



ANALYSIS OF CUSTOMERS' SERVICE QUALITY GAP: A STUDY OF PRIVATE LIFE INSURANCE PROVIDERS

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Abstract

In the modern age of the society, customers are fully aware of the quality of the services provided by the different service providers in their daily life and based on the perceived services in respect of their expectation, customers are always trying to estimate their satisfaction with their service providers. Considering all aspects, researcher in this paper initially investigated the dimensional structure of the service quality for the private life insurance companies operating in Burdwan district, West Bengal and performed the analysis of customers' service quality gap in the present context. For the purpose of the study, accepted 661 usable responses of the customers was considered as the sample size and statistical package SPSS 16 was used to perform the analyses.

Key Words: *Dimension, Expectation, Perception, Private Life Insurer, Service Quality.*

Introduction

Indian insurance sector is one of the rapid developing insurance sectors in the present world. After the enactment of Insurance Regulatory and Development Authority (IRDA) Act of 1999, Indian insurance market was opened for both domestic private insurance companies and foreign insurance companies and at end-September 2012, along with the one and only public life insurance company of India named Life Insurance Corporation of India (LICI) there are 23 private life insurance companies operating in India (IRDA Annual report, 2011-12). Customers' awareness about the life insurance companies has already been changed after the entrance of private and foreign insurance companies in the Indian insurance market where almost all the life insurance companies are offering more or less same type of products to the customers. Under the circumstances, all the private life insurance companies are now trying to move their focus from the product to the customers where service quality has become the main key driver for the business success in the market. According to Czepiel (1990), service quality can be defined as customers' perception of how well a service meets or exceeds their expectations. Service quality plays an important role in the customization process of service delivery, improvement of the productivity and profitability of the organizations as well as in the satisfaction process of the customers of the organizations. Considering the various needs and requirements of customers, organizations are now concerned in providing quality of services to their customers in order to meet the expectations of the customers. Customers are likely to evaluate service quality based on the total service package provided and how well the combined services meet their expectations (Gronroos, 2000). In order to survive in future and to achieve maximum growth in the present competitive life insurance market, the private life insurers are now eagerly want to provide better quality of services with the help of modern technology to give better satisfaction to the customers through their strong efficient manpower than before.

Objective of the Study

The objective of the current study is to perform the analysis of customers' service quality gap, i.e., determination of the service quality gap between customers' expectation and perception of quality of services provided by the private life insurance companies operating their business in the district of Burdwan, West Bengal, through proper investigation of the dimensional structure of the service quality in the present perspective.

Review of Literature

Service quality may be defined as "a global judgement or attitude relating to a particular service; the customer's overall impression of the relative inferiority or superiority of the organization and its services. Service quality is a cognitive judgement" (Fogli, 2006). In simple way service quality can be described as "the degree and direction of discrepancy between customers' service perceptions and expectations" (Parasuraman and Zeithaml, 2006). Low Yoke Kiew and Lee Kum Chee (2002) indicated that service quality is closely related with the customer's expectations on service environments, process and the output quality they can see themselves and receive. Customers' expectation is the reflection of expected performance (Churchill and Surprenant, 1982) where customers' perceptions is very much influenced by their past experience, or lack thereof, about a particular service product (O'Neill and Palmer, 2003). Oliver (1980), Gronroos (1982), Lewis and Booms (1983) and Parasuraman et al. (1985) pointed out that service quality is a result of the comparison between what customers feel the service provider should offer and what the service provider delivers. Zeithaml (1987) stated that service quality can be equated to the customer's evaluation of the service providers overall excellence or superiority. So, according to Zeithaml et al. (1993) service quality can also be defined as "consumers' assessment of the overall excellence or superiority of the service". Service quality dimensions are likely to be industry specific (Asubonteng et al., 1996). Babakus



