

ASSESSING SERVICE QUALITY FACTORS FOR BUILDING A LOYAL CUSTOMER IN LIFE INSURANCE INDUSTRY

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Abstract– During the recent years, life insurance industry experienced great reforms to improve their market density and penetration. When it comes to provide service to the customers, they lack behind in resulting to customer dissatisfaction. Therefore there is a need to understand the quality of service required by the customers and meet their need successfully. Then it creates the loyal customers. After reviewing several specialized papers, the underpinnings of service quality are Tangibility, Reliability, Responsiveness, Empathy, Assurance, Helpfulness and Problem solving. As sample frame, personal administrated survey questionnaire with randomly selected 100 sample life insurance customers as unit of analysis are targeted to investigate their loyalty towards the life insurance industry. Responses were measured on a 5 point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). A number of quantitative and qualitative methods including correlation analysis and regression were used to analyse the data Using SPSS version 23. According to the findings Tangibility, Reliability, Responsiveness, Assurance, Helpfulness and Problem solving have positive relationship with customer loyalty in life insurance industry. Assurance and Problem Solving highly relate with customer loyalty. That means Assurance and Problem Solving are the main issues of service quality towards customer loyalty. In order to build a loyal customer there is a need to improve the quality of the delivering services. Organizations that are aiming to nature loyal customers should pay close attention to issues of service quality.

Keywords- Service Quality, Customer Loyalty, Life Insurance

I. INTRODUCTION

Insurance is playing an important role with in the society as well as economy. Insurance is representing one pillar of the commerce.

Growth of the insurance industry manly depends on the quality of the service they already provided to the society. In an social aspect life insurance plays major role within Sri Lankan insurance industry.

According to IBSL annual report (2016) the total premium income and contributions from all the classes of life insurance business was Rs. 63,495 million in the year 2016 compared to Rs. 53,691 million in 2015, representing a growth of 18.26%. But the market penetration as percentage of GDP increased to 0.54% in 2016 compared 0.49% in 2015. Low growth rates and low penetration levels recorded for long term insurance businesses reflect the greater need to promote benefits of insurance among all segments of the society and to develop and offer insurance products which meet diverse needs of customers. The GDP growth rate declined from 4.84% in 2015 to 4.38% in 2016. This means that other sectors of the economy grew faster than life insurance. Compared to the other sectors, life insurance contribution to the economy is almost negligible (IBSL 2016). It is therefore worth finding out what ails the life insurance industry in Sri Lanka. Various life insurance companies have invested heavily in marketing to increase awareness and market share. But despite these efforts, life insurance penetration remains extremely low in Sri Lanka.

A. Objectives

The overall purpose of this study is to analyse the service quality factors for building loyal customers in long term insurance industry in Sri Lanka.

II. LITERATURE REVIEW

Many studies provided multiple service quality dimensions based on their empirical findings. Two dimensions were proposed by Gronoos (1983), ten dimensions were proposed by Parasuraman, Zeithaml and Berry (1985). Similarly, Parasuraman, Zeithaml and Berry (1988) confirmed five dimensions whereas; six dimensions were proposed by Bahia and Nantel (2000).

A. SERVQUAL Dimensions

According to Zeithaml, Berry, and Parasuraman (1996) service quality involves evaluation of the results that customers actually receives in the form of service along with the superiority of service experienced by customers with the global judgment. This study considers the service quality dimensions first provided by AnantharathanParasuraman(1985) which was then later adopted by many studies Eboli&Mazzulla, (2007),Olorunniwo, Hsu, & Udo, (2006),Sureshchandar, Rajendran, &Anantharaman(2002), Wong &Sohal, (2003) till present investigating service quality and customer satisfaction relationships.

Academics like ArunParasuraman (1988) have used 22 items for investigating influence of SERVQUAL factors on perception of service quality. The five dimensions of service quality were refined to be Tangibility, Reliability, Responsiveness, Assurance and Empathy. SERVQUAL was having only five dimensions and this study found that service organizations can rely on the effect of SERVQUAL factors in assessing the perception and expectations of customers. The model was also found to be helpful in improving service quality. In addition, ArunParasuraman, Berry, and Zeithaml (1991) refined the SERVQUAL model provided in 1988 by investigating in different sectors like retail banking, insurance sector, and service provided for telephone repair.

