Antecedents of Service Quality in Life Insurance

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Abstract

Service Quality is the consumers' judgement about an entity's overall excellence or superiority (Zeithmal *et al*. 1986). It is a form of attitude and results from a comparison of expectations to perceptions of performance received. In the recent years, service firms like other sectors have realized the significance of customer centred philosophies. They are also using Service Quality as an important differentiator and a path to success. Rai and Medha (2013) stated that Service Quality is an important antecedent of customer loyalty. Services business success has been associated with the ability to deliver superior service (Gale, 1990; Rudie and Wansely, 1984). Over the past two decades, Researchers have devoted considerable attention to studying Service Quality as perceived by the consumer. The current article is an endeavour to elucidate the concept of Services and Service Quality. The paper as well identifies the antecedents of Service Quality with special reference to Life insurance services. The study explores the literature available on Services and Service Quality. The study concludes that certain distinct characteristic of Services makes their Quality evaluation cumbersome. However, various Service Quality measuring instruments like SERVQUAL, SERVPERF etc. have been extensively used by the Researchers to assess the Service Quality across variety of service settings including Life insurance. A good number of modifications have also been suggested in the Service Quality measuring models to meet the requirements of different Service Settings.

KEYWORDS: Services, Service Quality, Service Quality measurement, Life insurance

Introduction

Insurance industry reforms began in India following the report of R.N. Malhotra Committee, which was set up in 1993. In the pre-reform phase, the government had a monopoly on the life insurance industry. However, since 2000, when the insurance industry was opened to the private players, the competition has increased many folds. The reforms brought an overall increase in the awareness of the insuring public about the wider range of choice of insurance products and the price offered by the competing insurers in the market. It has also resulted in increased awareness of customers about their rights and remedies and availability of various grievance redressal mechanisms, progressive decontrol etc. As a result, the insurance companies have now become more efficient as they focus more on technology related processes and are modifying their business techniques according to the changing requirements. As the private sector insurers ventured into the country and the industry got a taste of market-driven competition, the existing insurers are facing challenges from the new competitors entering the market. Delivering quality service is considered an essential strategy for success and survival in today's competitive environment. With a greater choice and an increasing awareness, there is a continuous increase in the customers' expectations and they demand better quality service. Moreover, the present era of

global competition provides the consumers to move to better alternatives as soon as they are materialized. Product improvements, refinements and innovations are leading to introduction of new products each day. So, companies need to provide quality services to their consumers so that they become and remain loyal to them. This implies that only those companies will survive who can align their products with consumer's expectations. Hence, there is a growing need for insurance companies to identify the service quality factors that will aid their survival in the competitive environment. Therefore in this backdrop the study is intended to fulfil the following objectives:

1. To elucidate the concept of services and Service Quality.
2. To highlight the instruments developed for the measurement of Service Quality.
3. To identify the antecedents of Service Quality in Life insurance.

Concept of services

The most comprehensive definition of Service has been given Philip Kotler, who defines Service as an act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product. Zeithmal and Bitner defines Services as 'deeds, processes and performances'. Here deeds are the actions of the Service provider, processes are the steps in the provision of Service, and performance is the customer's understanding of how the Service has been delivered. However, a comprehensive definition of Service of Service must include the following elements:

- Lack of physical output or construction.
- Benefit to the receiver from the Service rather than the product offered.
- The intangible nature of Service.
- The possible combination of Service with the production of Goods.
- Marketing of an idea or a concept.

Goods Vs Services and resulting marketing implications

1. **Intangibility: -** The most distinguishing characteristics of Services is intangibility. Because, Services are performances or actions rather than objects, they can't be seen, felt, tasted or touched in the same manner that you can see tangible goods. Intangibility presents several marketing challenges like Services are hard to patent and therefore new Service concepts can easily be imitated. Services can't be readily displayed or communicated to customers, so quality may be difficult for consumers to assess.
2. **Heterogeneity: -** Because Services are performances frequently produced by humans, no two Services will be precisely alike. The employees delivering the Service frequently are the service in the customers' eyes and people may differ in their performance from day to day or even hour to hour. Heterogeneity also results because no two customers are precisely alike. Since, Services are heterogeneous across time, organizations and people, ensuring consistent Service Quality is challenging.
3. **Simultaneous production and consumption: -** Whereas most goods are produced first, then sold and consumed, most Services sold first and then

produced and consumed simultaneously and therefore mass production of Services is difficult.

4. Perishibility: - Perishibility refers to the fact That Services can't be saved, stored, resold or returned. Therefore, demand forecasting and creative planning for capacity utilization are important and challenging decision areas. The fact that Services can't typically be returned or resold also implies a need for strong Recovery strategies. However, the following table (table 1.0) further highlights the implications of distinct characteristics of services from goods.

Table 1.0 Comparing Goods and Services

Goods	Services	Resulting implications
Tangible	Intangible	Services cannot be inventoried. Services cannot be easily patented. Services cannot be readily displayed or communicated. Pricing is difficult.
Standardized	Heterogeneous	Service delivery and customer satisfaction depend on employee and customer actions. Service quality depends on many uncontrollable factors. There is no sure knowledge that the service delivered matches what was planned and promoted.
Production separate from consumption	Simultaneous production and production	Customers participate in and affect the transaction. Customers affect each other. Employees affect the service outcome. Decentralization may be essential. Mass production is difficult.
Non-perishable	Perishable	It is difficult to synchronize supply and demand with services. Services cannot be returned or resold.

