

Insured's Perceived Service Quality Dimensions and Customers' Satisfaction (The Case: Ethiopian Insurance Corporation Northern District)

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Abstract: *The aim of this study was to investigate the relationship between service quality and customers' satisfaction and its effect on loyalty with special emphasis of perception and expectation in some selected insurance companies at the Northern district. Data were collected using semi-structured questionnaire. A total of 120 customers were contacted to address the research question. After collecting the data the service quality was measured using four dimensions which were: Access quality, Infrastructure quality, Responsiveness and Competence. Data were analyzed using descriptive analysis like mean, standard deviation and gap analysis. Respondents in the selected branches reported low levels of perceived service quality. However, compared to service quality of EIC, Nyala and Awash insurance reported better perceived service quality. In EIC insurance, Competence and Credibility dimensions are related to loyalty dimensions. In Nyala insurance, Responsiveness dimension is related to loyalty dimension. Finally, in Awash insurance, Responsiveness and Courtesy dimensions are related to loyalty dimensions. The selected insurance company managers should recognize the importance of service quality in service delivery and implement appropriate customer oriented strategies. The managers should recognize the importance of services quality and improve ability to address complaints and provide solutions to customers' problems. Moreover, managers should work to improve the service qualities of their respective insurances to be competitive in the market.*

Keywords: Service Quality, Service Quality Dimensions, Customer Satisfaction

1. Introduction

The current business environment is becoming competitive and challenging than before. With multidimensional challenges and demand of globalization, the organizations are forced to re-engineer their products and systems to improve the service quality and remain competitive. (Yasin et al., 2014; Rodie and Martin, 2011). Due to the intangible nature of services it is difficult for the firms to analyze how the customers perceive and evaluate the desired outcome of the service quality (Zeithaml, 2001). As customers evaluate their level of satisfaction by experiencing the service quality, satisfaction with services is related to conformation or disconfirmation of expectations (Smith and Houston 2002). The issue of highest priority today involves understanding the impact of service quality on profit and customer satisfaction (Zeithaml et al., 2006). According to (Berry 2001),

Conveying superior service by maintaining high quality is a precondition for success. In addition, leading service organizations strive to maintain a superior quality of service in an effort to gain customer satisfaction to as to maintain loyalty. Service quality is a measure of the degree to which the service delivered matches customer expectations, level of satisfaction or dissatisfaction. Delivering quality service means conforming to customer expectations on a consistent basis and then put down base for customers' satisfaction. The customer's perception of quality of service is based on the degree of concordance between expectations and experience (Kotler, 2006). Where comparability is apparent, the customer is deemed to be satisfied; however, in many cases, this will not be enough to create a competitive advantage. More and more, there is a need to offer superior service and to exceed customer expectations to delight the customer; as opposed to merely satisfying his/her needs

(Brown, 1992). Therefore, in order to manage service quality and the resulting effect on customers' satisfactions, it is important to understand consumer expectations. Regarding the characterization of expectation (Zeithaml, 1999) indicates expectation as desires, wants, normative expectation, and ideal standards. Whereas perceptions are more dominantly driven by experiences, service performance, rather than expectations.

Quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market. Notably, quality and satisfaction concepts have been linked to customer behavioral intentions like repurchase and willingness to spread positive word of mouth, referral, and complaint intention (Kandampully, 1997). Therefore, as many industry sectors mature, competitive advantage through high quality service is an increasingly important too in business survival Berry (2002). The insurance industry has certainly not been exempted from increased competition or rising consumer expectations of quality and the subsequent demand as service improves.

Identifying and quantifying the gaps in meeting customer expectations will support better prioritization by the insurance company's in developing future service improvements. Here, although Service quality is considered as the key to measure user satisfaction, many marketing scholars do have different view on the way that customers' satisfaction is measured. Taylor & Baker (1994), Rust and (Olivier, 1994) identified several factors that precede customer satisfaction. Service quality is one major attribute of satisfaction. In the present competitive setting, if one were to understand the lifetime value of a customer, developing a long-term customer relationship is paramount to an organization's survival. Therefore, it has become increasingly important for service organizations' like

insurance to have a vision to conceptualize the service concept beyond the short-term financial goal. This would be achieved only through delivering and maintain a superior quality of service and having very satisfied customer. In order to provide excellent service and maintain customers' satisfaction the insurance companies have to understand the ever changing customers' interest and update themselves with the changing market conditions (Alexandris 2002).

