

E-CRM AND CUSTOMER SATISFACTION IN INDIAN INSURANCE INDUSTRY

Kamal Gulati

Ph D Candidate, Singhania University, Jhunjhunu - India

Arvind Kumar

Sr. Faculty of Commerce, LSR College, Delhi University, Delhi - India

V. Ravi

Sr. Faculty of Statistics, LSR College, Delhi University, Delhi - India

ABSTRACT

The financial reforms posed a lot of challenges before the Indian insurance sector, one of the major challenges faced by insurance companies' deals with the customer satisfaction and loyalty. Today's insurance customers have become more aware and rational in their approach than ever. Customer satisfaction and formulation of marketing strategies to attract more and more customers towards the insurance provider are now becoming a key issue in order to survive in the competitive insurance industry for every insurance company. The current study is an attempt to find out gap between expected and perceived satisfaction level of insurance company customers. For the purpose of the study, data were collected through primary sources by framing a questionnaire on the basis of SERVQUAL scale and review of literature. To analyze the collected data, Gap Analysis and t-test have been employed. The results of the study bring out the major differences in customers' expectations and perceptions from insurance services thus showing dissatisfaction among insurance company customers.

Key words: Satisfaction, Service Quality, Insurance companies

INTRODUCTION

The service quality is the comparison of perceived service (what customer feels about the service) with the expected service (what is the performance of the offered service). The customers perceive the service quality to be high if it is perfect on his expectation and it leads to their satisfaction with the related service.

In the present time, customer satisfaction is an interesting and dynamic concept. It is a concept; which varies from time to time. What is considered as “good” regarding customer services today may be termed as “bad” tomorrow? Customers are now demanding more individualistic and customized services and are no longer willing to accept delay in transactions. A ‘customer centric’ view has replaced the earlier ‘product centric view’. Hence, it is necessary to identify and prioritize the customers’ expectations for service quality and incorporate these expectations into a service process for improving quality.

With the entry of new generation tech-savvy insurance companies and the expansion of operations of foreign insurance companies, the concept of service quality has emerged as a principal competitive weapon in insurance also. The competitive innovations have made insurance company customers more concerned about their money value. In fact, customer expectations rise with the use of latest technology, like on-line services or e- services of insurance company, inspiring them to explore the alternatives available to them. The efficiency of insurance sector depends upon how best it can deliver services to its target customers and how far expectations of customers are met. In order to survive in this competitive environment and provide continual customer satisfaction, the insurance services are now required to persistently improve the quality of services . However, Gap theory and SERVQUAL measurement proposed by Parasuraman, have been widely accepted and applied in the domain of service quality measurement even in insurance companies. The five key dimensions that were identified are as follows:

- 1. Assurance** – The knowledge and courtesy of employees and their ability to convey trust and confidence.
- 2. Empathy** – The provision of caring, individualized attention to consumers.
- 3. Reliability** – The ability to perform the promised service dependably and accurately.

