Impact of Consumer Choice of Insurance Company on Service Quality Perception

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Abstract

The purpose of this research was to investigate the impact of consumer choice on the perception of service quality to the company they have invested in. this study was conducted in the state of Haryana and the sample size drawn was 1100. This sample was representing three segments of customers. This segmentation was done on the basis of the company they were insured which, belongs to which sector, public or private. Then the third segment has the consumers that were insured in more than one company with covering both the sectors. This paper has used EFA and ANOVA technique to analyse the collected data. A set of 33 variable formed questionnaire was used for the data collection and was later analysed. The results showed that there is no significant difference in the perception of people regardless of where they have gotten their insurance from. Slowly both the sectors are aligning in the level of trust and service quality and coming at par with each other.

Key words – Insurance, Public Sector, Private Sector, Factor Analysis and ANOVA

Introduction

The market today is highly competitive and the companies are aggressive in their approach. The marketing strategies utilized by the companies are highly aggressive and in order to beat the competition the quality of services also becomes a tool for the same. The companies are not only focusing on aggressive marketing but also on defense mechanism (Brady et al., 2002). Consumer switching is one of the most common practice in the industry. In order to stop this practice the company needs to ensure its defense against the competition needs to be strong (Han and Baek, 2004).

Both the above mentioned strategies are aiming towards service quality. Service quality is the weapon for the company which gains new consumer and retains the older ones. It has been explained in many studies prior that the retained consumer for a company is highly profitable than the new consumers. Most of the service sector companies work on their recovery practice a lot, so that they can retain a consumer. The key is really in maintaining the service quality (Aslam et. al., 2015) .

In the life insurance sector in India the major competition is among the private sector companies as LIC enjoys the maximum market share based on the factor of trust. The company has been encashing the trust factor for quite a long time and the only defense to LIC that the majority of private and foreign players have is service quality (Jain and Saini, 2012). Time and again it has been proven that the service quality output of the insurance players in the private sector is better. with a slow pace but gradually the private players are making their mark and securing the market share away from LIC (Joseph et. al., 2002).

The fight of public Vs private in India has been big since the time private players has started to enter the market. The life insurance industry has witnessed dominance by a monopoly leader. The era of dominance is shifting now. The shift is from the customer as they are now depending on performance of the company. The retention rate of the company has highest correlation with the economic performance of the company. at the end of the day the money given to an insurance player is with the ideology of investment (Irulappan and Bincy, 2015). The companies have a

varied mark of performing in providing the return. Other than the factor of good customer service, the return on investment matters.

In the last decade the private players in this case have outperformed LIC in several incidences. The average percentage return that LIC provide is way below the assured amount that the other players in the private sector are providing; the stiff competition is calling for plans that can ensure higher percentage return than the traditional plans (Samridhi, 2011). The government has also made several changes in the past decade in the insurance rues. There have been too many checks on the amount of charges that the insurance companies were applying on the plans. All this has been done to ensure the safety of the amount that the customer spends (Annamalah, 2013).

In this study the authors have aimed to check the same. The objective was to conduct a study that can help compare the impact of service quality on the perception of the people who have invested in the companies. The major aim was to compare the two different sectors. There are people who have insured themselves or their family members via a public sector company and then there are people who have done the same with private players.

Literature review

Service - Service is a process which requires a particular set of activities which are needed to be performed in a particular order. Services are always aiming to find a solution to a problem. Since the nature of services is of a process these are bought before receiving by the customer (Gronroos, 2000). Understanding the nature of service will help us understand the concept better.

Quality - Quality has no fix definition; it varies from person to person. For quality each person has their own personal definition (Feigenbaum, 1983). Every customer in every industry has their own made up definition of quality, if we go buy this, then the judgment of quality cannot be established. Therefore, in order to establish a standard for the same ISO 8403 (1994) defines quality as the totality of characteristics of an entity (process, product, service, organisation, person, activity and the system of performance) that has the ability to satisfy stated and implied needs of the receiver.