B. Tangibility

Tangibility is defined as the extent to which the insurance industry staffs or agents are well uniformed and organized along with the comfort atmosphere in the office where customers are waiting (Moon, 2013). Customers compare the service of one company to the other and identify the expectations based on their service encountered and knowledge gained. Rodrigues (2013) explained tangibility as physical facilities, equipment and the appearance of individuals. Tangible assets for the service providers are the facilities and behaviour of employees. Service quality in the life insurance industry is divided into tangible and intangible aspects. Tangible aspects of service quality include factors that assure overall perception of the customers.

C. Reliability

Reliability is based on evaluation of customer's physical service factors like design. However, AnantharathanParasuraman (1985) found reliability as the consistency of performance and dependability. Providing right service at right time confirms reliability service of insurance industry. Furthermore, Moon (2013) found that reliability of the service providers are linked to web security and ease to use. Reliability is in the form of accessibility, continuity and performance that is able to meet customer's expectations. Rizan (2010) stated that "Reliability also helps to increase customer's value by providing appropriate service requirements, customer's participation to fulfil their needs and solving operational issues wherever it is required".

D. Responsiveness

Responsiveness is defined as the willingness of insurance industry staffs to provide service on time (Arasli, Mehtap-Smadi, &TuranKatircioglu, 2005). Some of the examples of such services are giving feedback to customers immediately and easy to give appointment to customers. When insurance industry staff deliver service to customer promptly it shows attitude of the employee which in turn is perceived by the customer as service to be good (Grönroos, 2007). It is always difficult for the customer to judge service quality. Thus trust plays an important role for judging service quality.

E. Empathy

Providing individual attention to the customers by the insurance industry staffs is termed as empathy. If the staff is not able to provide person attention, it found negatively correlated to service quality. Some scholars found empathy to be an important dimension of service quality (Johnson & Sirikit, 2002; McKecnie, Ganguli, & Roy, 2011).

F. Assurance

The ability of the insurance industry staffs to increase trust and confidence of the customers is termed as assurance. However, Saleeby (2008) examined on the relationship between service quality and purchase intention and found that assurance is highly correlated to purchase intention. The dimensions of service quality like responsiveness, assurance, empathy, reliability and tangibles are judged by the customers. Thus it is important to meet customers' expectations that require the element of surprise for the service providers to interact with the customers.

G. Helpfulness

Insurance industry staff's interpersonal relationship with its customers is important to perceive the staff to be warm, friendly and impulsive by customers. For instance, Kim, Jin, and Swinney (2009) and Lewis (1991) expressed helpfulness as respect and consideration shown by an individual towards other by providing an adequate explanations about the product or services. According to Sahin, Demir, Celik, and Teke (2006) measuring service quality is very important in order to identify service quality issues to make improvements in the service providers. Thus the attitude of helpfulness of the employees plays an important role in increasing service quality.

H. Problem solving

Problem solving is considered as part of SERVQUAL and is defined as the addressing of customer service recovery and customer retention (Dabholkar, 1996). The problem solving skills of the employees is very important to delimit the work uniquely in the topic of service quality and customer satisfaction.

I. Customer Loyalty

The aim of relationship marketing is the establishment and maintenance of long-term relationships with customers (Zeithaml 2006:182). Organizations understand that it is considerably more profitable to keep and satisfy existing customers, than to renew a strongly-churning customer base constantly. To make relationship marketing work, marketers have adopted a customer management orientation, which emphasizes the importance of customer lifetime value, retention and the dynamic nature of a person's customer-organization relationship over time (Reinartz and Kumar, 2003:77).

There are two major approaches when defining and measuring loyalty; one is based on behavior and the other on attitude. The behavioral loyalty refers to a customer's behavior on repeat purchase, indicating a preference for a brand or a service over time. There are two behavioral dimensions to loyalty. Firstly, the question must be asked if the customer is still active. Secondly, the organization must determine if they maintained their share of the customers spending. Attitudinal loyalty refers to a customer's intention to repurchase and recommend, which are good indicators of a loyal customer. A customer who has the intention to repurchase and recommend is very likely to remain with the organization (Buttle, 2004:21-22; Kandampully and Suhartanto, 2003:346-347).