and Boller (1992) stated that dimensionality of service quality may depend on the type of service under study where the importance of different dimensions of the service quality depend on the characteristics of the industry (Brady and Cronin, 2001). As the identification of the determinants of service quality is necessary to be able to specify, measure, control and improve service quality perceived by the customer so it should be a central concern for service management, academics and practitioners (Johnston, 1995). The mostly used service quality measurement tool SERVQUAL (Parasuraman et al., 1988) consists of five dimensions namely tangibles, reliability, responsiveness, assurance and empathy and according to Oliver (1993) customer consider the expectations of performance on these service dimensions. Based on the Parasuraman et al. (1985)'s GAP model and the ten dimensions of the service quality, Zeithaml et al. (1990) developed Customer Assessment of Service Quality through which customer can access the quality of service. The six criteria of good perceived service quality identified by Gronroos (1988) are professionalism and skills, attitudes and behaviors, accessibility and flexibility, reliability and trustworthiness, recovery, and reputation and credibility. Among these professionalism and skills can be referred as technical or outcome-related dimension, attitudes and behaviors, accessibility and flexibility, reliability and trustworthiness and the recovery can be referred as functional or process-related dimensions and reputation and credulity can be referred as image-related dimension. Reeves and Bednar (1994) in their study asserted that excellence, value, conformance to specifications and meeting and/or exceeding expectations are the four dimensions of service quality. According to Brady and Cronin (2001)'s opinion in service marketing literature so far, the most debated and controversial topic is the conceptualization and measurement of the perceptions of service quality. Combining Nordic model (Gronroos, 1984), SERVQUAL (Parasuraman et al., 1988), three component model (Rust and Oliver, 1994) and the multilevel model (Dabholkar et al., 1996) of service quality, Brady and Cronin (2001) developed multi-hierarchical model where service quality includes dimensions and sub-dimensions. To investigate the SERVQUAL structure across the five service industries, Mels et al. (1997) performed the factor analysis and found two dimensions of service quality namely intrinsic and extrinsic which are linked to interactive quality (Lehtinen and Lehtinen, 1985) as well as interaction quality (Gronroos, 1990) and to the technical quality (Gronroos, 1990) respectively. The study of Choudhuri (2012) also established six dimensional structure of the service quality for the public life insurance company LIC and identified gap in every dimension of the service quality (Choudhuri, 2014; Choudhuri and Parida, 2014). While SERVQUAL can be used in its present form to access and compare quality across a wide variety of firms, appropriate adaptation of the instrument may be desirable when only a single service is investigated (Parasuraman et al., 1988). Basically customers evaluate the service experience on basis of a limited number of dominating factors (Chowdhary and Prakash, 2005).

Methodology

In current study, PZB's SERVQUAL model was adapted as the backbone of the survey instrument. To determine the service quality gap between customers' expectation and perception of quality of services provided by all the 23 private life insurance companies operating their business in Burdwan district, West Bengal, first of all the investigation of the dimensional structure of the service quality for the private life insurance companies was carried where some more items related to information technology were included along with the existing 22 items of SERVQUAL instrument spread over tangibility, reliability, responsiveness, assurance and empathy dimensions. After proper formation of survey instrument, pilot study was conducted where researcher randomly selected 25 customers. After explaining objectives and purpose of the study, researcher tried to get valuable feedback from these customers. Based on pilot study, the preliminary analysis established the internal consistency of the items within each dimension and identified eight items (electronic network, networking of branches, computer resources, conference facility, linkage with the customers, learning and support services, alert system and web space for the customers) related to the information technology. The pilot study gave the confirmation of validity and reliability of final survey instrument. Thus, the modified SERVQUAL scale was developed as the survey instrument for the customers. This modified SERVQUAL instrument consists of six dimensions named Tangibility, Reliability, Responsibility, Assurance, Empathy and Technology Enabled Services where Tangibility contains 5 items, Reliability contains 5 items, Responsibility contains 4 items, Assurance contains 5 items, Empathy contains 3 items and Technology Enabled Services contains 8 items. In order to obtain the weighted score of the new dimensions there is a provision in the questionnaire for the customers to distribute 100 points against the new dimensions in respect of the importance to them so that total points are equal to 100. The structure of the questionnaire is both open-ended and close-ended and consisted 7 point Likert scale ranging from 1-strongly disagree to 7-strongly agree. After successfully completion of the pilot study, considering different demographic profile of the customers and using random sampling technique 850 questionnaires were distributed to the customers in order to obtain the data of customers' expectation and perception of quality of services provided by the private life insurers. Though 739 customers were agreed to give response but usable responses were 661 which was considered as the sample size for this study. According to Hair et al. (1992) for multivariate analysis the sample size should be at least 5 times the number of parameters in the model. As this study initially consists of 30 parameters, the minimum response necessary would be $(30 \times 5) = 150$. Thus, the sample size of this research, i.e., 661 is far in excess of the Hair et al.'s (1992) recommendation as well.



