Customers' Perception about Bancassurance in Romania

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Abstract

The implementation of new products in the banking field contributes to the creation of a competitive environment, the development of new products and the satisfaction of the clients. In this way, a new product was launched, such as bancassurance.

Bancassurance developed in many countries and become an important distribution channel especially for the life insurance products (eg France, Italy, Spain, Austria) around 50%, and in Romania is around 30%.

Given that the behavior of bank customers is in a permanent change, it is necessary to develop and diversificate new financial products for satisfy their needs.

This study aims to highlight different perspectives of bancassurance according to the customers' experience regarding the contraction of an insurance through the bancassurance channel.

Key words: bank, insurance, customer, banking
J.E.L. classification: M21, M310

1. Introduction

Bancassurance is a financial concept, where insurance policies are sold through bank branches, with the help of bank employees.

Bancassurance is a financial product launched by the banks and the insurance company, in order to offer insurance products or insurance benefits to the bank's customers. In this partnership , the insurance policies are sold by bank staff and tellers. Bank staff are trained by the insurance company through wholesale product information, marketing campaigns and sales training. Insurance policies are processed and administered by the insurance company. In this partnership , all the parties involved obtain different beneffits.Banks are increasing their revenues based on commissions received from insurance companies; insurance company extend the data base from banks customers, with low costs of commisions paid to insurance agents. The most important benefit of the client is that he can satisfy all the financial needs in the same place: in a bank. The success of this model mostly depends on banker-customers relationship over a period of time. This relationship motivates them to purchase insurance products apart from banking products and services.

Bancassurance has developed significant around the world, specifically in European countries. According to Insurance Europe , around 80% of life insurance premiums have been distributed through bancassurance in Portugal, around 65% in France and 30% in Romania. In Romania, bancassurance products have been created and adapted to market-specific conditions, so there is still no product on the local market that corresponds 100% to the classic definition of bancassurance system. However, more and more customers are using bancassurance to complete an insurance.

The first bancassurance product in Romania was launched in 2001 by BRD and Aviva Life Insurance (taken over by Metropolitan Life, formerly Alico Asigurari). Since then, banks have become one of the main distribution channels, through which they sell life insurance, bancassurance contributing with over 25% to the total gross premiums subscribed.

Considering that the competitive environment is increasingly developed, the banks need to improve their financial services and to satisfy the customers' needs. Customer satisfaction is seen as a key differentiator and a key element for business strategy.

2. Literature review

The modern concept of marketing starts from the premise that any economic activity must be directed for satisfy of the consumers needs with maximum efficiency. There are a lot of studies about customers' experience about contracting an insurance through bancassurance channel.

In this way, Munusamy et.al,2010 and Nautiyal et.al, 2014 found that implementation of insurance sales through banks has a huge impact on customer satisfaction .

Previous studies showed that is a relationship between customer satisfaction and service quality (Brady et al., 2002). Studies of Choudhury and Singh (2015) found that customers have positive experiences of buying insurance through bancassurance channel.

There is a need for retailers to understand the consumers' demands and their behavioural intentions (Chang et al.,2016) such as customers' perceived value and effort expectancy (Cronin, Brady, & Hult, 2000; Teo & Lim, 2001).

According to the literature, bancassurance implementation in banks' activity can lead to efficiency and profitability of banks, as products are launched to satisfy customer needs.

3. Research methodology

The present study tries to find the main perception of the customers about finalizing an insurance through bancassurance channel and also if demographical variables has influences on customers perception.

The study was conducted on the basis of a questionnaire, in general, based on "closed" questions, for which the answers were fixed in advance and the respondents had to choose from the variants of proposed answers. The questions were formulated in such a way as to avoid errors. These errors can be caused voluntarily by the respondent, due to the masking of opinions, attitudes, etc., or they can be involuntary misunderstand the core of the problem. This aspect may also be due to the fact that this distribution channel is relatively new developed.

The questionnaire was distributed by email, choosed random, in order to be completed by different people, from different social media, thus obtaining a sample of 210 people.

First of all, i've tried to find out which are the most used products from a bank, according that the financial education in Romania is located on one of the last places, worldwide - respectively on position 123 of 143 countries and on the last place in the European Union. Romania is positioned after the European rankings in terms of intermediation and financial inclusion. About 40% of the adult Romanians are not banked, given that in developed countries such as Austria and Germany, the share of non-banked persons is below 1%. In the European Union states , the average in terms of financial inclusion is 90%. Romania's development strategy should include deficit mitigation tactics in relation to European environments, including in this line of education.

*Figure no. 1. The most used banking products*
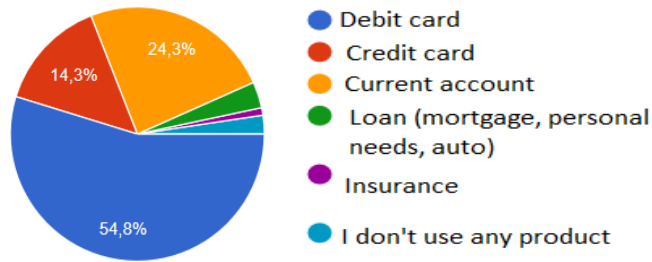
Source: Author's contribution

The products most used by the customers are debit cards (54.8% of repondents), current account (24.3% of customers) and only 1% of customers goes freqvently to bank for contracting an insurance policy.