III. RESEARCH METHODOLOGY

A set of attitudinal statements explaining the underlying phenomenon of these customer loyalty were formulated and administered with a sample of customers (n=100) at randomly selected markets located in Western, Sabaragamuwa, Central, and North-Western provinces. The questionnaire is the primary research instrument that was used in the study. The questionnaire included self-developed items, as well as items from questionnaires used in previous research. And the indicators have found through the interviews and the past researches. Questionnaire was in the format of a five-point Likert type scale ranging from 1 (strongly disagree) to 5 (strongly agree).

A number of quantitative and qualitative methods, including Correlation analysis and Regression were used to analyse the data using the SPSS (version 23) software.

A. Conceptual Framework

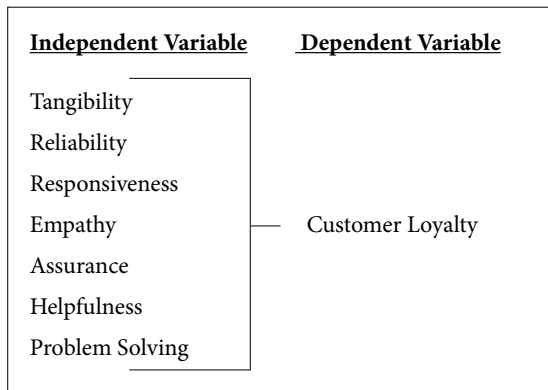


Figure 1. Conceptual framework

Indicators have selected through interviews and past researches to measure the variables.

Variables and indicators as follows,

Variable	Indicator
Tangibility	Attitudes of employees Respect
Reliability	Reliability of promise Confidence
Responsiveness	Extensive, Timely Accuracy of information
Empathy	Flexibility
Assurance	Personalized service
Helpfulness	Committed employees
Problem Solving	Discuss solutions Detection, Compensation
Customer Loyalty	Extensive relationship Understanding needs Increase business

B. Hypothesis

- H1 : Tangibility has positive relationship with Customer Loyalty in Life insurance industry in Sri Lanka
- H2 : Reliability has positive relationship with Customer Loyalty in Life insurance industry in Sri Lanka
- H3 : Responsiveness has positive relationship with Customer Loyalty in Life insurance industry in Sri Lanka
- H4 : Empathy has positive relationship with Customer Loyalty in Life insurance industry in Sri Lanka
- H5 : Assurance has positive relationship with Customer Loyalty in Life insurance industry in Sri Lanka
- H6 : Helpfulness has positive relationship with Customer Loyalty in Life insurance industry in Sri Lanka
- H7 : Problem Solving has positive relationship with Customer Loyalty in Life insurance industry in Sri Lanka

IV. DATA ANALYSIS

A. Demographic Analysis

Following tables show the frequency of the demographic variables of the respondents.

Table 1. Demographic Analysis

Gender	Frequency	Percent
Male	69	69.0
Female	31	31.0

Marital Status	Frequency	Percent
Single	48	48.0
Married	52	52.0

Age	Frequency	Percent
20-30	58	58.0
31-40	26	26.0
41-50	16	16.0

Policy Status	Frequency	Percent
In Force	85	85.0
Lapsed	15	15.0

Experience years with Industry	Frequency	Percent
1 Year	22	22.0
2 Years	39	39.0
3 Year	26	26.0
4 Years	6	6.0
>4 Year	7	7.0

Above table shows that more males (69%, n = 69) than females (31%, n =31) participated in the study. The majority of the respondents were married (52%, n =52). The balance of the respondents were single (48%, n = 48). The majority of the respondents belonged to the 20 -30 years age group (58%, n =58). The smallest percentage of the respondents belonged to the 41 -50 years age group (16%, n = 16).

The majority of policies are in force (85%, n=85). Only 15 policies are lapsed in selected sample. The most of the respondents (39%, n =39) also hold policies with life insurance industry more than 1 year but less than 2 years. The respondents (7%, n=7) have experience with life insurance industry more than 4 years. This may be an indication that sample customers have no much experience with life insurance industry.

B. Correlation between the independent and dependent Variables

Pearson correlation was performed to assess the relationship between the independent variables (Tangibility, Reliability, Responsiveness, Empathy, Assurance, Helpfulness and Problem Solving) and the dependent variable (Customer Loyalty).