Results and Discussions

To collect the data, a cross-sectional survey was conducted among the customers of the private life insurance companies. The summarized demographic profile of the customers is given below:

Table 1: Demographic Profile of the Customers

Demographic Variable	Demographic Characteristics	Frequency	Percentage (%)
Gender	Male	483	73.1
	Female	178	26.9
Age	30 years	162	24.5
	31 - 40 years	341	51.6
	41 - 50 years	103	15.6
	51 - 60 years	39	5.9
	60 years	16	2.4
Income	Rs.14999.00	62	9.4
	Rs.15000.00 - Rs.24999.00	155	23.5
	Rs.25000.00 - Rs.44999.00	196	29.7
	Rs.45000.00	248	37.5
Occupation	Salaried	280	42.4
	Business	137	20.7
	Professional	219	33.1
	Retired	14	2.1
	Housewife	11	1.7
Educational Qualifications	High school	5	0.8
	Graduate	191	28.9
	Post-graduate	216	32.7
	Professional	232	35.1
	Any other	17	2.6
Locality of Living	Center of the town	368	55.7
	Outskirts of the town	204	30.9
	Rural areas adjoining town	89	13.5
Modern Aids	Only mobile phone	202	30.6
	Combination of mobile & internet	459	69.4

From the available data, the Rotated Component Matrix obtained the factor loading or cross-loading of the customers' items along with name of the different dimensions and the commonalities and differences of factor loading or cross loadings of the several items across different dimensions. The detail analysis is presented in Table 2 and 3.

Table 2: Rotated Component Matrix on Customers' Expectation Variables

Variables	Component				Dimension Naming
	1	2	3	4	
Modern Equipments	0.512				Convenience in Service Offering
Electronic network	0.786				
Networking of branches	0.665				
Conference facility	0.819				
Linkage with the customers	0.538				
Learning and support services	0.654				
Alert system	0.804				
Web space for the customers	0.683				
Professional Appearance of Employees		0.825			On-Site Responsiveness
Willingness to help customers		0.861			
Individual attention to the customers		0.695			
Treat the public situation with care & seriousness		0.730			
Convenient business hours		0.524			Commitment in Delivery
Fulfill promise in a timely manner			0.637		
Error-free records			0.575		



Provide exact information			0.702		Security & Confidence Building
Perform the service right the first time			0.878		
Instill confidence in the customers				0.560	
Safety of transactions				0.774	
Confidentiality of Records & Information of Customers				0.692	

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.

Table 3: Commonalities and Differences of Factor Loadings/Cross Loadings on Customers' Expectation Variables

	Component			
	1	2	3	4
	CSO	OSR	CD	SCB
Initial Eigenvalues	5.718	4.152	2.843	1.674
% of Variance	27.124	16.439	11.317	7.286
Cumulative %	27.124	43.563	54.880	62.166
Cronbach's	0.726	0.881	0.839	0.753
KMO measure of sampling adequacy	0.863			

****Legends Used:** CSO- Convenience in Service Offering, OSR- On-Site Responsiveness, CD- Commitment in Delivery, SCB- Security & Confidence Building.

According to Kaiser and Cerny (1979) the high shared variance and relatively low uniqueness in variance are indicated by the KMO measure for sampling adequacy (0.863). The Barlett's Sphericity Test where Chi-square value is 1527.408 ($p < 0.0001$) established that distribution is ellipsoid and amenable to data reduction. The Rotated Component Matrix table, Table 2, shows that out of 30 items, values of 20 items of the modified SERVQUAL instrument are greater than 0.5 which strongly support the recommendation of Nunnally and Bernstein (1994) about the factor loading and cross-loading. So, Table 2 established that 20 items of the questionnaire are properly loaded under 4 components. It is clear to understand that under the first component 8 items are properly loaded, 5 items are loaded under the second component, 4 items are loaded under the third component and 3 items are loaded under the fourth component and the names given for the dimensions of above mentioned group of items loaded under the components of 1, 2, 3 and 4 are respectively Convenience in Service Offering, On-Site Responsiveness, Commitment in Delivery and Security & Confidence Building. Table 3, shows that Initial Eigen values of Convenience in Service Offering, On-Site Responsiveness, Commitment in Delivery and Security & Confidence Building are 5.718, 4.152, 2.843 and 1.674 respectively, i.e., all Initial Eigen values are greater than 1 which proves the significance of the factors. Whilst the corresponding Cronbach's values are found to be 0.726, 0.881, 0.839 and 0.753 respectively establishing the reliability of the survey instrument of the study.

Parasuraman et al. (1988) suggested SERVQUAL model which consists of five dimensions namely Tangibles, Reliability, Responsiveness, Assurance and Empathy. In the present study, researcher included few additional items related to the technology enabled services in the existing SERVQUAL instrument. The above discussions establish new dimensional structure of the service quality for the private life insurance services that has four dimensions namely Convenience in Service Offering, On-Site Responsiveness, Commitment in Delivery and Security & Confidence Building.

Based on the newly established four dimensional structure of the service quality of private life insurers, the customers' perception score, customers' expectation score and customers' perception minus expectation score were calculated where following formula has been used at the current study to obtain the gap score:

$$\text{GAP Score} = \frac{1}{2U} \sum_{i=1}^{20} (CP_i - CE_i)$$

Where, CP- Customers' Perception; CE- Customers' Expectation

The customers' perception score, customers' expectation score, customers' perception minus expectation score and the mean unweighted score of each dimension are given in Table 4 and 5.