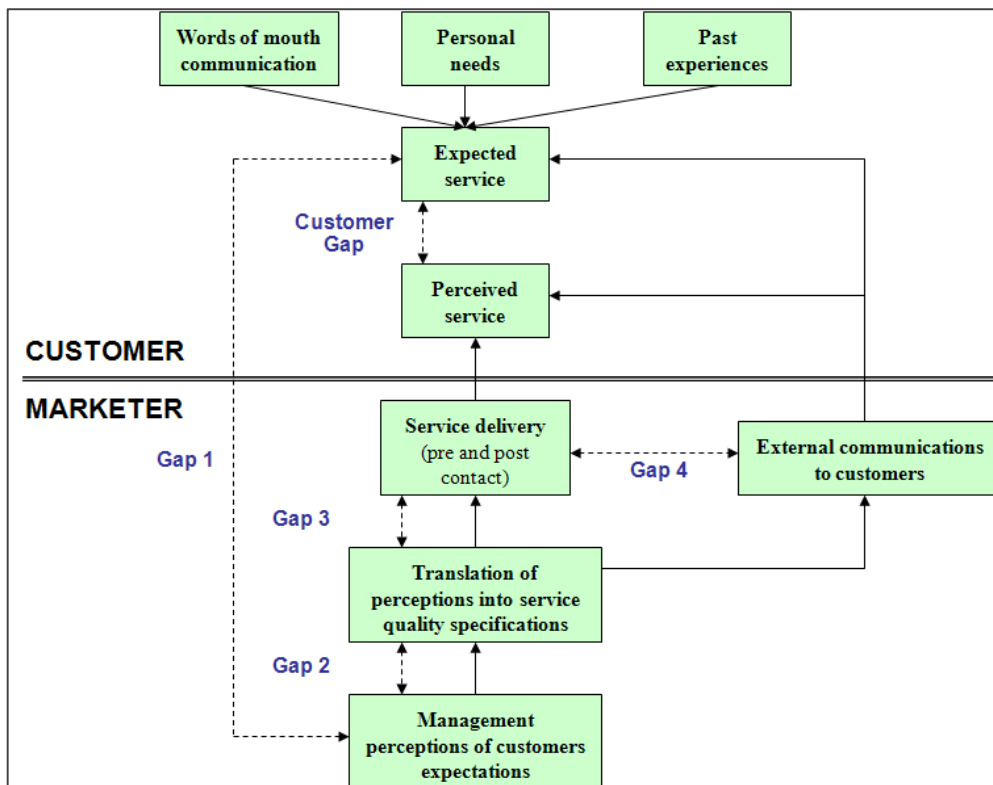
4. Responsiveness – The willingness to help consumers and to provide prompt service.

5. Tangibles – The appearance of physical facilities, equipment, personnel and communications materials.

One of the purposes of the SERVQUAL instrument is to ascertain the level of service quality based on the five key dimensions and to identify where gaps in service exist and to what extent.

The gaps are generally defined as:

- **Gap 1** (positioning gap) – pertains to managers’ perceptions of consumers’ expectations and the relative importance consumers attach to the quality dimensions.
- **Gap 2** (specification gap) – is concerned with the difference between what management believes the consumer wants and what the consumers expect the business to provide.
- **Gap 3** (delivery gap) – is concerned with the difference between the service provided by the employee of the business and the specifications set by management.
- **Gap 4** (communication gap) – exists when the promises communicated by the business to the consumer do not match the consumers’ expectations of those external promises.
- **Gap 5** (perception gap) – is the difference between the consumers’ internal perceptions and expectations of the services.



Source: A.Parasuraman, Valarie A. Zeithaml, and Leonard L.Berry, 1985

Measurement is desirable to determine whether goals for upgrading are being met after changes have been implemented. In general, it is difficult to measure and quantify service quality. But nowadays, there has been a keen interest on service quality, especially in insurance companies, where insurance company s are looking at the life time value of the customer base rather than focusing on the cost of transactions . The main purpose of measuring service quality is to ensure whether service is provided as per the expectations of the customers. Therefore, the current study is an attempt to understand the insurance company s' customers' expectations and perceptions.

REVIEW OF LITERATURE

Service quality is a concept that has aroused considerable interest in the literature because of the difficulties in both defining and measuring it (Wisniewski, 2001). There are number of different “definitions” as to what is meant by service quality. Parsuraman et al. (1985, 1988) positioned and operationalized service quality as a difference between consumer expectations of ‘what they want’ and their perceptions of ‘what they get’. In 1988, Parasuraman et al. developed SERVQUAL, a method to assess customer loyalty for service industries. Their measurement involved the difference between customers’ perceptions and expectations based on five generic dimensions. Parasuraman et al. (1988) described the development of multiple items instrument (SERVQUAL) for assessing customer perceptions of service quality in service and retailing organizations. The results indicated a refined scale (SERVQUAL) with multiple variables spread among five dimensions; namely tangibility, reliability, responsiveness, assurance and empathy. Parasuraman et al. (1991) described a multi-sector study in which they refined their original SERVQUAL instruments and re-examined the reliability and validity of this scale. The results indicated that the reliability coefficient for the perceptions minus expectations gap scores for the five SERVQUAL dimensions are consistently high across the various samples, thereby indicating high internal consistency among items within each dimension.

