

Full Length Research Paper

Factors of cross-buying intention - bancassurance evidence

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The question of why bank customers decide to cross-buy and to enhance their relationship with a bank has received scant attention in the literature, and has not been appropriately investigated in prior studies. The first purpose of this study is to address this research gap by developing and assessing an objective research model to weigh the factors that affect intention of cross-buying insurance in banks. The second purpose of this study is to identify the resulting degree of satisfaction of these factors. The gaps between the factors of cross-buying intention and the resulting satisfaction are recognized by using the "Importance Performance Analysis." On the basis of the findings, bancassurance strategy makers can identify and allocate the marketing or operational resources for an organization accordingly.

Key words: Cross-buying, bancassurance, intention, conjoint analysis, importance performance analysis.

INTRODUCTION

The banking industry in Taiwan has experienced tremendous change and an increased growth in earnings from selling insurance products. Banking networks represent the major distribution channel for life insurance products. Most banks are looking for the same things - better ways to retain customers and to increase income. Similarly, most insurers are looking for the same things - more efficient distribution channels to sell policies and to expand premium incomes.

To manage their relationship development efforts better, it is important for practitioners to understand the motivations that lead the customer to reduce their market choices and to engage in a relationship with a financial firm (Sheth and Parvatiyar, 1995).

Cross-selling is the practice of promoting additional services or products to a firm's existing customers, which are in addition to the ones that the customers already have (Butera, 2000). Selling additional products or services to existing customers may reduce the cost of

customer acquisition and yield price advantages over competitors (Nbogo, 2004). In spite of cross-selling being associated with increased lifetime duration and value (Reinartz and Thomas, 2001), prior studies have implied that it is not easy to motivate customers to cross-buy services or products from the same provider. Unfortunately, the question of why customers decide to cross-buy and to enhance their relationships with a bank has received scant attention in the literature and has not been appropriately investigated in prior studies (Ngobo, 2004). Furthermore, no satisfaction evaluations of these factors that affect cross-buying intention have been conducted. There is, therefore, a significant research gap which has emerged in understanding the factors that motivate cross-buying intention (Soureli et al., 2008). Obviously, additional evidence and conceptualizations are necessary in this area.

The first purpose of this study is to address this research gap by developing and assessing an objective research model to weigh those factors that affect intention of cross-buying insurance in banks that have been suggested in previous studies. The second purpose is to identify the degree of satisfaction of these factors

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Table 1. The factors impact cross-buying intention for bancassurance.

Factors impact cross-buying intention	References
Image	Ngobo, 2004; Soureli et al., 2008
Service convenience	Dimitriadis, 2010; Berry et al., 2002; Ngobo, 2004; Liu and Wu, 2007
Interpersonal relationships	Reinartz, 2003; Jeng, 2008
Trust	Anderson and Weitz, 1989; Doney and Cannon, 1997; Liu and Wu, 2007, 2008; Soureli et al., 2008
Payment equity	Bolton, 1998; Verhoef, 2001
Experience	Anand and Cunnane, 2010; Verhoef, 2001; Ngobo, 2004
Pricing	Verhoef, 2001; Jeng, 2008
Product variety	Jeng, 2008; Kumar et al., 2008

that affect intention of cross-buying insurance in banks.

LITERATURE REVIEW

Verhoef et al. (2001) were the first to introduce the term “cross-buying” and defined it as the purchase of a number of different services from the same provider. In other words, cross-buying is the behavior expressed in buying various products from the same provider (Soureli et al., 2008; Verhoef et al., 2001). In fact, cross-selling and its benefits can only be achieved if consumers are willing to cross-buy (Polonsky et al., 2000). Therefore, cross-buying is complementary to cross-selling, which pertains to the supplier’s efforts to increase the number of products or services that a customer uses within a firm (Aurier and N’ Goala, 2010; Kamakura et al., 2003).

A number of factors that may impact bank customers’ cross-buying intentions have been proposed in previous research studies. The findings of these prior studies are reported in Table 1.

