THE SERVICE QUALITY GAP ANALYSIS – A STUDY ON SELECTED LIFE INSURANCE COMPANIES IN MADURAI

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ABSTRACT

This paper evaluates the customer perceptions of service quality in select Life insurance companies. Data was collected from 163 customers of selected insurance companies using an interview schedule through a structured questionnaire. Gap analysis and Multi regression were used for analysis of data. The result shows that the dimension of service quality such as reliability dimension has the highest service gap and responsiveness has the lowest service gap. Insurance company staff ranked responsiveness the highest, followed by assurance. The study implies that Life insurance companies should reduce the service gap to deliver good quality of service to keep existing customers as well as to attract new customers.

Key words: Tangibles, Responsiveness, Assurance, Insurance Companies, service quality, Madurai.

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INTRODUCTION

In the District of Madurai, Life insurance companies have emerged as one of the fastest growing sector. Additionally, Tamilnadu government is pumping in huge funds in infrastructure, smart cities, and industrial projects to diversify the economy. Simultaneously, insurance companies have managed to diversify their income by focusing on rural areas. Hence, insurance companies are like backbone of the economy and customer has the ultimate beneficiary of succession of more company activities.

Insurance companies are trying to satisfy the customers' by providing well and quality services. But the survival of any life insurance companies is based on the

customer retention and creating a loyal customer base. Reichheld and Sasser (1990) stated that the costs of customer acquirement are higher than the costs of retaining them. So, Life insurance Companies are concentrating more on service quality and customer satisfaction.

Indian policy makers should create tougher provisioning policy to encourage private ownership of insurance companies, in order to assist the Indian insurance companies system to function more efficiently and competitively in the global marketplace. The insurance companies should practice flexible marketing approaches to attract customers. Customer satisfaction is the predominant tool; to evaluate Service quality (Parasuraman et al., 1994). Customer satisfaction leads to customer loyalty and this leads to profitability (Hallowell, 1996).

THE PURPOSE OF THE STUDY

The purpose of the study is to explore the level of customer satisfaction with services provided by the insurance companies sector in Madurai. The major aim behind this research work is to provide useful information to the Life insurance companies to understand the current nature and opinion about the customers towards the services. The theoretical part of the research is focused on the literature review gathered. The empirical research that has been done on the basis of structured questionnaires that were gathered from 163 responses from insurance company staff and interview schedule for (n-328 responses) customers. This paper might provide useful information about the level of customer expectation and perception from insurance companies in Madurai.

LITERATURE REVIEW

Asubonteng et al., (1996) define the service quality as the difference between customer's expectations for service performance earlier to the service encounter and their perceptions of the service received. SERVQUAL is as a valid measurement for service quality. SERVQUAL has been applied in number of ways to measure service quality in the Life insurance Companying industry. Augustyn and Ho (1998) concluded the SERVQUAL model was the most useful of those that they examined for defining customer satisfaction.

When a firm is concentrating more on quality services and showing it on performance, then it directly attracts its customers and creates a positive impact on the customer. It gives a competitive advantage to the firm over its competitors. When the perceived service is better than the expected services then the customers are delighted (Caruana, 2002; Chumpitaz.2004).

Gefan (2002) stated that service quality of a firm is based on hoe the customers' expectations are fulfilled. i.e. what actually the customers get as a service should be matched with the expected service. If the gaps between these are high, then quality of service is questioned. Zeithmal et al., (2000) revealed that, due to the heavy competition, service quality has become an important tool to measure the service quality and recognized as a key factor to popular area of academic investigation and has been in keeping competitive advantage and sustaining satisfying relationships with customers ().

Kristensen et al. (2001) calculated the relationship between customer satisfaction and customer loyalty in the Danish retailing business using the European Customer Satisfaction Index. The model links customer satisfaction to its drivers (e.g. customer

expectation, perceived company's image, perceived quality, and perceived value) and, in turn, to its consequences, specifically customer loyalty.