Toloie-Eshlaghy et al. (2011) studied the perceived service quality dimensions between private and public insurance companies. It was found that service quality in private sector insurance company s ranked far higher than the public sector insurance companies.

Bhatti (2011) conducted a study on the relationship of perceived value, service quality and repurchase intention. Uppal and Mishra (2011) studied the gap between actual and expected satisfaction level of customers through SERVQUAL. Results showed that expectations were very high for all the dimensions in comparison to the actual use. Singh and Khurana (2011) studied the level of service quality provided by insurance company s to satisfy their customers with the help of SERVQUAL scale. It was depicted with the help of descriptive analysis that private sector insurance company s were providing services to the customers below their expectations. Hanzaee and Salehi (2011) designed a model for evaluating customers' perceived service quality in Iranian private sector insurance company s which also aimed to identify the important factors of satisfaction for the customers to choose insurance companies.

Service organizations have begun focusing on the customer perceptions of service quality because it helps in developing strategies that lead to customer satisfaction. Some researchers argued that service quality is the antecedent of customer satisfaction. Everyone is trying to improve quality of its products. Thus, an analysis of service quality perceptions from customers' perspectives' is of paramount importance in the today's competitive environment. So, the present study is an attempt to measure the gap in perceived and expected satisfaction level of customers.

OBJECTIVES OF THE STUDY

Present study attempted to find out the gap between perceptions and expectations of the customers, regarding the services provided by insurance companies in India.

RESEARCH METHODOLOGY

To find out the gap between customers' perception and expectation towards service quality in insurance companies, a modified SERVQUAL questionnaire relevant to the insurance industry has been constructed. The questionnaire includes items on the original five dimensions (i. e. Tangibility, Reliability, Responsiveness, Assurance and Empathy) of the SERVQUAL instrument, developed and updated by Parsuraman et al. (1994) as well as some other important dimensions on the basis of review of literature. The questionnaire was comprised of two parts.

The first part of the questionnaire was designed to collect information related to expectations and perceptions from insurance customers. Whereas, the second part of the questionnaire was related to the demographic profile of the customers. The data regarding perceptions and expectations of customers were collected on a 5-point interval scale, where 1- Much worse than expected, 2 – Worse than expected, 3 - Equal to expectation, 4 – Better than expected 5 – Much better than expected.

The universe of the study was those persons who have availed insurance services in any public or private insurance company. The data were collected from 450 customers from NCR, i.e. Delhi, Noida, Gurgaon and Faridabad. Effectively returned questionnaire was 403. Total responses recorded were 400. Sampled respondents were selected through Convenience Sampling Method. In order to analyze collected data, Gap Score and t- values have been calculated.

SAMPLE CHARACTERISTICS

As far as the demographic profile of the respondents is concerned, the sample comprised of variety of respondents belonging to different economic and professional background. The demographic background of the sampled respondents is presented in Table no. 1 to understand the customer profile. The ratio of male to female was almost equal in the sample. Furthermore, youngest respondents formed the majority (around 29%) in the age group of 20-29 years.

Table 1: Demographic Profile of Respondents

Demographic Variables		No. of Respondents (%)
Gender	Male	208 (52)
	Female	192 (48)
	Total	400 (100)
Age (Years)	20-29	116(29)
	30-39	98 (24.5)
	40-49	87 (21.8)
	Above 50	99 (24.7)
	Total	400(100)
	Business men/women	201(50.2)

Occupation	Others	199(49.8)
	Total	400(100)
Education Level	Matriculation	139 (34.8)
	Graduation	120 (30)
	Post graduation/others	141(35.2)
	Total	94 (100)
Monthly Income(Rs.)	25001-35000	136 (34)
	35001-45000	141 (35.8)
	More than 45000	121(30.2)
	Total	400 (100)
Number of insurance companies taken for policy	Only 1	85(21.3)
	2	81(20.3)
	3	68(17)
	4	84(21)
	More than 4	82(20.5)
	Total	400(100)
Length of service taken by the customers	Less than 20 years	132(33)
	20-29	129(32.2)
	30-39	138(34.8)
	Total	400(100)
Type of insurance chosen by customers	Life insurance	143(35.8)
	Non life insurance	138(34.5)
	Both(life and non life insurance)	119(29.7)
	Total	400 (100)