Service Quality - The services are not easily identifiable to find the flaws. Many services show negative impact not immediately but at a later stage. It is again similar to the production as it is difficult to access the defective products among so many produced. The chances of human error in production of tangibles are less but it is very high in services (Broderick and Vachirapornpuk, 2002).

In market the level of services quality acceptance is viewed as the level at which the customer satisfaction matches the foresaid promise. In order to define service quality in advance the only criteria is to ensure a level on which the service is considered as acceptable. But in this industry the customer has the criteria of judging the industry as during and after evaluation. The comparison is done on the basis of the experience from the previous service they have received. In case of first timers it is the perception formed on the basis of communication made by the provider and ambience of the place (Haron et. al., 2011).

As most developed economies are now services rather than products oriented, service quality takes a prominent position in the marketing-management literature. Service quality is usually defined as the customer‟s impression of the relative inferiority/superiority of a service provider and its services (Bitner and Hubert, 1994) and is often considered similar to the customer‟s overall attitude towards the company (Parasuraman et al., 1988; Zeithaml, 1988; Bitner, 1990). Researchers have tried to conceptualize and measure service quality and explain its relation to the overall performance of companies and organizations.

The SERVQUAL scale Prominent in the measurement of service quality literature is the “gap analysis model” often referred to as the “gaps model” (Parasuraman et al., 1985) and the SERVQUAL scale for the measurement of service quality (Parasuraman et al., 1988, 1991b), which is based on the gap analysis model. Customers provide two scores, in identical Likert scales, for each of 22 service attributes; one score indicating their expectations of the service delivered by excellent companies in a specific service sector and the other reflecting their perceptions of the service delivered by a service provider within that sector. Service quality for each attribute is then quantified as the difference between these two scores. Originally Parasuraman et al. (1985) identified ten general dimensions of service quality but, as a result of

subsequent research, these were collapsed into five categories: tangibles, reliability, responsiveness, assurance and empathy (Parasuraman et al., 1988, 1991a, b). SERVQUAL has been designed for a variety of service sectors. According to Parasuraman et al. (1988). Despite a great deal of criticism addressed to it on conceptual and methodological grounds (e.g. Buttle, 1996; Bebko, 2000; Yoon and Ekinci, 2003), SERVQUAL has been successfully used in many different settings around the world (e.g. Tsoukatos et al., 2004; Ugboma et al., 2004; Tahir and Wan Ismail, 2005).

Research Methodology

Research Problem

The reason to conduct this study was merely to check whether the service quality in the two sector of the same industry varies or not. There have been numerous studies on the similar but the variables in this study were more. In this study under the five dimensions there were 33 variables that have been studies. The classification of the same has been done under the SERVQUAL Model. The model is well known to define the service quality with a five dimension model.

This study has utilized the same model and for the insurance sector the number of variables under the five construct were increased to 33. These variables were crucial for the study. Since the variables were new and not been studied prior the implementation of Exploratory Factor analysis (EFA) was conducted. EFA was needed as the few new variables were added to the study.

Aim of the study

The main aim of the study was to establish the fact that, if the public sector is giving the assurance of trust factor on which its encashing most of its business, the private sector is capable of providing higher service quality. Although over the years the work situation in public sector has changes and it has worked a lot on the service quality, but going by the pervious literature it is not yet at par with the private sector. The measurement of performance in terms of returns can be easily compared as the numbers are easily comparable but the perception is one thing that is

needed to be judged. In this study the data for the current times and the comparison of service quality perception will be established.

Population and sampling

This study was conducted on the general public who are customers to the insurance companies. The sample was drawn by standing outside the insurance company in order to get the fresh perspective of the customers about the company, as they were coming out of the environment by experiencing it.

The sampling technique which was used by the researchers was judgmental. Since the population was undefined the only way for data collection was Multi stage judgmental technique. In this technique the population area was on first stage sub divided in to various zones, North Haryana, East Haryana, West Haryana and South Haryana. The second stage one allocated district was selected from each zone. Subsequent to the size of the district the sample size was selected also selected making it a total of 1100.