Due to this, the researcher is inspired to investigate the relationship between service quality dimensions and customers' satisfaction in the Ethiopian insurance corporation context. Insurance companies be it private or governmental must, therefore, constantly strive to develop and maintain their customer's satisfaction or, as is true in the majority of relationships, risk of losing their insured to someone else. In order to keep this enforced the insurance company should find out what customers expect to provide a quality service. The prime purpose of this study is investigate the relationship between customer satisfaction and insurance service quality. Both primary and secondary was collected and analyzed from some selected cities branches of the study area. In this interest, these research questions are raised;

a) Research Questions

- 1) What are the service quality dimensions of the insurance companies?
- 2) To what extent the service quality dimensions affect customer's satisfaction
- 3) Does perceived service quality relate to customer loyalty in these insurance companies?

b) General objectives

The overall objective of the study is to investigate the relationship between service quality and customers' satisfaction. In order to achieve this general objective and in an attempt to solve the basic research questions, Specific objectives of the study are structured as follows:

- 1) To identify the service quality dimensions of the insurance Companies.
- 2) To examine the extent of effect of insurance services quality level on customers satisfaction.
- 3) To explore the relationship between service quality and insurance customer loyalty.

2. Review of Related Literature

Defining Service Quality: Service quality is the consumer's judgment about an entity's overall excellence or superiority (Zethimal et al., 1986). It is a form of attitude, and results from a comparison of expectations to perceptions of performance received. Over the past two decades, researchers have devoted considerable attention to studying service quality as perceived by the consumer. The movement towards quality had started to spread from the manufacturing sector to the service sector.

Perception of Service Quality: has been defined as the consumer's global attitude or judgment of the overall excellence or superiority of the service. Perceived service quality results from comparisons by consumers of expectations with their perceptions of service delivered by the suppliers (Lewis *et al.*, 1994; Takeuchi and Quelch,

1983. It is argued that the key to ensuring good service quality perception is in meeting or exceeding what customers expect from the service. Thus, if perception of the actual service delivered by the supplier falls short of expectation, a gap is created which should be addressed through strategies that affect the direction either of expectations or perceptions, or both (Parasuraman *et al.*, 1985).

Customer Satisfaction: Customers will always assess the services they experienced by comparing them with whatever they wish to receive. According to Kotler (2003), satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his or her expectations. Here we see that there is a close relationship between service quality and customer satisfaction because they seem to be measured in terms of the difference between perceived performance and expected performance. Milbourn (1998) suggests that the economic success of companies fluctuates with the quality of service that is offered. They report that dissatisfied customers rarely complain. Instead, most dissatisfied customers simply purchase from another store. Across industries, service organizations who deliver high quality service consistently receive repeat customers.

Service Loyalty: There are several definitions of customer loyalty. Loyalty refers to a favorable attitude towards a brand in addition to purchasing it repeatedly (Day, 1969); a relationship between relative attitude towards an entity and repeat patronage behavior (Dick and Basu, 1994); a situation when repeat purchase behavior is accompanied by a psychological bond (Jarvis and Wilcox, 1977); and repeat purchase intentions and behaviors. Research into customer loyalty has focused primarily on product-related or brand loyalty, whereas loyalty to service organizations has remained underexposed (Gremler and Brown, 1996). Frequently, a high positive correlation between the constructs of satisfaction and product loyalty is reported. With regards to service loyalty, perceived service quality is often viewed as a key antecedent (Dick and Basu, 1994). However, there are a number of reasons why findings in the field of product loyalty cannot be generalized to service loyalty (Keaveney, 1995; Gremler and Brown, 1996). Service loyalty is more dependent on the development of interpersonal relationships as opposed to loyalty with tangible products (Macintosh and Lockshin, 1998). Customers will remain loyal to a service organization if the value of what they receive is determined to be relatively greater than that expected from competitors (Zeithaml & Bitner, 1996). Customer's positive emotions may lead to positive word-of-mouth behavior, while negative emotions may result in complaining behavior. Emotions tend to have an influence on quality perceptions and customer behavior (Liljander and Strandvik, 1997). While service quality has proved to be an essential ingredient to convince customers to choose one service organization over another, many organizations have realized that maintaining excellence on a consistent basis is imperative if they are to gain customer loyalty.

Service Quality and Service Loyalty: Little empirical research has focused explicitly on the relationship between service quality perceptions and customer loyalty. With

regards to behavioral intentions in a services setting, Zeithaml et al. (1996) proposed a comprehensive, multi-dimensional framework of customer behavioral intentions in services. This framework was comprised of the following four main dimensions: word-of-mouth communications, purchase intention, price sensitivity and Complaining behavior. Leading service organizations strive to maintain a superior quality of service in an effort to gain customer loyalty (Zeithaml & Bitner, 1996); thus, a service organization's long-term success in a market is essentially determined by its ability to expand and maintain a large and loyal customer base. The challenge for today's organizations is not merely to reach the top, but to stay there. If that is an organization's aim, its primary focus should be not merely to attract customers, but to obtain their loyalty for the present and for the long term. In reality, customers are inherently loyal and seek a loyal relationship.