Eugene W. Anderson, Daes and Furness and Donald R. Lehmann discussed the links between quality, expectations, customer satisfaction and profitability. The findings state that when quality and expectations increase, there is a positive impact on customer satisfaction and in turn, profitability.

Parasuraman, Zeithaml, and Berry divided the service quality measurement into five dimensions. The SERVQUAL measuring will measure expectations and perceptions of the customers with twenty-two pairs of items designed to capture five dimensions: 1) tangibles, 2) reliability, 3) responsiveness, 4) assurance, and 5) empathy. Each item is assessed on a seven-point Likert scale with 1 = strongly disagree and 5 = strongly agree.

RESEARCH METHODOLOGY

The research design for the study is descriptive in nature. Researcher used both the primary data and secondary data for collecting relevant information from the insurance company staffs and customer respondents. The study depends mainly on the primary data collected which is collected through a well-framed and structured questionnaire to obtain the opinions of the staffs. An interview schedule was conducted by using another questionnaire to collect the data from the customers.

Ten insurance companies were identified and the questionnaire was distributed and data were collected. Out of 200 questionnaires (10 insurance companies x 20 questionnaire), 170 filled questionnaires were returned back. Out of it 163 were usable for the study. In the case of customer, 326 customers were interviewed using the customer opinion about the services provided by the Life insurance companies. Both expectation and perception was collected from the respondents.

Period of the study: The study was conducted in the period of April 2016 to June 2016 at Madurai.

SAMPLING DESIGN AND SAMPLE SIZE

Sampling technique used for the study was convenience sampling and the sample size was 163 insurance company staff and 326 customer respondents. The research instrument used was questionnaire and it comprises both open and close-ended questions.

LIMITATIONS

Chances of the respondents' bias are involved in the research. As the research is restricted with Madurai town of Tamilnadu, India, the results are not applicable to other parts of the District or State or Country.

QUESTIONNAIRE DESIGN

SERVQUAL questionnaire (22 items) developed by Parasuraman *et al.* (1985) was used for the present study. When designing the questionnaire some modifications and adaptations were made to selected questions to make them more relevant to the Life insurance Company services at Madurai.

The questionnaires which consisted of 22 questions in five dimensions: tangibility, reliability, responsiveness, assurance and empathy. The questionnaire has an 'expectations' section with 22 statements and a 'perceptions' section consisting of

a set of matching statements. The statements in both the expectations and perceptions sections were grouped into the five dimensions. A 5point Likert scale was used for the scoring system with 1 representing Strongly Disagree and 5 representing Strongly Agree.

SOCIO –DEMOGRAPHIC DETAILS

The characteristics of the consumer respondents are displayed in Table 4.1. The consumers were quite homogeneous in certain respects: most of them are male (72 percent), married (82.5 percent) and possess a tertiary degree (88.1 percent).

Table 4.1 Socio –demographic details

Life insurance Company Employee (n -163 responses)	No of Respondents / (%)	Customer (n-328 responses)	No of Respondents / (%)
Gender		Gender	
Male	88(53.99)	Male	205(62.5)
Female	75(46.01)	Female	123(37.5)
Age		Age	
21-30	36(22.09)	21-30	167(50.91)
31-40	64(39.26)	31-40	85(25.91)
41-50	48(29.45)	41-50	43(13.11)
51 and above	15(9.202)	51 and above	33(10.06)
Marital status		Marital status	
Married	106 (65.03)	Married	156(47.56)
Unmarried	47(28.83)	Unmarried	142(43.29)
Single	10(6.13)	Single	30(9.146)
Experience		Total monthly household income	
Less than 3 years	17(10.43)	Less than Rs.10000	27(8.232)
3.1 -6 years	37(22.7)	10001- 20000	149(45.43)
6.1-9 years	60(36.81)	20001-30000	96(29.27)
9.1-12 years	34(20.86)	30001-40000	44(13.41)
above 12 years	15(9.202)	40001-50000	12(3.659)
Life insurance Company size		Education	
less than 10	64(39.26)	Less than Higher secondary	38(11.59)
11 -15	5433.13 ()	UG	190(57.93)
16- 20	27(16.56)	PG	57(17.38)
above 21	18(11.04)	Diploma	43(5.488)