Data Instrument and Analysis Technique

There were 33 items in the questionnaire that has been categorized under 8 major factors. The items in the questionnaire are recording the perception of the customers one a 5 pointer Likert scale ranging from „Strongly Disagree to Strongly Agree". Most of the analysis is done by the help of SPSS (Statistical Package for Social Science), as this is the most favored tool for analysis for most of the researchers in India. For the further analysis the EFA test has been run as discussed above and after that to compare the 3 segments of customers. One were the ones who were insured with the public sectors, then the second ones were the one who were insured with the private sector and then the third ones were the one who were insured with both.

Data Analysis and interpretation

With the application of EFA (Exploratory Factor Analysis) the purpose is to find that whether the scale designed by distributing variable to predefined factors or construct is same as the exploration of the similar. If the EFA places the variables under a predefined category then the

surety of the dimensions can be taken. And more than that there will be statements that are comparatively weaker in factor loading and Eigen value which will require elimination. To check those statements is also a purpose.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.869
Bartlett's Test of Sphericity	Approx. Chi-Square	19778.618
	Df	538
	Sig.	.000

The above mentioned table suggests the sample adequacy. The KMO value is .869 which is more than 0.6. The value that represents a standard of sample adequacy is a minimum 0.6. Since the value is 0.869 the sample represents the adequacy for running the test.The second value is the Bartlett‟s test of sphericity, which understood by the significance value which needs to be less than 0.05 and the value as can be noticed is too minimal in decimal space that value is shown as zero. this means that the sphericity of the population for running the test is also adequate.

Rotated Component Matrix[a]

	Component							
	1	3	3	4	5	6	7	8
Quality products n services.	.847							
Keeps promises as made.	.813							
Claim settlement is done.	.783							
Terms made clear prior.	.773							
Updated info on website.	.710							
Correct service in first time.	.701							
Handling grievance swiftly	.657							
Error-free documentation.	.639							
Attire is professional.		.756						
Furniture is comfortable.		.703						
Ambience is excellent.		.658						
Display of awards		.651						
Information available.		.617						
Have systematic layout.		.610						
Co is completely safe.			.873					
Keeps my information safe.			.865					
Safe transactions.			.833					
Instill confidence.			.719					
Employees" Knowledge				.767				
Many branches available.				.730				
Consistently courteous.				.704				
Equal treatment to all.				.598				
Service timely as promised.					.807			
Co provides prompt service.					.803			
Helpline available 24 X 7.					.776			
Handles the cases swiftly.						.794		
Co. returns calls.						.765		
Never busy for customer.						.673		
My interest at heart.							.806	
Personal attention.							.633	
Operating hours							.544	
Sympathize								.586
Employees understanding								.574

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 8 iterations.

The rotated component matrix has been run on Principal Component Analysis and this test is run on Varimax rotation method and the absolute value of the coefficient has been suppressed to 0.5. This means the table has rejected the variables which valued below 0.5. in the above table as it can be seen there is no variable that has been rejected the values of all the variables is above 0.5. The first dimension that came in the result of Exploratory Factor Analysis (EFA) test, which is contributing or explaining the phenomena maximum, is Reliability. The contribution of the first factor is the maximum and this means the people always invest in the service brand they find most reliable. It can also be explained that he reliability on the brand matters the most to the customer who is buying insurance.

Surprisingly what came in to light after the study is that the customers find tangibility of the company important rather than the assurance or empathy. While interviewing the customer at the time of survey, it did come across among my customers who said that they believe the outlook of the insurance company is a representation of the standard they‟ll put in to their service. The consumer find the future assurance of great service will come from the way they have invested in to the infrastructure.

The next one is the Assurance the result has divided the variables of assurance in two factors. Therefore the factors have been named at Assurance1 and Assurance2; similarly the next two dimensions are also the same. Responsiveness has been divided in to two factors or constructs and Responsiveness1 and Responsiveness2. In the end Empathy also has been named Empathy1 and Empathy2.