3. Research Methodology

The research employed quantitative research approach. The quantitative research employed helped the researcher to identify the insurance company's service quality dimension and evaluate its effect on customer satisfaction and hence, explored the challenges of insurance companies' to meet the expectation of their customers. The aim of the study is to survey the level of insured's satisfaction, the researcher found that it was unmanageable to address all the insured's found all over the country. Therefore, the researcher step down to **delimit the** scope to branches found in **Northern district**. In this research both Judgmental and convenient sampling technique was employed, because, this technique of sampling takes in to account respondents familiarity to the area, availability and willingness. Convenience sampling technique was used to select the respondents from the customers and purposely sampling technique employed to

select respondents from the employees of the corporation. Finally the respondents contacted conveniently as they came to the insurance service counter for the service. From the given population sample was taken and contacted accordingly. To determine the sample size the researcher used sample size determination table developed by Cavalho (1984), from both the customers' and the employees of insurance companies.

Method of Analysis

In the analysis part, the statistical program named SPSS version 20 was used. Gap analysis (perception minus expectation) was performed to measure the service quality. The mean of each statement was calculated for perception as well as expectation and the average Gap Score for each dimension was obtained. This was done by deducting the mean score perception for each attributes from the mean score of expectation i.e. (P-E). The average dimension scores (for all the four dimensions selected based on the literature) were divided by four to obtain the weighted score of service quality.

4. Data Presentation and Interpretation

Comparative Analysis of Service Quality Gap

The general objective of this study is to investigate the service quality dimensions and see its effect on customer satisfaction and loyalty experiences from some selected insurance companies in the northern district. The mean expectation, the mean perception and the gap on the attributes for the selected insurances are presented. Gap = Perception – Expectation. Note also that Perception is measured on a scale 1-5 where; 1= Very dissatisfied and extends to 5= Very satisfied, and Expectation is measured on a scale 1-5 where; 1= Not important and extends to 5= Very important

Table 1: Means of Perception and Expectation on Access Quality

Attributes	EIC			Nyala			Awash		
	Perc.	Expec.	Gap(-)	Perc.	Expec.	Gap(-)	Perc.	Expec.	Gap(-)
1. The insurance location is Convenient	3.78	4.34	0.56	3.66	4.5	0.84	4.09	4.19	0.1
2. The insurance operating hours is convenient	3.72	4.22	0.5	3.75	4.12	0.37	4.03	4.28	0.25
3. Customers do not have to wait for services	3.44	4.22	0.78	3.66	4.34	0.68	3.84	4.47	0.63
Average score of dimension	3.64	4.26	0.62	3.69	4.32	0.63	3.99	4.31	0.32

The Perception and Expectation on Access Quality

Table-1, illustrates the mean score of attributes in Access is term of perception and expectation for the three items identified measure it. The mean score of perception indicate that, Attribute 1 has the highest score for EIC and Awash indicating that customers are fairly satisfied with the insurances' locations. However, respondents of Nyala insurance indicated attribute 2 or 'insurance operating hours' satisfied them more than the other attributes. The lowest perceived attribute for EIC and Awash is customers do not have to wait for services indicating that they are dissatisfied.

is also presented in the table below that the largest gap is found on attribute 3(customers do not have to wait for services) for EIC and Awash respondents with mean score of 0.78 and 0.63 respectively. This indicates that the customers of the insurances do not have access to fast service during transaction. On the other hand, for customers of Nyala insurance the largest gap is on attribute 1(insurance location is convenient) which indicates that the insurance has branch locations which are not convenient for customers.

