A Study on Car Insurance Marketing Strategies with Customer Loyalty

It seems that the car insurance market in Korea has already entered or is in the process of entry to a mature one. Since such a market is characterized by the increasing intensity of competition among market participants (i.e., non-life insurers), they are expected to compete more intensely for survival.

Together with a slowdown in growth of the market, the goal of non-life insurers’ marketing strategies is likely to enhance existing customers’ loyalty because it is much easier to raise their loyalty via customer satisfaction than to attract new customers in such a stagnant market. In addition, customers with higher loyalty, in general, play an important role in promoting orally their insurers, along with continuing to repurchase car insurance policies.

To this end, we try to investigate in this report what factors affect customer loyalty and what differences in the factors exist by market segmentation in the car insurance market, leading to suggesting some specific ways to establish and implement marketing strategies. As such, we identify that price satisfaction, product satisfaction, and place (channel) satisfaction enhance customer loyalty. Additionally, we find that these factors differ by market segmentation, implying that non-life insurers should adopt different marketing approaches by market segmentation to get customer loyalty higher.

Specifically, this report provides the following suggestions for non-life insurers: first, they are required to establish combined marketing strategies for product and price by market
segmentation. These strategies are to segment the car insurance market, and then decide on product and price meeting customer's various needs by market segmentation. Second, they need to differentiate products by providing price and place-linked ones. However, so far there exist only two products for that kind of products - on-line and off-line ones. In fact, despite the appearance of various places due to the development of IT, confining such products to the two existing ones may limit creativity given by the market, and further make it difficult to establish and implement marketing strategies for the car insurance market. Third, the non-life insurers are required to develop risk and price-linked products such as pay-as-you-drive (PAYD) products. That is, they need to discover various risk factors like PAYD, and then develop and offer various products related to them.