A summary of the literature review with regard to factors that affect cross-buying intention is listed thus:

1. The tendency of most prior studies has been to examine variables such as image, service convenience, interpersonal relationships, trust, payment equity, experience, pricing, and product variety.
2. It is difficult to determine the relative importance of the weight or ranking of each cross-buying intention, because they were not defined in previous studies.
3. Prior studies have neither focused on evaluating the strategies of stimulating the customer’s cross-buying intentions, nor suggested how bancassurance decision-makers should allocate marketing resources.

METHODOLOGY

The estimation model in this study consists of three phrases. In the first phrase, the factors of cross-buying intention for bancassurance are identified using the modified Delphi method. In the second phrase, the factors’ weights of cross-buying intention are also used as the evaluation criteria and are calculated effectively by

employing the “Conjoint Analysis.” In the third phrase, the gaps between the factors’ weights of cross-buying intention and the customers’ satisfaction are recognized by using the “Importance Performance Analysis.” The main theoretical approaches adopted herein are described, as shown in Figure 1.

RESULTS

To identify the factors that affect intention of cross-buying insurance in banks, this study applied a purposive sampling technique and selected 23 financial advisers who were employed by different model banks and have many years of experience working with bancassurance. The interviews were conducted either through e-mail or face-to-face. Respondents were asked to justify their answers to interview questions and to rate their level of agreement toward the factors of cross-buying intentions, ranging from strongly agree (SA) (5) to strongly disagree (SD) (1).

The interview protocol was developed on the basis of the literature review. On the basis of the result of a Wilcoxon Signed-Rank test, no significant attitude difference toward each factor of cross-buying intention was found between round 2 and round 3. This means that the 8 items proposed by this study can be identified as factors that affect intention of cross-buying insurance in banks according to the Delphi study procedures. All factors that affect cross-buying intention were ranked SA by most of the Delphi panelists in the 3rd round of the interviews.

The CA questionnaire was developed on the basis of some of the literature, planned with an orthogonal design, and distributed to 300 customers. Two hundred and sixty-nine questionnaires were completed in the survey.

According to the CA report, the most important factor was image (relative importance = 36.172%), the second most important factor was service convenience (relative importance = 11.099%) and the third most important factor was interpersonal relationships (relative importance = 10.514 %).

The purpose of the attitude survey was to collect data with regard to the performance of each factor that affect intention of cross-buying insurance in the bank. The