As far as education level is concerned, 35.2% of the respondents were post graduates followed by diploma holders (34.2%). As far as respondents' occupation is concerned, majority of respondents belong to business category (50.2%), followed by other professions (49.2%). For income categorization, 35.8% respondents had total monthly income between Rs. 35001-45000 followed by (34%) in income category between Rs.25001-35000 and 30.3% who belong to income category Rs. more than 45000. Number of policy only one taken by the customers was 21.3% followed by four policies. Length of service availed by insurer was 30-39(34.8%) years followed by less than 20 years (33%). In Kind of insurance, life insurance leads 35.8% followed by non life insurance.

ANALYSIS AND DISCUSSION

To find out the gap between expectations and perceptions of customers in insurance sector, 25 statements on the basis of various dimensions relating to satisfaction in insurance sector were

framed. The respondents were asked to give their agreement or disagreement regarding them on seven points Likert scale ranging from 1 (where 1- Much worse than expected,) to 5 (Much better than expected).

GAP ANALYSIS OF CUSTOMERS' EXPECTATIONS AND PERCEPTIONS

Expectations and perceptions were both measured using the 5-point Likert scale whereby the higher numbers indicate higher level of expectation or perception. In this study it has defined service quality as a gap between customers' expectations and perceptions, customers' responses to their expectations and perceptions were obtained on a 5-point Likert scale and were compared to arrive at (P-E) gap scores. The higher (more positive) the perception minus expectation score, the higher is perceived to be the level of service quality. However common for consumer's expectation to exceed the actual service perceived which resulted in a negative gap score (Perception – Expectation). This signifies that there is always room for improvement.

The results in Table 2 shows that the gap is negative for almost all the statements indicating dissatisfaction of the customers in all the dimensions, which are also statistically significant as indicated from the t-values in the Table no. 2. Under 'Tangibility' dimension, component wise analysis indicates that the higher level of dissatisfaction was observed in items like Neat appearance of employees (-1.4255) followed by Physical facilities, Convenient locations with gap score of (-0.5851), Visually Appealing Materials (-0.5212) and Modern equipment (-0.5). 'Reliability' dimension's expected mean score was 4.2978 and perceived mean was 3.5230 with a gap of -0.7748. Under this dimension, high level of dissatisfaction was observed under the item of 'Sincere Interest in solving problems' has gap score of -1.1595 followed by Deliver whenever promised (-1.0957), Error free record (-0.9893), Performing services at certain time (-0.9574) etc.. Under 'Responsiveness' dimension, expected mean score was 4.4095 and perception score was 3.40691475 and higher level of dissatisfactions was observed in items like Always willing to help customers (-1.4255), followed by Prompt service (-1.1489), Quick response to customers' requests (-0.97872) and Performing services at exact time (-0.4574). Moreover, 'Responsiveness' dimension accounted for highest negative score (-1.0026) among all dimensions which speaks of poor response of insurance company s towards customers' requests

and delivering prompt service. This indicates that the major reason for dissatisfaction of customers in insurance company s is related to poor customer dealing.

Of all dimensions ‘Assurance’ dimension has least gap (-.6595) thus indicating less dissatisfaction for items under this dimension like, Courteous employees (-0.7766), Instill Confidence (-0.68085), Knowledge to answer customer questions (-0.5212), safe feeling in transactions (-0.2766). Thus, insurance company should take adequate measures to pay attention on the above aspects to understand the requirements of the customers and to satisfy its needs.

Table 2: Comparison of Mean and t-Values of Expectations and Actual Satisfaction Level

