

Service Quality Management in the Insurance Industry on the Basis of Service Gap Model

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Abstract: Service quality management in voluntary organizations such as insurance customers who are not buyers of their products is important, because the main centre of this approach is attending to customers' needs. The purpose of this paper is determining the status of service quality based on service quality gap model and the five gaps of service quality in the insurance industry. The research method was applied and Survey–Correlation and The statistic population includes the all managers, employees and customers of Iran's three insurance companies of Alborz, Iran and Dana and statistical sample for managers is 226, employees 352 and customers 384 people that have been selected by simple random and clustering sampling. The data collected tools are five questionnaires related with the five gaps of service quality which its validity with Content method and their Reliability by Cronbach method have been confirmed and for the first through fifth gaps are respectively 0.877, 0.758, 0.944, 0.878 and (two questionnaires 0.916 and 0.959). The first questionnaire used to measure the customer expectations of services and the second one devoted to measure customer perceptions of services aim to determine the fifth gap. The fourth and third questionnaire measuring management perceptions of customers' expectations and service quality specifications tries to determine the first and second gaps. The fifth questionnaire answered by employees measures service delivery and what is promised about the service to customers and determine the third and fourth gaps. In order to analyze the data, there have been used Spearman and Pearson correlation methods. Research Findings show that rate of present service quality as %52/2 from the customers' point of view and also they estimated the rate of five gaps in service quality as %-2/5, %2/7, %-2/5, %-0/2 and %-1/6 for the first through fifth gaps respectively; these represent inappropriate service quality in industry. Also the results showed that reliability component the most important and Tangibles dimensions are the least importance factor at offer services insurance is optimal.

Key words: Quality management, service gap model, insurance Industry.

INTRODUCTION

In the growing service sector there is still the most problematic challenge how to deal with service quality. Quality is one of the most expected by customer's aspect of almost all service products. High and unique quality is a way to win customers and make them loyal for a long time. Management literature proposes many concepts and approaches concerning how to deal with service quality. There are also many different concepts how the notion “service quality” should be understood. (Urban, 2009) Delivering appropriate service quality plays an increasingly important role in service industries such as insurance, banking, etc in that service quality is critical to the profitability and survival of these organizations. In fact, customer satisfaction and service quality are considered as critical issues in most service industries. (Zeng, *et al.*, 2010) It is noteworthy to say that one is required to measure service quality to obtain better understanding of the extend to which service quality is delivered by organizations and to show if these services are congruent with customer satisfactions. Finally, this measurement points out to the route and degree of difference between customer expectations and organizations services. (Tahir and Abubakar, 2007)

To achieve customer expectations, insurance industry should employ strategic plans to provide appropriate products and services. To do so, using customers' point of view, these organizations are supposed to measure their customers' expectations and satisfaction level in that these findings help them match their services with those in local and global markets. (Al-Rousan and Mohamed, 2010) Given the increasing role of service organizations in the economic area and the importance of services in competitive environments, the service and public organizations such as bank should have strategic and dynamic look on managing service qualities and also have clear understanding of service quality, customer expectations and general specifications of quality.

The general philosophy and attitude which is based on marketing principles in insurance industry are "since no one buys the products, rather they should be sold". Therefore insurance organizations by using appropriate measures such as ideal service, quality and policies of encouragement should motivate the public to buy the products. So it is easy to understand that one of the successful factors in insurance companies is the use of management theories especially service quality management, because the main centre of service quality management is attending to customers needs and sustainable improvement of all products, services and processes. (Yee, *et al.*, 2010) The perception of service quality has been extensively studied during the past three decades. Owing to the intangible, heterogeneous and inseparable nature of services, service quality has been defined as "the consumer's judgment about a product's overall excellence or superiority" or "the consumer's overall impression of the relative inferiority/superiority of the organization and its services". Many models have been developed to measure customer perceptions of service quality. (Martinez and Martinez, 2010)

Quality Service and Servqual Model:

The tendency toward presenting services and qualities has a significant role in service industry such as insurance and bank services. Since the service quality is very important in surviving and profit making of an organization, it affects in customer's satisfaction and motivation after shopping positively. And customer's satisfaction also affects in tendency toward shopping positively. In fact customer's satisfaction and service quality are considered as vital affairs in mostly service industry nowadays. (Ying-feng, *et al.*, 2009) Bates and (Habrt, 1994) quality of service as a general understanding of the client or the suitability of the unsuitable relative to their organization and services are defined. Parasuraman, (Zeithaml and Berry, 1985) quality of service received as an international judge or superior attitudes depends on the service provided, are defined and have noted that the judge on quality service reflects the difference between order and route customer views and expectations. (Jeoung-Hak Lee, *et al.*, 2009)

Quality has been generally defined as "fitness for use" and "those product features which meet customer needs and thereby provide customer satisfaction" These basic definition are commonly accepted and can also be applied in service management. However when it comes to more specific service quality attributes and dimensions a wide variety of models and frameworks exist and there is an intense discussion on service quality measurement in different industry contexts). In particular, traditional concepts and measures of service quality and customer satisfaction have been questioned in the business-to-business environment. (Juga, *et al.*, 2010) Service quality can have many different meanings in different contexts. Several scholars defined service quality based on different theoretical assumptions. For example, (Bitner and Hubbert, 1994) defined service quality as "the consumer's overall impression of the relative inferiority or superiority of the organization and its services". (Parasuraman, Zeithaml and Berry, 1985) defined perceived service quality as "a global judgment, or attitude relating to the superiority of a service" and noted that the judgment on service quality is a reflection of the degree and direction of discrepancy between consumers' perceptions and expectations. (Rajasekhar, *et al.*, 2009)

Basic study on the quality of service by Parasuraman and colleagues took place in 1998. Based on the definition of service quality Parasuraman Servqual word in a five-dimensional scale (feelings, reliability, response capabilities, ensures and guarantees, empathy) were spread widely within the various organizations has been used. (Zeithaml *et al*, 2006,10) Krunyn and Taylor in 1994 in the development of tools Srvprf Servqual model presented only to understand the customer scale of sufficient quality as to the value measured. (Wong, *et al.*, 2010)

The literature is very rich in terms of definition, dimensions, models and measurement issues in service quality, supported by a number of empirical studies from a variety of service-related application areas. Some of the contemporary definitions of service quality from the literature were given in Among them, the SERVQUAL scale is designed to measure service quality perceived by the respondents from five different service categories: retail banking, long-distance telephone, securities brokerage, appliance repair and maintenance firm, and credit cards. (Chen, *et al.*, 2009)

Table 1: Five dimensions of service quality.

Dimension	Explanation
Tangibles	Physical facilities, equipment, and appearance of personnel
Reliability	Ability to perform the promised service dependably and accurately
Responsiveness	Willingness to help customers and provide prompt service.
Assurance	Knowledge and courtesy of employees and their ability to inspire
	Trust and confidence
Empathy	Caring, individualized attention the firm provides its customers

Note. From Parasuraman *et al.* (1988): p. 23.

According to this model, service quality is based on a comparison of customer's expectations with perceptions of the service actually received. (Juga, *et al.*, 2010). The authors developed SERVQUAL, a five-dimension scale which represent Tangibles, Reliability, Responsiveness, Assurance, and Empathy (see Fig 1). (Zeithaml, *et al.*, 2006).

According to (Zeithaml, *et al.*, 2006), service is “deeds, processes, and performance” (p. 4). The definition suggests that service in general is not a tangible object that can be felt or touched, which distinguishes service from tangible products. (Zeithaml, Parasuraman and Berry, 1990) emphasized four basic characteristics of services: intangibility, perish ability, heterogeneity, and simultaneity. More specifically, intangibility suggests that services are performances only experienced by the customer. Perish ability indicates that a service cannot be produced and stored for future use. Heterogeneity reflects that the performance of the producer and customer's perception are often different from producer to producer, customer to customer, and from day to day. Thus, services are inherently variable and lack consistency. Lastly, simultaneity means the production of the services occur at the same time as consumption. Thus, a customer cannot judge the quality of the product prior to using it. Although the service tends to be intangible in nature, tangible aspects of the service organization have a critical role in delivering the service product or experience. Berry and Parasuraman (1991) noted that, “if the core benefit source is more intangible than tangible, it would be considered a service. (Lee, *et al.*, 2010)