The insurance distribution channels are: insurers, insurance brokers, agencies and bancassurance. The use of the various distribution channels varies depending on the market, the insurance product and the needs and preferences of the consumer.
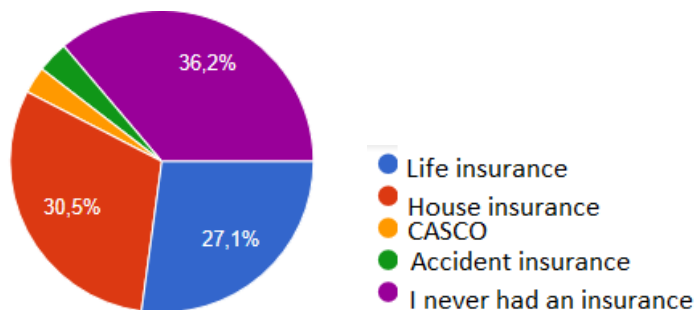
Figure no. 2. Distribution channels
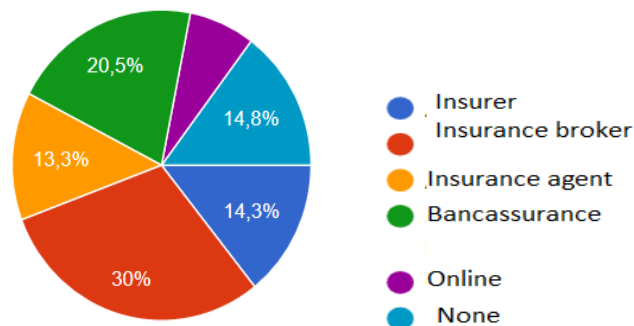
Source: Author's contribution

According to this study, most of the customers (30.5% of respondents) buy a house insurance policy, mostly attached to a mortgage loan and 36.2% of customers never had an insurance policy.

Figure no. 3 . The most insurance used

Source: Author's contribution

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In this study, I tried to find which are the main factors , which determine a person to buy or not to buy an insurance policy through bancassurance channel.

Table no. 1. Customer satisfaction for contracting an insurance policy through bancassurance channel

Factors	% of total	Number of respondents
Lower time for solving all financial issues in the same place	33.3%	70
Find all financial products in the same place	46.70%	98
Lower prices for contracting a loan (most of the banks have special offers if you take also an insurance when contracting a lon)	20%	42

Source: Compiled from the questionnaire

Table no. 2. Customer dissatisfaction for contracting an insurance policy through bancassurance channel

Factors	% of total	Number of respondents
Proffesional training of banking employees	13.3%	28
The agglomeration of a bank branch	31.9%	67
Diversified range of products	26.2%	55
Concluding an insurance through insurance agent	28.6%	60

Source: Compiled from the questionnaire

Financial education is an essential component of consumer empowerment, as it provides them understanding of how to manage their finances, in order to avoid risks and possible financial exclusion. This is a key element in rebuilding consumer confidence in the banking system.

Most of the respondents wants to find more information about bancassurance distribution channel through online media (55.2% of respondents) , 36.2% from banking employees and the rest from conferences, flyers and other materials.

Figure no. 4. Financial education
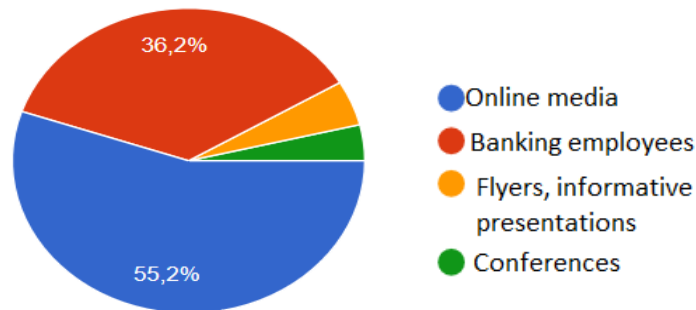
Source: Compiled from the questionnaire

In this study, I used the following demographic variables: gender, age, income, occupation of the respondents. As we can see from Table 3, there is a discrepancy between the male and female procents, like the total number of male respondents in the sample is 40 (19 %) and the total number of female respondents is 179 (81%). Ussually, when I distributed the questionnaires, I noted that female respondents tended to be more concerned and interested in the survey than the male respondents.

Table no. 3. Demographic profile of respondents

	% of respondents	Number of respondents
Age		
18-24	7.70%	16
25-34	39.70%	83
35-44	39.70%	83
45-64	12%	25
More than 65	1%	2
Gender		
Female	81%	170
Male	19%	40
Occupation		
Employee	78.10%	164
Unemployed	5.20%	11
Retire	2.90%	6
Entrepreneur	13.80%	29
Income		
Abroud	11.40%	24
Country	88.60%	186

Source: Compiled from the questionnaire

4. Findings

The present study intended to find the satisfaction or dissatisfaction of customers about the bancassurance channel, the main financial products used by Romanian customers, awareness of the risks covered by the policies and the need to conclude them, especially in the case of credits, the degree of satisfaction of the banking staff able to promote the insurance policies. Most of the respondents (30%) use insurance broker mostly, when they need to conclude an insurance and only 20.5% of respondents use bancassurance distribution channel.

In different studies, the concept of satisfaction is defined as necessary for managing service quality effectively. The notion of customer satisfaction is an ambiguous and abstract concept, because the satisfaction status varies from person to person and from product / service to another product/service. The level of satisfaction differs, depending on the various options that the client creates, depending on other products that the client compares.

5. Conclusions

In a competitive environment, it's absolutely necessary to create new products, to differentiate youself by others and try to satisfy your client needs. Implementation of bancassurance has raised the satisfaction of bank customers, customers loyalty especially for finding all the financial products in the same place. Also, implementation of bancassurance enhaces the banks'performance and profitability.

Also, honest practices in favor of consumers can contribute to the long term growth of the insurance market in Romania and the development of other insurance segments.

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