		N	Mean	Std. Deviation	Std. Error	Minimum	Maximum
Tangibility	Public	477	-.0309573	1.00761456	.04613550	-3.39974	3.31811
	Private	385	.0368304	.97390948	.04958406	-3.39974	3.34437
	Both	340	.0034453	1.03941311	.06644833	-1.96569	3.31811
	Total	1103	.0000000	1.00000000	.03013376	-3.39974	3.31811
Reliability	Public	477	.0030809	1.01363546	.04636539	-3.99533	3.44935
	Private	385	.0473365	.99873633	.05090033	-3.99533	3.34915
	Both	340	-.0800715	.97556314	.06397337	-3.74560	3.44935
	Total	1103	.0000000	1.00000000	.03013376	-3.99533	3.44935
Assurance_1	Public	477	-.0368143	.99367795	.04545160	-3.40393	1.86471
	Private	385	.0148949	1.03813604	.05390780	-3.39481	1.86667
	Both	340	.0393993	.95389595	.06157373	-3.16765	1.86667
	Total	1103	.0000000	1.00000000	.03013376	-3.40393	1.86667
Assurance_2	Public	477	-.0768361	1.05388850	.04830845	-3.94835	1.97319
	Private	385	.0487865	.95619556	.04873334	-3.94835	3.39636
	Both	340	.0744500	.95331739	.06153991	-3.33351	3.39636
	Total	1103	.0000000	1.00000000	.03013376	-3.94835	3.39636
Responsiveness_1	Public	477	-.0030966	1.06555831	.04878856	-3.65895	3.13487
	Private	385	.0359599	.93434010	.04710873	-3.51070	3.17367
	Both	340	-.0535186	.98368389	.06349646	-3.63577	3.13487
	Total	1103	.0000000	1.00000000	.03013376	-3.65895	3.17367
Responsiveness_2	Public	477	-.0179339	.98943808	.04530336	-3.33148	3.78644
	Private	385	.0706835	1.03035007	.05199676	-3.33148	3.78644
	Both	340	-.0777465	.98474713	.06356515	-3.38863	3.33070
	Total	1103	.0000000	1.00000000	.03013376	-3.33148	3.78644
Empathy_1	Public	477	.0393308	.99093690	.04537143	-4.38535	3.15577
	Private	385	-.0158803	1.00783968	.05136437	-4.38535	1.89579
	Both	340	-.0336017	1.00790694	.06506011	-4.38535	1.96174
	Total	1103	.0000000	1.00000000	.03013376	-4.38535	3.15577
Empathy_2	Public	477	.0414473	1.03753847	.04704775	-3.46687	3.93413
	Private	385	.0113844	.97593794	.04973840	-3.46687	3.57893
	Both	340	-.1006389	.97966699	.06333733	-3.46687	3.75340

		N	Mean	Std. Deviation	Std. Error	Minimum	Maximum
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	Both	340	-.0800715	.97556314	.06397337	-3.74560	3.44935
	Total	1103	.0000000	1.00000000	.03013376	-3.99533	3.44935
Assurance_1	Public	477	-.0368143	.99367795	.04545160	-3.40393	1.86471
	Private	385	.0148949	1.03813604	.05390780	-3.39481	1.86667
	Both	340	.0393993	.95389595	.06157373	-3.16765	1.86667
	Total	1103	.0000000	1.00000000	.03013376	-3.40393	1.86667
Assurance_2	Public	477	-.0768361	1.05388850	.04830845	-3.94835	1.97319
	Private	385	.0487865	.95619556	.04873334	-3.94835	3.39636
	Both	340	.0744500	.95331739	.06153991	-3.33351	3.39636
	Total	1103	.0000000	1.00000000	.03013376	-3.94835	3.39636
Responsiveness_1	Public	477	-.0030966	1.06555831	.04878856	-3.65895	3.13487
	Private	385	.0359599	.93434010	.04710873	-3.51070	3.17367
	Both	340	-.0535186	.98368389	.06349646	-3.63577	3.13487
	Total	1103	.0000000	1.00000000	.03013376	-3.65895	3.17367
Responsiveness_2	Public	477	-.0179339	.98943808	.04530336	-3.33148	3.78644
	Private	385	.0706835	1.03035007	.05199676	-3.33148	3.78644
	Both	340	-.0777465	.98474713	.06356515	-3.38863	3.33070
	Total	1103	.0000000	1.00000000	.03013376	-3.33148	3.78644
Empathy_1	Public	477	.0393308	.99093690	.04537143	-4.38535	3.15577
	Private	385	-.0158803	1.00783968	.05136437	-4.38535	1.89579
	Both	340	-.0336017	1.00790694	.06506011	-4.38535	1.96174
	Total	1103	.0000000	1.00000000	.03013376	-4.38535	3.15577
Empathy_2	Public	477	.0414473	1.03753847	.04704775	-3.46687	3.93413
	Private	385	.0113844	.97593794	.04973840	-3.46687	3.57893
	Both	340	-.1006389	.97966699	.06333733	-3.46687	3.75340
	Total	1103	.0000000	1.00000000	.03013376	-3.46687	3.93413