Source: Primary data

The typical service provider was male, between 31 and 40 years old, had 6.2 - 9 years of experience and worked in a Life insurance Company with less than 10 employees. 62.5 percent of the customers are male. 50.91 percent of the respondents belong to 21-30 age groups. 47.56 percent of the respondents are married. 45.43 percent of the respondents belong to 10001- 20000 rupees of their monthly household income. 57.93 percent of the respondents are graduates.

Table 4.2 Factor structure and reliability of the 22 consumers' gap (SERVQUAL) scores

S. No	SERVQUAL ITEMS	Life insurance Company staff SQ1	Life insurance Company staff SQ2	Cronbach's Alpha
1	Modern-looking equipment (Tangibles)	.920		0.894
2	Providing services at the promised times (Reliability)	.912		
3	Performing the service right the first time (Reliability)	.901		
4	Understanding specific needs of customers (Empathy)	.889		
5	Knowledgeable and able to answer questions (Assurance)	.873		
6	Giving customers individual attention (Empathy)	.855		
7	Providing prompt service (Responsiveness)	.832		
8	Having customer's best interest at heart (Empathy)	.805		
9	Instilling confidence in customers (Assurance)	.774		
10	Convenient operating hours (empathy)	.738		
11	Sincerity in solving problems (Reliability)	.701		
12	Customers feel safe in transactions (Assurance)	.658		
13	Neat appearance of employees (Tangibles)	.612		
14	Visually appealing physical facilities (Tangibles)	.546		
15	Never too busy to respond (Responsiveness)		.850	0.857
16	Keeping promises (Reliability)		.838	
17	Visually appealing communication materials (Tangibles)		.806	
18	Error-free records (reliability)		.780	
19	Willingness to help (responsiveness).		.743	
20	Keeping customers informed about when services will be performed (Responsiveness)		.701	
21	Consistently courteous with customers (Assurance)		.659	
22	Giving customers personal attention (Empathy)		.604	
	Eigen values	3.482	3.215	
	Variance explained	23.214	45.925	69.139
Extraction Method: principal axis factoring.				
Rotation Method: oblique rotation.				

Source: Primary data

Kaiser-Meyer-Olkin Measure of Sampling Adequacy=0.794 and Bartlett's Test of Sphericity-Approx. Chi-Square value =1838; Sig at 0.000 for Life insurance Company staff quality (SQ1) shows a significant one to conduct factor analysis. Similarly Kaiser-Meyer-Olkin Measure of Sampling Adequacy=0.818; Bartlett's Test of Sphericity-Approx. Chi-Square value =3445.013; Sig at 0.000 for Life insurance Company staff quality (SQ2) shows a significant one to conduct factor analysis. The data analysis procedure employed by the developers of SERVQUAL for assessing factor structure was to subject the gap scores to principal axis factoring and oblique rotation (Parasuraman et al. 1988). This study adopted the same approach. The factor structure and reliability of the SERVQUAL data are displayed in Table 4.2. Factor analysis produced a two-factor solution, and the data showed internal consistency.

The two factors explained 69.139 percent of the variance. Factor analyses were conducted using principal axis factoring with the oblique rotation. The factor loading produced two dimensions. The dimensions were therefore named 'staff quality 1' (SQ1) and 'Staff quality 2' (SQ2). Fourteen items were in the factor 1 and 8 items were in factor 2.