Table 2. Correlation between independent variables and dependent variable

		customer loyalty
Tangibility	Pearson Correlation Sig. (2-tailed)	.088 .382
Reliability	Pearson Correlation Sig. (2-tailed)	.023 .817
Responsiveness	Pearson Correlation Sig. (2-tailed)	.081 .424
Empathy	Pearson Correlation Sig. (2-tailed)	-.095 .348
Assurance	Pearson Correlation Sig. (2-tailed)	.279** .005
Helpfulness	Pearson Correlation Sig. (2-tailed)	.175 .081
Problem solving	Pearson Correlation Sig. (2-tailed)	.532** .000
Customer loyalty	Pearson Correlation Sig. (2-tailed)	1

Above table 2 indicates that the correlation between the different variables tested is significant, all above the 0.01 level. Tangibility, Reliability, Responsiveness and Helpfulness have positive relationship with Customer Loyalty and no significant at 0.01 level. Empathy variable has negative relationship with Customer Loyalty and

insignificant. Both Assurance and Problem Solving variables have positive and significant relationship with Customer Loyalty. So H₁, H₂, H₃, H₅, H₆ and H₇ hypothesis are accepted and H₄ hypothesis is rejected.

ANOVA

Table 3. Regression Analysis

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	25.533	7	3.648	10.349	.000b
Residual	32.427	92	.352		
Total	57.960	99			

- a. Dependent Variable: customer loyalty
- b. Predictors: (Constant), problem solving, Empathy, Helpfulness, Tangibility, Responsiveness, Assurance, Reliability

From the structural model provided in the table 3, it shows that the majority of the fitness indices for absolute, incremental and parsimonious values were significant.

Model Summary

Table 4. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error Error of the Estimate
1	.664a	.441	.398	.59369

- a. Predictors: (Constant), problem solving, Empathy, Helpfulness, Tangibility, Responsiveness, Assurance, Reliability

And the table 4 multiple regression results indicate that high level correlation with dependent variable and independent variables as R value is 0.664. High level of model fit with observed in 0.398 R² value. Tangibility, Reliability, Responsiveness and Helpfulness accounted for a significant 39.8% of the variability in Customer Loyalty. Table 3 affirm the overall model fit of the study with significant P value which is 0.000.

According to the test results of the regression analysis, the above table 5 shows the significant of the tested variables of the study. Reliability, Empathy, Assurance and Problem Solving variables are statistically significant for predict the variable of Customer Loyalty.

Assurance and Problem Solving variables are highly impact on Customer Loyalty with a B value 0.417 and 0.621 (p = 0.000). And Tangibility, Responsiveness and Helpfulness variables are not statistically significant for predict the dependent variable of the study.

Coefficients

Table 5. Coefficient for the Regression Analysis

Model	Unstandardized Coefficients		Standard Coefficients	t	Sig.
	B	Std. Error			
(Constant)	1.593	.524		3.043	.003
Tangibility	-.004	.098	-.004	-.040	.968
Reliability	-.291	.100	-.321	-2.908	.005
Responsiveness	.042	.085	.046	.496	.621
Empathy	-.227	.087	-.237	-2.615	.010
Assurance	.417	.098	.450	4.266	.000
Helpfulness	.055	.094	.056	.584	.561
Problem solving	.621	.093	.540	6.696	.000

- a. Dependent Variable: customer loyalty

V. CONCLUSION AND RECOMMENDATION

The study shows that service quality plays a vital role in customer loyalty. In order to test this hypothesis the result of final model was identified as reasonable to investigate. The p value for the path between service quality factors and customer loyalty noted that assurance and problem

solving skills of the life insurance industry highly increase customer loyalty. Similarly, the direct effect between majorities of service quality factors to purchase intention were significant.

In a tangibility aspects of the service are not fulfilled by the insurance industry staffs to their customers in the form of quality product and services, the quality is still considered as low. Reliability also helps to increase customer's value by providing appropriate service requirements. Responsiveness is defined as the willingness of insurance industry staffs to provide service on time and it is not significantly impact on customer loyalty. An individual attention to the customers by the insurance industry staffs is negatively correlate with customer loyalty. The ability of the insurance industry staffs to increase trust and confidence of the customers is highly impact for create the loyal customer. The attitude of helpfulness of the employees plays an important role in increasing service quality but it not significantly impact on customer loyalty. The problem solving skills of the employees is very important to delimit the work uniquely in the topic of service quality and customer loyalty.

It is recommended to increase trustworthiness, appropriate service and problem solving skills of the life insurance industry staff will be increase the customer loyalty and reduce the policy lapsation.

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