Test of Homogeneity of Variances

	Levene Statistic	df1	df3	Sig.
Tangibility	.506	3	1099	.603
Reliability	.113	3	1099	.894
Assurance_1	1.073	3	1099	.343
Assurance_2	1.498	3	1099	.334
Responsiveness_1	4.636	3	1099	.010
Responsiveness_2	.608	3	1099	.545
Empathy_1	.300	3	1099	.819
Empathy_2	.437	3	1099	.646

The factor of resposiness-1 is the only actor that is showing the significance value below 0.05. It means that this factor will be tested with the help of Welch test and rest al the factor have value more then 0.05. The variance in most cases is homogeneous.

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Tangibility	Between Groups	.981	3	.490	.490	.613
	Within Groups	1100.019	1099	1.001		
	Total	1101.000	1101			
Reliability	Between Groups	3.404	3	1.303	1.303	.301
	Within Groups	1098.596	1099	1.000		
	Total	1101.000	1101			
Assurance_1	Between Groups	.636	3	.318	.318	.738
	Within Groups	1100.364	1099	1.001		
	Total	1101.000	1101			
Assurance_2	Between Groups	5.063	3	3.531	3.538	.079
	Within Groups	1095.937	1099	.997		
	Total	1101.000	1101			
Responsiveness_1	Between Groups	1.187	3	.594	.593	.553
	Within Groups	1099.813	1099	1.001		

	Total	1101.000	1101			
Responsiveness_2	Between Groups	3.538	3	1.764	1.766	.171
	Within Groups	1097.473	1099	.999		
	Total	1101.000	1101			
Empathy_1	Between Groups	.759	3	.380	.379	.684
	Within Groups	1100.341	1099	1.001		
	Total	1101.000	1101			
Empathy_2	Between Groups	3.300	3	1.650	1.653	.193
	Within Groups	1097.700	1099	.999		
	Total	1101.000	1101			

In the above mentioned table the value of the entire factor are higher than the standard significance value that is 0.05. This means that all segments have the similar opinion about all the factors but one, which will be tested by Welch test. The value of that variable in the Welch test is also above 0.05 of the significance value. Therefore, it can be concluded that the null hypothesis is accepted.

We can conclude from the upper result that the person whether insured with public sector Company, a private company or both, does not impact their impression of an insurance company. The opinion in which they measure service quality is similar.

Robust Tests of Equality of Means

		Statistic[a]	df1	df3	Sig.
Tangibility	Welch	.501	3	609.893	.606
Reliability	Welch	1.340	3	631.068	.390
Assurance_1	Welch	.337	3	633.885	.731
Assurance_2	Welch	3.478	3	639.064	.085
Responsiveness_1	Welch	.645	3	633.671	.535
Responsiveness_2	Welch	1.747	3	616.199	.175
Empathy_1	Welch	.380	3	613.034	.684
Empathy_2	Welch	1.677	3	631.641	.188

a. Asymptotically F distributed.

Conclusion

The values above are proving the fact that now the gap has diminished. Customers who are insured with the public sector company and the ones who are insured with the private sector companies or the ones who have gotten the service form both seems to think similar. The data is proven that the consumers are not getting much effected by the fact that where they have insured themselves or in which sector thy have invested their money. This is a good news for the sectors. In the public sector new services of making all operations digital has been done, this has improved their services by making it faster and in the private sector consumer have started to show higher reliability.

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