Variable (Theme)	Mean score for Perception (P)	Mean score for Expectation (E)	Gap Score = (P-E)	t-value	Sig.
Empathy (EM)	3.8599	4.5544	-0.6945	-4.374	.007*
Modern equipment	3.9361	4.4361	-0.5	-2.369	.020*
Convenient locations	3.7765	4.3617	-0.5852	-2.726	.008*
Physical facilities	4.1382	4.7978	-0.6595	-2.897	.005*
Visually Appealing Materials	3.7978	4.3191	-0.5213	-2.208	.030*
Tangibility(TA)	3.5638	4.3021	-0.7383	-4.242	.013*
Performing service at certain time	3.5	4.4574	-0.9574	-4.175	.000*
Sincere interest in solving problems	3.3085	4.4680	-1.1595	-5.444	.000*
Confidentiality and privacy	4.6489	5.4148	0.7659	-3.961	.000*
Designated time	3.5531	4.3297	-0.7766	-3.068	.003*
Services Deliver whenever promised	3.6063	4.6063	-1.0	-4.518	.000*
Error free records	3.5212	4.5106	-0.9894	-4.435	.000*
Reliability (RL)	3.5230	4.2978	-0.7748	-14.524	.000*
Performing services at exact time	3.8191	4.2765	-0.4574	-2.263	.026*
Prompt Service	4.1914	5.3404	-1.149	-5.585	.000*
Always willing to help customers	4.3191	5.7446	-1.4255	-7.155	.000*
Quick Response to customer requests	4.2978	5.2765	-0.9787	-4.476	.000*
Responsiveness (RS)	4.4069	5.4095	-1.0026	-4.922	.016*
Instill Confidence	4.3510	5.0319	-0.6809	-3.135	.002*
Safe in transactions	5.1914	5.4680	-0.2766	-1.261	.211*
Consistently Courteous with	4.4574	5.2340	-0.7766	-3.492	.001*

customers					
Knowledge to answer to queries	4.6382	5.1595	-0.5213	-2.325	.022*
Assurance (AS)	4.6599	5.2234	-0.5635	-5.160	.014*
Individual attention to customers	4.8723	5.7872	-0.9149	-3.690	.000*
Convenient Operating hours	3.9468	4.6914	-0.7446	-3.799	.000*
Handle queries of customers	4.9893	5.6914	-0.7021	-3.343	.001*
Personal Attention to customer problems	3.3510	3.2872	0.0638	1.136	.259*
Works in best interest of customers	4.4148	5.2659	-0.8511	-3.222	.002*
Understand specific needs of customers	3.5851	4.6063	-1.0212	-4.405	.000*

‘’ indicates significant at 5% level*

As far as under dimension of ‘Empathy’ is concerned, the mean of expectation was 5.5544, perception and gap score was 4.8599 and -0.6945 respectively. Under this dimension the statement titled ‘Understand specific needs of customers’ accounted for highest gap (-1.0212), following individual attention to customers (-0.9148), work in best interest of the customers (-0.8510), convenient operating hours (-0.7446) and handle queries of customers (0.7021).

CONCLUSION

Delivering customer satisfaction is at the heart of modern marketing, which is a post-purchase judgment of the consumers. The analysis of responses clearly reveals that there exists a significant perceptual difference among customers regarding overall service quality with their respective insurance companies.

With regard to gap analysis of customers’ expectations and perceptions, the dimension of responsiveness accounted for highest gap score following by Reliability and Tangibility which depicts that insurance employees are less responsive to customers’ needs. So, it is clear from current study that the customers are less satisfied by the services provided by insurance companies. The gap between desirability and availability is an alarming bell for some insurance companies. The analysis of this study is very useful for the insurance industry as well as for other organizations.

RECOMMENDATIONS

1. Dealings of insurance companies need to be translucent and truthful.
2. E-services should be provided to the customers because today's customers are technology driven.
3. Employees of insurance industry should be courteous and supportive.
4. Insurance company should charge low service charges. Satisfaction of a customer from his insurance company is very necessary because this is the only factor that helps any organization to survive and increase its business as a delighted customer will add one more customer but an unhappy customer will curtail customers.

Thus, it is expected that if all insurance groups add quality to their work, their business can further be multiplied because in the e-age, customers judge an organization not only by the number of products offered by it but by the quality of that products and services.

Besides it, there should be transparency in the functioning of the insurance companies.

LIMITATIONS OF THE STUDY

1. The data for the study was collected from NCR only. However, a more extended geographical sample may produce different results.
2. Due to time constraints the sample of respondents was just 400, further study can be conducted by taking larger sample.
3. Further comparative study of private and public sector insurance companies can be conducted to find out the gap of expected and actual satisfaction level of customers.

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