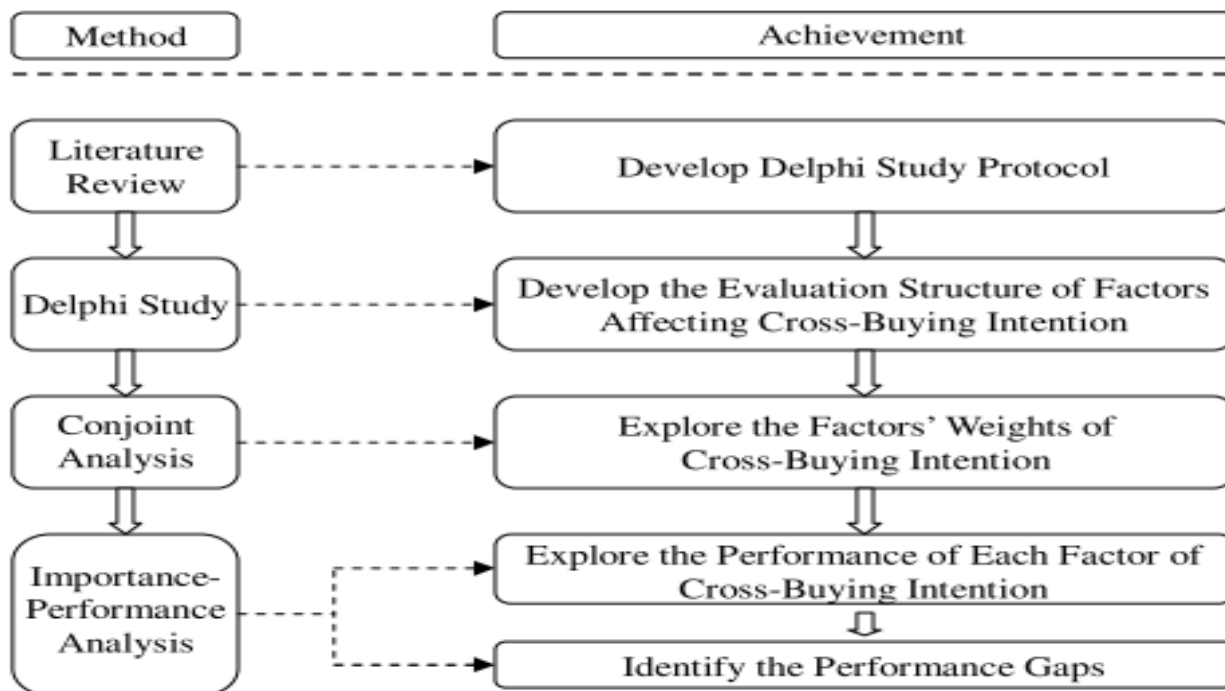


Figure 1. Theoretical approach adopted in this study.

Table 2. Gap analysis of factors' importance and their performance.

Item	Factor affecting cross-buying intention	Linear transformation of relative importance of cross-buying intentions (A)	Mean of performance (B)	Gap analysis (B-A)
1	Image	3.90	3.92	0.02
2	Service convenience	3.71	3.83	0.12
3	Interpersonal relationships	3.71	3.81	0.10
4	Trust	3.70	3.97	0.27
5	Payment equity	3.64	3.53	-0.12
6	Experience	3.61	3.58	-0.03
7	Pricing	3.19	3.31	0.12
8	Product variety	3.23	3.64	0.41
	Overall	3.59	3.70	0.11

respondents were asked to answer a question regarding the level of performance for each factor affecting intention of cross-buying insurance in the bank. Through a judgment-sampling technique, the questionnaires were distributed to the customers who had purchased insurance products in banks. This study successfully surveyed 131 bank customers. As stated earlier in methodology, the range of the rating level in the performance survey was from one to five. However, the range of relative importance estimated through CA was from zero to one. To conduct comparisons, this study transfers the relative importance of factor affecting cross-buying intention to a scale of 1 to 5.

Table 2 reports the means of the relative importance of factors affecting cross-buying intention; their performance

ratings were 3.59 and 3.70, respectively. Table 2 also shows the gap between the relative importance of factors affecting cross-buying intention and their performances. If the gap shows as negative, it means the factor of cross-buying intention's performance is less than its relative importance. On the other hand, if the gap shows as positive, it means that the factor of cross-buying intention's performance is more than its relative importance.

In the grid, there were 8 factors that affect intention of cross-buying insurance in the bank that fell into four quadrants (Figure 2). According to the grid, a total of two factors of cross-buying intention fell into the area of "concentration" (quadrant (I)). These included payment equity (3.53, 3.64) and experience (3.58, 3.61). That is, payment equity was more important than experience in