Table 4.3 Descriptive statistics for consumer scores

S.No	Dimension	Mean score for expectations	Mean score for performance	Mean score for gaps
1	insurance company staff SQ1	3.67	3.12	-0.55
2	insurance company staff SQ2	3.83	3.74	-0.09
3	Overall SQ	3.75	3.43	-0.32

Source: Primary data

Of the two dimensions, customers had higher expectations for SQ2. This established the importance of SQ2. The gap score of SQ1 was larger than that of SQ2. This shows that the service providers were not-performing up to the expectation of customers on SQ1 than on SQ2. Paired samples t-tests confirmed that the differences between SQ1 and SQ2 in terms of expectations scores and gap scores were significant; there was no significant difference between the two performance scores. All the gap scores in Table 4.3 are negative numbers, and one might be inclined to reach the conclusion that a perceived service quality gap existed in the Life insurance Company. Hence, one-sample t-tests were performed on the three gap scores. The test value for the one-sample t-tests was set at zero (0), or 'zero quality gap', i.e. a hypothetical population mean where expectations are exactly met by performance.

Table 4.4 One-sample t-test results for gap scores

Dimension	t - statistics	Sig. (2-tailed)	Mean difference	95% Confidence interval of the difference	
				Lower	Upper
insurance company staff SQ1	11.993	0.000	-0.55	3.12	3.67
insurance company staff SQ2	19.269	0.000	-0.09	3.36	3.45
Overall SQ	15.631	0.000	-0.32	3.24	3.56

Source: Primary data

From the table 4.4, all values for the t statistic are large; all observed significance levels are less than 0.0005; and the hypothetical 'zero quality gaps' is not within the 95% confidence interval. These results suggested that the 'zero quality gap' was not a conceivable value for the population mean. Based on the data, it could be concluded that a perceived service quality gap most likely existed in the Life insurance Company. Since the data in Table 4.4 indicate that SQ2 was more highly valued by customers, it warranted a closer examination. SQ2 contained eight items: Never too busy to respond, Keeping promises, Visually appealing communication materials, Error-free records, Willingness to help, Keeping customers informed about when services will be performed, Consistently courteous with customers and Giving customers personal attention.

Table 4.5 Shows the Expectation Statements

Highest Expectation Statements	Mean Score	Lowest Expectation Statements	Mean Score
Giving customers individual attention	4.18	Performing the service right the first time	3.04
Sincerity in solving problems	3.97	Knowledgeable and able to answer questions	3.16
Keeping promises	3.68	Customers feel safe in transactions	3.21
Willingness to help	3.67	Visually appealing physical facilities	3.37
Consistently courteous with customers	3.61	Neat appearance of employees	3.35

Source: Primary data

From the above table 4.5, two of the highest expectations are in the empathy and reliability dimension. The least high expectation is in the assurance dimension. The two of the lowest expectation are in the reliability and assurance dimension. The least low expectation is in the tangibles dimension.

Table 4.6 Shows the Perception Statements

Highest Perception Statements	Mean Score	Lowest Perception Statements	Mean Score
Providing services at the promised times	3.96	Convenient operating hours	2.87
Understanding specific needs of customers	3.84	Sincerity in solving problems	2.94
Knowledgeable and able to answer questions	3.71	Neat appearance of employees	3.06
Error-free records	3.70	Visually appealing communication materials	3.11
Willingness to help	3.54	Never too busy to respond	3.17

Source: Primary data

From the above table 4.6, two of the highest perceptions are in the reliability and empathy dimension. The least high perception is in the responsiveness dimension. The two of the lowest perceptions are in the empathy and reliability dimension. The least low perception is in the Responsiveness dimension.

