perceived value *Journal of Customer Behaviour Impact Factor & Information*). The problem is when people who have had a relationship with the company, so they buy the products offered by the insurance company as insurance policy etc ... and stop this relationship to switch to another insurance company. It should be understood that the customer is lost in this case, and here comes the role of the company to convince them why they should continue relations with the current company. **But, which is the way to do this?** To keep existing customers in the current economic climate where consumers are ready to interrupt long term insurance because of uncertain future economy, insurance companies will need to understand how faith, commitment, two-way communication and handling of conflict through application of CRM may contribute to customer satisfaction and loyalty. Many long-term insurance customers exhibit higher profitability than short-term benefits consumers, therefore the theory of a positive general connection between customer loyalty and profitability can not be rejected. (Leverin, A., Liljander, V., 2006. Does relationship marketing improve customer relationship satisfaction and loyalty?. *International Journal of Bank Marketing* 24 (4), 232-251). Insurance companies will not be able to survive for a long time in the industry competitive insurance battling global recession, if they do not understand the importance of variables of CRM, and how CRM can improve customer satisfaction and loyalty. The formulation of the problem refers to an investigation into the impact that would have on customer loyalty CRM in insurance companies in Albania. Service organizations can benefit from CRM as consumers focus in terms of services and interact with the service provider when assessing a service organization, as long as there is no physical product involved (Rootman C. 2006. The influence of customer relationship management on the service quality of banks. Unpublished MCom dissertation. Port Elizabeth: Nelson Mandela Metropolitan University). Insurance companies must be aware of the importance of CRM to ensure the consumer satisfaction and loyalty. This will help the insurance companies in application of CRM that will strengthen customer loyalty and increase market share in Albania.

Research objectives: The purpose of this paper is to investigate the impact of CRM (customer relations management) on consumer satisfaction in an insurance company in Albania.

Research methodology: The methodology includes findings from surveys and interviews with clients of the insurance companies in the city of Durrresi and Tirana, Albania

The method of data collection: Data collection includes primary and secondary data. The primary data were collected from a well-structured questionnaire with questions having to do with factors that influence consumer satisfaction, retention and increasing their loyalty to the company. Secondary data are collected from the website, publications and various statistics published by the FSA (Financial Supervisory Authority, Albania).

Research instruments: The questionnaire was structured, carefully designed and organized to summarize the information needed for the study.

Defining the the technique of respondent choice: Respondents were selected on the premises of different insurance companies agencies in both cities, with interviews conducted randomly in these cities, or in the Sea Port of Durres when arriving or departing ferries. Age of customers up to 60 years.

Limitations of the study:

- Some people are not ready to speak or not being clients
- Practical difficulties collecting primary data
- Gaps to study research conduct experience

Research hypothesis

To make the problem more effective, the null hypothesis is formulated, stating that there is no relationship between CRM and consumer satisfaction and loyalty in an insurance company, while the alternative hypothesis was formulated by stating that relations exist.

HO: There is no connection between CRM, the consumer satisfaction and loyalty in an insurance company in Albania

H1: There is a connection between CRM, the consumer satisfaction and loyalty in an insurance company in Albania

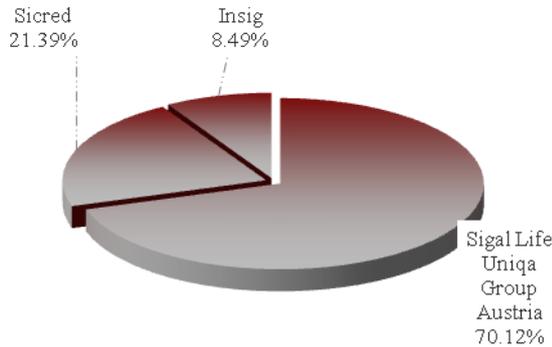
From surveys conducted it resulted that the customers of various companies would like to be informed about various offers of insurance companies (59% of them) and mostly prefer to be informed by email or SMS on mobile, this because the phone is the tool that accompanies people everywhere. Even if the customers can not answer, they get info via sms or e-mail by this tool of communication, as already over 62,7 % of the population in Albania, are internet users according to "Miniwatts marketing group". Thanks to increased competition in the mobile phone market is already possible the application of email marketing and mobile marketing as a directly form of informing offers from service companies in Albania, especially insurance companies, as an element to create a database for a potential application of CRM. It should be emphasized that the persistence to call from fixed phones creates inconvenience of some customers, so they see more reasonable way of receiving information for bids by sms or e-mail, which really is not applied so far. During the interview process, there were clients that the application of additional provision of services from the insurance company had affected the longevity of relationships with the company. For example, the customers who have a membership card in the Private Pension Fund (PPF) in Sigal insurance company, various medical services in the network of Sigal hospitals (American Hospital, Hygeia Hospital, German Hospital) offered up to 30% discount.

One of the Sigal's next offering was **annual vehicle insurance** + a product from the following for free:

- personal accident insurance for the driver,
- Insurance apartment with surface to 100 m,
- enrollment in private pension fund,
- Hygiea health card,
- Hospital spending to 2000 € in case of accident)

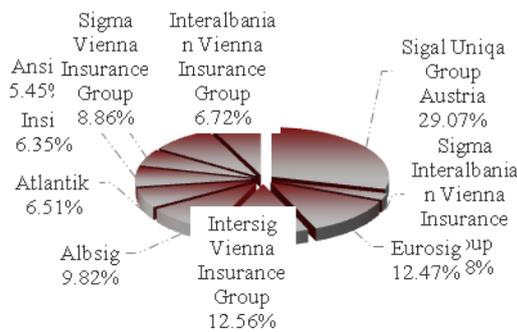
These offerings including the company's name Sigal, make that this company continue to be a leading company in the insurance market in Albania (see graphs below published from Financial Supervisory Authority FSA, insurance geography 2015)

Market share life insurance



The source: <http://amf.gov.al>

Market share non - life insurance



The source: <http://amf.gov.al>

V. CONCLUSIONS

- [1]. If an insurance company is able to implement the recommendations, increases consumer satisfaction and the customer will be loyal, which will result in higher profits for that company and it will give the insurance company a sustainable competitive advantage.
- [2]. It is clear that through the application of CRM in insurance companies may increase customer loyalty.
- [3]. Applying CRM by insurance companies has great significance in the growth of consumer satisfaction, customer retention and attraction of new clients, which leads to increased customer reliability towards the company and increasing their loyalty.
- [4]. An insurance company may improve and maintain its customer relations if the insurance company exposes reliable behavior and shows real commitment to service.
- [5]. Traditional current methods of products informing should be replaced with new methods which deals with the advancement of technology and the widespread use of android system mobile.
- [6]. According to researches conducted, it is easily understood the link between CRM, consumer satisfaction and loyalty. The information, various offers, continuous contact with customers, the assessment of clients with a long historical relationship with the company, make them (customers) continuing the relationship with the company, increasing reliability and loyalty to the insurance company.
- [7]. There is still much to be done in this direction by the insurance companies in Albania.
- [8]. It can be considered a challenge with whom should face up many of insurance companies to achieve a competitive position in the market.

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