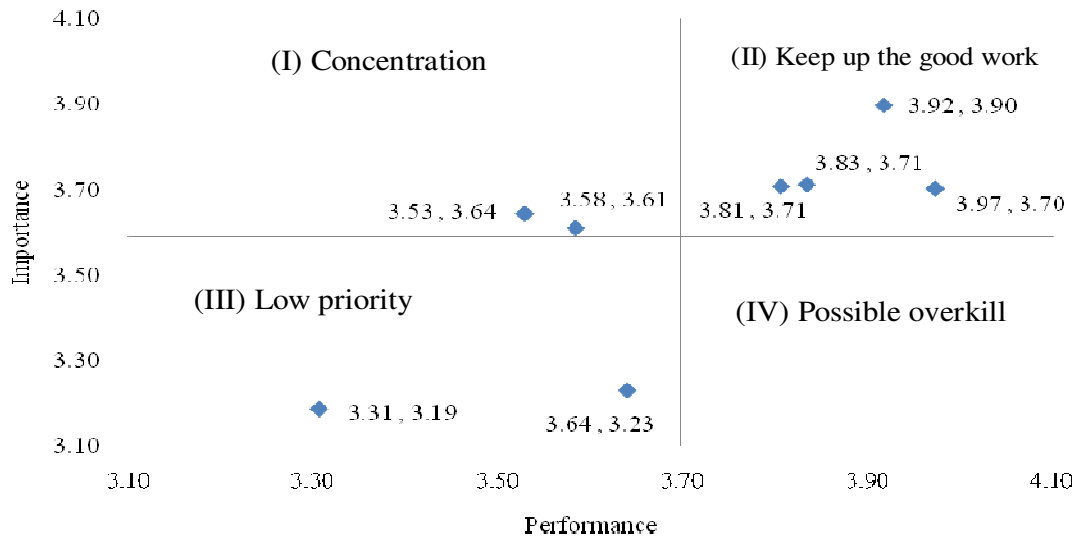


Figure 2. Importance-performance grid of factors affecting intention of CROSS-buying insurance in a bank.

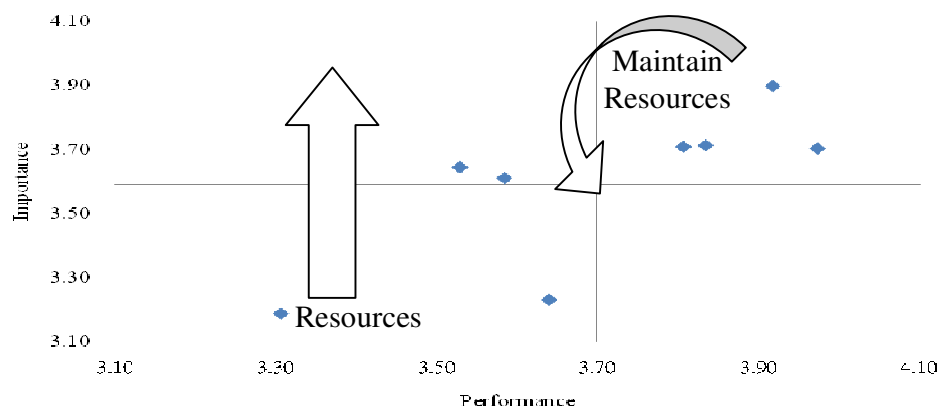


Figure 3. Resources allocation for bancassurance.

quadrant (I). Furthermore, of the four factors of cross-buying intentions located in quadrant (II), image (3.92, 3.90), service convenience (3.83, 3.71), interpersonal relationships (3.81, 3.71), and trust (3.97, 3.70) were included. The management scheme action is “keep up the good work.” In addition, two factors of cross-buying intention were plotted in the area of “low priority” (quadrant III). These were product variety (3.64, 3.23), and pricing (3.31, 3.19). However, no factor of cross-buying intention fell within the area of “possible overkill” (quadrant IV).

CONCLUSION AND RECOMMENDATIONS

The above-mentioned analysis supports the argument that, although it is necessary to identify areas of importance, and low performance, neither of these factors, by themselves, is sufficient. Just because a factor

of cross-buying intention is important does not mean that resources should be focused and expended on that factor of cross-buying intention; the performance may be adequate, in which case the benefits of expending resources will be limited.

In the context of this study, factors affect cross-buying intention, such as payment equity and experience that fell into quadrant (I), and are perceived as more important but performed poorly in bancassurance. The managerial implication is that management has to put greater efforts into improving performance with respect to these factors.

Factors of cross-buying intention, such as image, service convenience, interpersonal relationships, and trust, that were located in quadrant (II), are rated as important with a high level of performance, and management has to maintain the performance with respect to these factors to sustain the resultant competitive advantages (Figure 3).

Factors of cross-buying intention that are located in

quadrant (III), including product variety and pricing, are rated as having a low level of importance, and performance. Thus, it is not necessary that management put too much effort into improving their performance with respect to these factors (Figure 3).

To improve the performance of bancassurance, administrators should move some of those efforts that were originally invested in the factors of product variety and pricing into payment equity and experience. On the other hand, administrators should not expand the resources devoted to the factors that affect cross-buying intention of image, service convenience, interpersonal relationships, and trust (Figure 3).

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