Table 4: Gap Score of Customers' Perception and Expectation Score

Dimension	Variables	CP	CE	CP – CE
Convenience in Service Offering	Modern Equipments	6.1778	5.5395	0.6383
	Electronic network	5.9307	5.8264	0.1043
	Networking of branches	6.3620	5.4982	0.8638
	Conference facility	5.2173	5.0024	0.2149
	Linkage with the customers	6.5841	5.9639	0.6202
	Learning and support services	5.1208	5.1056	0.0152
	Alert system	6.8337	6.5814	0.2523
	Web space for the customers	6.7405	6.3003	0.4402
Mean Convenience in Service Offering Score				0.3936
On-Site Responsiveness	Professional Appearance of Employees	5.4882	5.2970	0.1912
	Willingness to help customers	6.0306	5.8928	0.1378
	Individual attention to the customers	5.6711	5.1021	0.5690
	Treat the public situation with care & seriousness	5.7232	5.5917	0.1315
	Convenient business hours	6.5087	6.3579	0.1508
Mean On-Site Responsiveness Score				0.2361
Commitment in Delivery	Fulfill promise in a timely manner	5.7643	5.1345	0.6298
	Error-free records	5.8001	6.6561	-0.8560
	Provide exact information	6.0574	6.2229	-0.1655
	Perform the service right the first time	6.4593	5.6200	0.8393
Mean Commitment in Delivery Score				0.1119
Security & Confidence Building	Instill confidence in the customers	5.5794	5.0330	0.5464
	Safety of transactions	5.1916	6.6973	-1.5057
	Confidentiality of Records & Information of Customers	4.8085	6.2398	-1.4313
Mean SECURITY & CONFIDENCE BUILDING score				-0.7969

**Legends Used: CP- Customers' Perception, CE- Customers' Expectation

Table 5: Mean Unweighted Score

Calculation of Mean Unweighted Score	
Mean Convenience in Service Offering Score	0.3936
Mean On-Site Responsiveness Score	0.2361
Mean Commitment in Delivery Score	0.1119
Mean Security & Confidence Building Score	-0.7969
Mean Unweighted Score	-0.0138

The distribution of importance weights by the private life insurance customers against the four dimensions are given in Table 6:

Table 6: Importance Weights

Dimensions	Mean out of 100
Convenience in Service Offering	37.51
On-Site Responsiveness	23.84
Commitment in Delivery	12.56
Security & Confidence Building	26.09

The weighted score of the four dimensions can be obtained by multiplying mean unweighted score with the importance weight age which is given in Table 7.

Table 7: Weighted Score

Dimensions	Unweighted Score	× Importance Weightage	Weighted Score
Convenience in Service Offering	0.3936	37.51	14.7639
On-Site Responsiveness	0.2361	23.84	5.6286
Commitment in Delivery	0.1119	12.56	1.4055
Security & Confidence Building	-0.7969	26.09	-20.7911
Mean Weighted Score			0.2517



From the Table 7, it may be stated that only mean negative weighted gap score (-20.7911) has obtained by the Security & Confidence Building dimension where the highest mean positive weighted gap score (14.7639) has obtained by the Convenience in Service Offering dimension followed by the On-Site Responsiveness dimension (weighted gap score is 5.6286) and Commitment in Delivery dimension (weighted gap score is 1.4055). These results indicate that except Security & Confidence Building dimension, there exists no service quality gap in any dimension in between customers' perception and expectation of the quality of services provided by the private life insurers in the present context. The Mean Weighted Score (0.2517) also significantly pointed out that customers are now getting more quality of services than what they expect from their private life insurers.

Conclusions

In the analysis of customers' service quality gap, i.e., determination of the service quality gap between customers' expectation and perception of quality of services provided by the private life insurance companies, researcher first of all established a four dimensional (Convenience in Service Offering, On-Site Responsiveness, Commitment in Delivery and Security & Confidence Building) structure of the service quality for the private life insurance companies and based on this, data about the customers' expectation and perception of quality of services were collected against all the 20 items spread over Convenience in Service Offering, On-Site Responsiveness, Commitment in Delivery and Security & Confidence Building dimensions. Customers' perception minus Customers' expectation's (CP-CE) GAP analysis result explored that except Security & Confidence Building dimension, no service quality gap was found in any dimension in between customers' perception and expectation of the quality of services provided by these private life insurers. Thus, it is expected that considering all the circumstances, irrespective of all the dimensions the private life insurers should try to improve their quality of services especially the Security & Confidence Building related services offered to the customers so that fulfilling various needs and requirements of the customers they may be able to sustain their business operation smoothly in the market.

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