However, (Cronin and Taylor, 1992) criticized SERVQUAL and proposed an alternative scale called SERVPERF. It includes all the SERVQUAL scale dimensions, but uses only service performance (perception) as a measure of customer perceived service quality instead of the gap (between expectation and perception) approach of SERVQUAL. (Wong, *et al.*, 2010)

Service Quality Gap Model:

Among many concepts of service quality, the service quality gaps model plays an unquestionably significant role in the service management literature. Gaps approach proposes precious propositions on how the notion “service quality” might be understood and how the service quality emerges across a service organization. (Urban, 2009; Parasuraman, *et al.*, 1985) thinks that the cognition level of service quality is evaluated by the difference between pre-sell service expectation and after-sell service perceptions. Therefore, the bank, credit card, security agent and product maintenance, etc industries were processed using exploration study to further establish service quality model. The model is mainly to explain the reason that the service quality of the service industry cannot meet the customer demands, and considers that in order to meet the customer demands, it is necessary to break through the five service quality gaps in the model. These five gaps respectively are:(Figure 2). (Large and Konig, 2009)

- (1) The difference between customer expectation and manager cognition.
- (2) The difference between manager cognition and service quality standard.
- (3) The difference between service quality standard and provided service.
- (4) The difference between provided service and external communication.
- (5) The difference between customer cognition service and expected service.

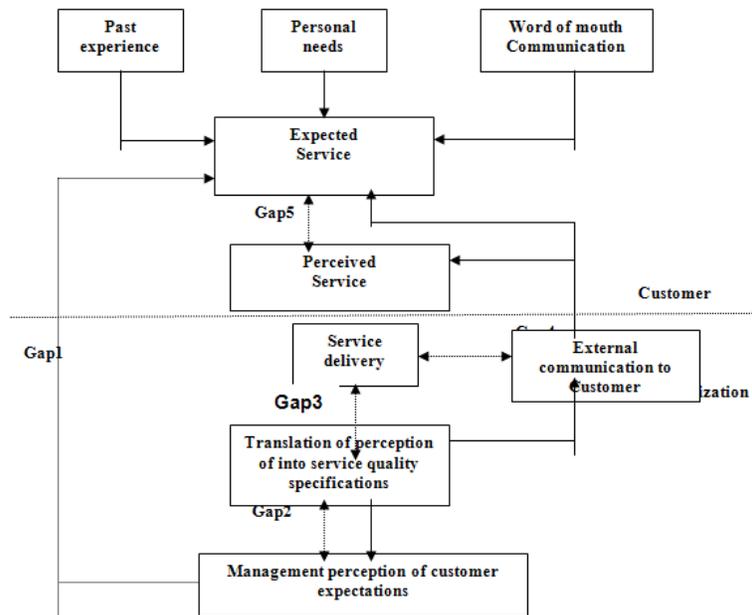


Fig. 2: Service Quality Gap Model.

Parasuraman *et al.* (1985) thinks that Gap 5 is the function of Gap 1 to Gap 4, which is $Gap\ 5 = f(Gap\ 1, Gap\ 2, Gap\ 3, Gap\ 4)$, among which Gap 1, Gap 2, Gap 3, and Gap 4 are from the service provider, which originated from the internal organization, and Gap 5 is decided by the customer, which originated from the difference between customer expectation and actual perceptions. In order to satisfy the customer, the difference of Gap 5 needs to be shortened, therefore, directly considering the customer expected service standard and actual perceptions service standard will be allow the evaluation of the overall service quality result, which is the value of Gap 5.(YuanHu, *et al.*, 2010).