Table 2: Means of Perception and Expectation on Infrastructure Quality

Attributes	EIC			Nyala			Awash		
	Perc.	Expec.	Gap(-)	Perc.	Expec.	Gap(-)	Perc.	Expec.	Gap(-)
1. The insurance has modern looking equipment	3.19	3.94	0.75	3.41	3.69	0.28	3.25	3.56	0.31
2. The insurance's physical features are visually Appealing	2.97	3.81	0.84	3.41	3.81	0.4	3.13	3.69	0.56
Average score of dimension	3.08	3.875	0.795	3.41	3.75	0.34	3.19	3.625	0.435

The Perception and Expectation on Infrastructure Quality

To measure the Infrastructure Quality dimension two separate items has been developed. This shows that there is a large gap between perception and expectation for the three insurances indicating that the customers are dissatisfied with this service quality dimension. As shown in table-2 the largest score on expectation for Nyala and Awash insurance is attribute 2 or 'visually appealing physical features' with mean score of 3.81 and 3.69

respectively. However, for customers of EIC insurance modern looking equipment is more important. When measuring perception of respondents, attribute 1 or 'modern looking equipment' is more satisfying for all the respondents of the three insurances. The table also shows that huge gap exists between perception and expectation for this dimension in all of the insurances in attribute 1 or 'insurance has modern looking equipment'.

Table 3: Mean of Perception and Expectation on Responsiveness

Attributes	EIC			Nyala			Awash		
	Perc.	Expec.	Gap(-)	Perc.	Expec.	Gap(-)	Perc.	Expec.	Gap(-)
1. When insurance promises to do something by a certain time, it does so.	3.19	4.5	1.31	3.5	4.53	1.03	4.02	4.34	0.32
2. The insurance performs the service right the first time.	3.03	4.44	1.41	3.75	4.34	0.59	4.03	4.22	0.19
3. Services of the insurance are done without delay	3.25	4.62	1.37	3.84	4.44	0.6	4.19	4.44	0.25
Average score of dimension	3.16	4.52	1.36	3.69	4.43	0.74	4.08	4.33	0.25

The Perception and Expectation on Responsiveness

As illustrated in Table-3, attribute 3 or 'Services are done without delay' score highest both in EIC and Awash insurance while for Nyala insurance attribute 1 score highest or is more important. Customers' of the three insurances are more satisfied with attribute 3 or 'Services are done without delay'. However, the lowest perceived attribute for Nyala and Awash is attribute 1 whereas, for EIC insurance is attribute 2. The gap score columns in this

table shows that for EIC insurance the largest gap is on attribute 2 indicating that customers have to repeatedly visit the insurance to complete a single transaction. For Nyala and Awash, attribute 1 scores highest indicating that employees do not keep promises. The gap scores of the other two attributes for all of the insurances also demonstrate that response times are not as expected by customers.

Table 4: Mean of Perception and Expectation on Competence

Attributes	EIC			Nyala			Awash		
	Perc.	Expec.	Gap(-)	Perc.	Expec.	Gap(-)	Perc.	Expec.	Gap(-)
1. Contact personnel in insurance have the knowledge to answer your Questions	3.69	4.69	1	4.19	4.59	0.4	4.06	4.47	0.41
2. Support personnel in the Insurance have the Knowledge to answer your Questions	3.69	4.72	1.03	4.09	4.44	0.35	3.81	4.44	0.63
Average score of dimension	3.69	4.705	1.015	4.14	4.515	0.375	3.935	4.455	0.52

The Perception and Expectation on Competence

Table-4 illustrates the mean scores of the two attributes selected in competence dimension in terms of perception and expectation. It is more desirable for Nyala and Awash customers that contact personnel have the competence to

their jobs. While for EIC customers the competence of support personnel is more important. What is perceived in all of the insurances is that contact personnel competence is fairly satisfying.

Table 8: A Comparison on Service Quality Gap at EIC, NYI, and AI

Dimensions	Question	Attributes	EIC	NYI	AI
			Gap () Score	Gap() score	Gap() score
Access Quality	1	Convenient location of branches	0.56	0.84	0.1
	2	Convenient operating hours	0.5	0.37	0.25
	3	Waiting for Services	0.75	0.68	0.63
	Average score of dimension			0.62	0.63
Infrastructure Quality	4	Modern looking equipment	0.75	0.28	0.31
	5	Visually appealing physical features	0.84	0.4	0.56
	Average score of dimension			0.795	0.34
Responsiveness	6	Provide services at the time they promise to do so	1.31	1.03	0.32
	7	Staff performing service right the first time	1.41	0.59	0.19
	8	Services done without delay	1.37	0.6	0.25
	Average score of dimension			1.36	0.74
Competence	9	Contact personnel having knowledge to answer	1	0.4	0.41
	10	Support personnel having knowledge to answer	1.03	0.35	0.63
Weighted Score	Average score of dimension		0.985	0.545	0.43

Table-8 below presents the gap on all the 17 statements for the three insurances. Examining each statement will give

more insights on the differences in the service quality among the insurances. A negative value of weighted scores for all insurances indicates shortfall in service quality.