Table 4.7 Shows the Service Gaps Statements

Highest Service Gaps	Gap Score	Lowest Service Gaps	Gap Score
Performing the service right the first time	0.74	Providing services at the promised times	0.05
Knowledgeable and able to answer questions	0.69	Understanding specific needs of customers	0.13
Convenient operating hours	0.66	Providing prompt service	0.16
Visually appealing physical facilities	0.64	Keeping promises	0.21
Error-free records	0.57	Keeping customers informed about when services will be performed	0.29

Source: Primary data

The largest difference between perceptions/expectations is in the reliability dimension. The next largest difference between perceptions /expectations is in Assurance dimension. The low difference between perceptions/expectations is in Responsiveness dimension. The next the lowest difference between perceptions/expectations is in reliability dimension.

Table 4.8 Shows Relative Importance of Service Quality Dimensions

S.NO	SERVQUAL dimension	Life insurance Company Staff		Customer	
		Mean scores	Rank	Mean scores	Rank
1	Responsiveness	4.626	1	3.815	4
2	Assurance	4.348	2	4.073	2
3	Reliability	4.324	3	4.210	1
4	Empathy	4.114	4	3.906	3
5	Tangibles	3.916	5	3.712	5

Note: Most important – 1   Least important –5

Life insurance Company staff ranked responsiveness the highest, followed by assurance (ranked 2), reliability, empathy and tangibles. In view of the rankings, it should be noted that tangibles ranked last. The results shown in Table 4.8 were similar to the findings of McDaniel and Louargand (1994). Bur in the case of customer, Reliability is ranked first followed by assurance (ranked 2), empathy, Responsiveness and tangibles.

Table 4.9 Opinion about Overall Service Quality

S.No	Dimension	Excellent	Good	Neutral	Poor	Very Poor
1	Service Quality	21.5	38.4	20.6	11.3	8.2

Source: Primary Data

From the above 4.9, 21.5% of the customers said the service quality is Excellent in Life insurance Companies. But Majority of the customer respondents (38.4 %) felt the service is good. 20.6% of the customers said they don't want to comment on it and said neutral. Only 8.2 % of the customers said the service qualities in the Life insurance Companies are very poor and 11.3 % said poor.

Table 4.10 Paired sample statistics with overall servqual

S. No		Mean	Std. Deviation	Std. Error Mean	t	Sig. (2-tailed)
1	Responsiveness	4.384	0.2362	0.4636	29.034	0.000
2	Assurance	4.146	0.2668	0.3790	21.439	0.000
3	Reliability	3.445	0.1903	0.2801	17.332	0.000
4	Empathy	3.902	0.2095	0.3245	19.526	0.000
5	Tangibles	3.404	0.1696	0.3884	23.305	0.000

Source: Primary Data

The table shows that the significance value is (0.000) which is less than .05 at 95% level of significance, so that null hypothesis is rejected for each dimensions of service quality with overall service quality. This table shows that there is a gap exists

between service quality dimensions of expectation and perception in services of Life insurance Companies.

FINDINGS

Three key findings are reported in this study: first, factor analysis produced a two factor solution; it shows that service quality in the Life insurance Company industry is a five-dimensional construct. Analysis of the resultant two factors revealed that most of the tangibles items were regarded by consumers as least important.

Second, all the difference/gap scores were negative and statistically significant shows there is a perceived service quality gap in the Life insurance Company industry.

Third, the mean expectation scores of the Life insurance Company staff were higher than the mean expectation scores of consumers. It shows that the Life insurance Company staff was aware of the expectations of customers. At the same time, consumers and Life insurance Company staff have their expectations differently.

The highest service gap is in the reliability dimension. Customer ranked the reliability as first followed by assurance. It shows that customer expectation on the Life insurance Company staff is high and the actual performance was not that much reliable. So Life insurance Companies have to ensure to minimize the gap. The low service gap is in Responsiveness dimension.

Life insurance Company staff ranked responsiveness the highest, followed by assurance. It shows that Life insurance Company staff wants to be responsible for their job and they want to do their job error free and keep the records correct.

Majority of the customers said the services provided by Life insurance Companies are good. But in the competition world, everyone should perform excellent. Hence the Life insurance Companies have to do the excellent service to satisfy their customer expectation.

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