(Parasuraman, *et al.*, 1985) found 11 determining factors of service quality in the service quality model established from the difference between expected customer service and cognition service. These respectively are Tangibles, Reliability, Responsiveness, Competence, Courtesy, Credibility, Security, Access, Assurance, Communication, and Understanding. (Udo, *et al.*, 2010; Parasuraman, *et al.*, 1988) used ten service dimensions as the foundation to develop 97 questions and adopted the concept of service quality is originated from the difference between customer expected service and cognition service, which is $Q (service\ quality) = P (Perceptions) - E (Expectations)$, to process questionnaire investigation and analysis, using the factor analysis method to find the service quality scale with good reliability and validity. This scale is formed using five dimensions and 22 service quality questions. The scale is called “SERVQUAL”, and the five dimensions of the scale respectively are Tangibles, Reliability, Responsiveness, Assurance and Empathy. (YuanHu, *et al.*, 2010).

MATERIALS AND METHODS

The research method was applied and Survey–Correlation and The statistic population includes the all managers, employees and customers of Iran's three insurance companies of Alborz, Iran and Dana. the sample volume for managers is 203, employees 324 and customers 356 people that has been selected by simple random and clustering sampling. The data collected tools are five questionnaires related with the five fold gaps of service quality, whose validity by content method and reliability by Cronbach method have been confirmed and for the first through fifth gaps are respectively 0.877, 0.758, 0.944, 0.878(two questionnaires 0.916 and 0.959). The first questionnaire used to measure the customer expectations of services and the second one devoted to measure customer perceptions of services aim to determine the fifth gap. The fourth & third questionnaire measuring management perceptions of customers’ expectations and service quality specifications tries to determine the first and second gaps. The fifth questionnaire answered by employee’s measures service delivery and what is promised about the service to customers and determines the third and fourth gaps. In order to analyze the data, there have been used Spearman and Pearson correlation methods.

Results:

Findings from data analysis of the total status of insurance industry service quality according to Figure 3, shows.

Insurance Industry		Servqual factors
customer expectations	consumer perceptions	
90.71%	69.43%	Tangibles
93.26%	57.09%	Reliability
90.03%	57.91%	Responsiveness
91.88%	58.34%	Assurance
86.24%	58.69%	empathy

Fig. 3: Comparison of perceptions and expectations of customers in the Insurance Industry.

As in Figure 2, customers can be seen for five dimensions Servqual high level of service excellent, but they know their perceptions of the service level resulting in moderate intake is evaluated. Therefore, comparing percent perceptions and expectations that the insured can receive the highest reliability standards and criteria in the physical dimensions of gap is minimal, Therefore, based on the insurance companies can be downloaded to the physical aspects of the service, while most attention is the insurance industry in reliability service levels, but the most important insurance companies in providing services to Iran Is the lowest scale. Continuing gaps in the quality of insurance services industry is presented.

Five rate gap	Fourth rate gap	Third rate gap	Second rate gap	First rate gap
-1.6	-0.2	-2.5	2.7	-2.5

Fig. 4: The rate of service quality gaps in the insurance industry.

As in Figure 4, is specified in the insurance industry in all five countries there is a gap mode. Gaps in a way that all rates are negative and only the second rate gap is positive, this time due to the misunderstanding that the managers of the insurance industry expectations are insured in the second case (i.e. the second gap) characteristics based on the same service quality Founded have the wrong perception. Thus, although the rate gap, the positive numerical, but incorrectly indicate understanding of customer expectations and the managers selected by the Performance Standards for its services is based. This effect of the second gap in the low quality of services in the insurance industry, acknowledged the will.

Conclusion:

This study evaluated the situation based on the service quality gap model to determine service gaps and five community services in the insurance industry had been studied. The results showed that the five dimensions Servqul customers to deliver excellent service of high level, but they know their perceptions that the service levels received from the insurance company has are moderate. It also became clear criteria and ensures reliability and guarantees the highest and most important factor for customers and the expected minimum standards empathy factor, the insurance is considered. In addition it was found that the pattern in all five criteria of quality customer service gap between expectations and perceptions are and this means that the service received was not the expected needs of clients and customers are highly satisfied with the services received. Also the results of the research findings revealed that the use of models and model Servqul service gap, an appropriate tool for measuring service quality in the insurance industry, so it is suggested that this model of service quality measurement in constant use. It should be noted that the degree of priority criteria for quality of service in organizations and communities according to the mission and culture governing community organizations can be different, but it certainly can be said that the criteria and ensure reliability and guarantee the insurance industry and most Major impact on customer satisfaction will be.

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