Access Quality

In access quality dimension Awash insurance has a negative gap score of (0.32). However, compared to the scores of EIC insurance (0.62) Nyala insurance (0.68), it is the lowest. This indicates that customer of EIC and Nyala are very dissatisfied with the locations, operating hours, and waiting times of their insurances.

Infrastructure Quality

The negative gap scores of 0.795, 0.34, and 0.435 for EIC, Nyala and Awash respectively indicates that their customers are dissatisfied with this dimension of service quality. The lowest gap score is at Nyala insurance (0.34). The largest gap score is seen at EIC insurance (0.795), this implies that the customers are dissatisfied with the company's equipment and physical features.

Responsiveness

All three of the insurances have a negative gap score which is interpreted as customers' dissatisfaction in the response time of the companies. Compared to the other two insurances, EIC insurance has the largest gap score of (1.36). This indicates that customers are dissatisfied with the response time of the company. The least score is at Awash insurance indicating a better ability to convey trust and confidence with its employee's knowledge.

Competence

Again in competence dimension EIC insurance has the largest gap score of (1.015). This implies that customers are dissatisfied with the competence of contact and support personnel knowledge. The least gap score is at Nyala insurance (0.375) indicating that the company has better employees in terms of competence of employees.

Generally, the weighted gap score of the three insurances indicates negative scores. This implies that customers' of these insurances are in general dissatisfied with the service quality of their respective insurances. The lowest unsighted gap score is seen at Awash insurance whereas, the largest is seen at EIC insurance.

5. Conclusions and Recommendations

5.1 Conclusions

The most important aspect of the relationship between service providers and customers is that there is a discontent between what customers expect and what service providers are offering. The study has been undertaken to measure the perception of service quality from the customers' perspective and also determine the relationship between service quality and loyalty. The study demonstrates that the weighted average gap scores of the selected insurances are negative for each dimension/ attributes which indicates that the insurances are not able to meet customers' expectation or the customers are not satisfied with the services offered. This implies the insurance's ability to respond well and at a reasonable speed is not as desired by the customers. The

competence of contact personnel and support personnel is also poorly performer compared with the expectation of the customers. Responsiveness dimension is also with a large gap score of (0.74) implying that the company's ability to respond well and at a reasonable time is not satisfactory for the customer. Access Quality of the company is also with a large gap score of (0.63) which indicates that the company's locations, operating hours and waiting time for services is not as expected by the customers. At Awash insurance the weighted average gap score is -0.414 indicating that customer's perceptions are less than their expectations. The largest gap score is seen on problem solving quality (0.545) indicating that customers are not satisfied with how personnel address complaints and solve problems. Competence dimension is the second largest gap score (0.52). This implies that knowledge and skills not only of the contact personnel but also of the support personnel is not as desired by the customer. Infrastructure quality of the company including appearance of physical facility and people delivering the service is not as desired. When we compare the unweighted gap score of the three insurances Awash insurance has a better service quality whereas, Nile insurance has the poorest service quality measured on similar seven dimensions. Problem solving quality seems to be the first dimension all of the three insurances they need to address. For Nile insurance, Competence and Credibility dimensions are related to loyalty dimensions. For Nyala insurance, Responsiveness dimension is related to loyalty dimensions. For Awash insurance, Responsiveness and Courtesy dimensions are related to loyalty dimensions.

Finally, the study used four service quality dimensions and all these four dimensions affect customer satisfaction thereby, loyalty of the customers determined by satisfaction.

5.2 Recommendation

Based on the out puts of the research work the following recommendations are forwarded

- The insurance companies should develop customer oriented marketing philosophies that will enable them mitigate the existing service quality gap between customers' expectation and perception.
- The management of the insurance companies should work on institutional capacity building issues specially, training on service quality improvement, responsiveness and provide continuous skill based training programs on these areas.
- Front line employees should be motivated and trained to understand customers' needs, provide individual attention and demonstrate caring behavior at every spot of services.
- Employees should keep the promise to customers, show a sincere interest in solving client problem, inform users of the time required to perform transaction, and perform service right the first time.
- The insurance companies should also strive to improve and maintain its reputation by devoting more time on continuous monitoring and controlling the level of service delivery.
- To retain its existing customers and attract new ones, the insurance companies should devote more time working on competence of personnel and satisfaction of its customers.

- The insurance should also improve the access quality for instance, making locations of branches convenient for customers, convenient operating hours and making services accessible. It is also important that the company work on its reputation by building more positive image by providing what customers desire.
- Finally based on this study it is recommended that, to retain its existing customers and attract new ones, the company should focus especially on services quality, customer satisfaction and responsiveness respectively.

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