Source: Parsuraman, V.A. Zeithmal, and L.L Berry (1985, p.49)

Service Quality conceptualization

Quality is an elusive and indistinct construct often mistaken for imprecise adjectives like "goodness, or luxury, or shininess, or weight" (Crosby 1979), quality and its requirements are not easily articulated by consumers (Takeuchi and Quelch 1983). Service Quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis (Lewis and Booms 1983). According to Japanese philosophy quality is "zero defects – doing it right the first time." Crosby (1979) defines quality as "conformance to requirements." Gravin (1983) measures quality by counting the incidence of "internal failures" (those observed before a product leaves the factory) and "external failures" (those incurred in the field after a unit has been installed).

Three well documented characteristics – intangibility, heterogeneity, inseparability – must be acknowledged for a full understanding of Service Quality.

Most Services are intangible (Bateson 1977, Berry 1980, Lovelock 1981, Shostack 1977). Because Services are performances rather than tangible goods, precise manufacturing specifications concerning uniform quality can rarely be set. Most Services cannot be counted, measured, inventoried, tested and verified in advance of sale to assure quality. Because of intangibility, the firm may find it difficult to understand how consumers perceive their Services and evaluate Service Quality (Zeithmal 1981).

Services especially with high labour content are heterogeneous: their performance often varies from producer to producer, from customer to customer, and from day to day. Consistency of behaviour from service personnel (i.e. uniform quality) is difficult to assure (Booms and Bitner 1981) because what the firm intends to deliver may be entirely different from what the consumer receives. Further, production and consumption of many services are inseparable (Carmen and Langeard 1980, Gronroos 1978, Regan 1963, Upah 1980). As a consequence quality in services is not engineered at the manufacturing plant, then delivered intact to the consumer. Examinations of the above writings on services suggest three underlying themes:

- Service Quality is more difficult for the consumer to evaluate than goods quality.
- Service Quality perceptions result from a comparison of consumer expectations with actual service performance.
- Quality evaluations are not made solely on the outcome of a service; they also involve evaluations of the *process* of service delivery.
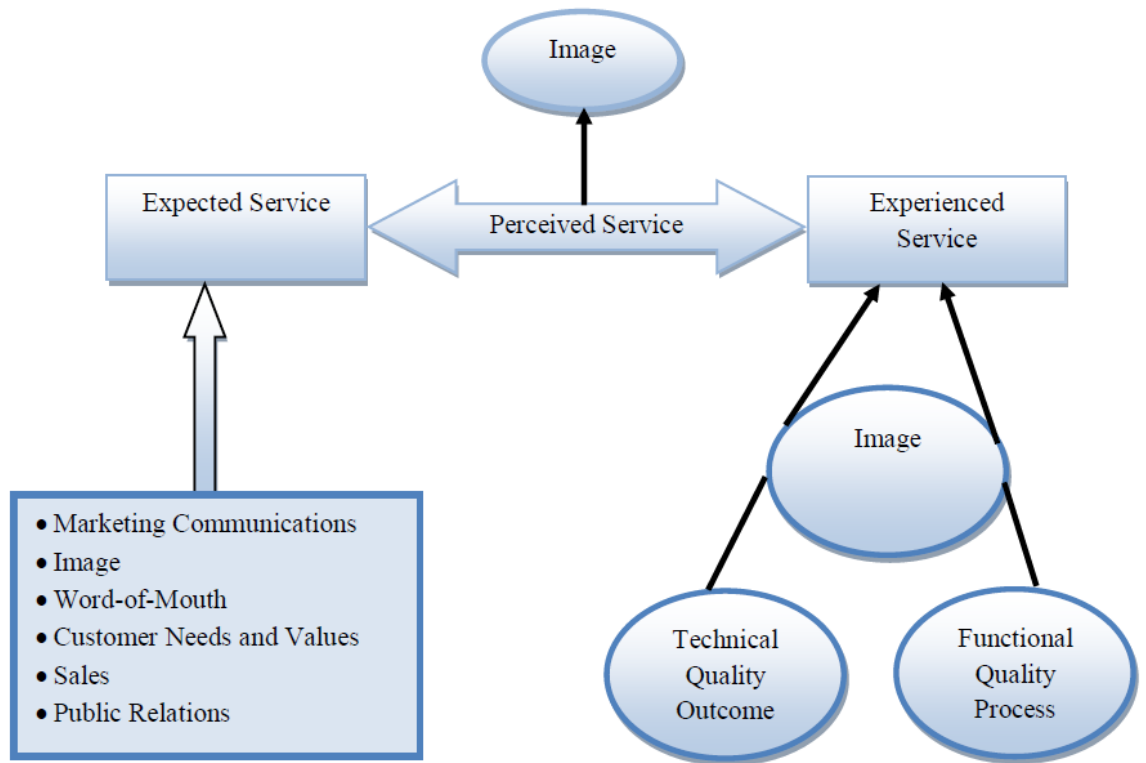
There are three different dimensions of service performance: levels of materiel, facilities and personnel (Sasser, Oslen and Wyckoff 1978). There are two types of Service Quality: *Technical Quality*, which involves what the customer is actually receiving from the service, and *Functional Quality*, which involves the manner in which the service is delivered (Gronroos 1982). Lehtinen and Lehtinen (1982) basic premise is that Service Quality is produced in the interaction between a customer and elements in the service organizations. They use three quality dimensions: *Physical Quality*, which involves the physical aspects of service (e.g. equipment or building); *Corporate Quality*, which involves the company's image or profile; and *Interactive Quality*, which derives from the interaction between contact personnel and customers as well as between some customers and other customers.

Service Quality Measuring Models

As discussed earlier Service Quality is difficult to evaluate and measure because of certain distinct features of Services. However, different Service Quality measurement models have been reported in the literature, among them all, the prominent ones are discussed as under:-

Technical and Functional Quality model (Gronroos 1984)

Fig. 1.0 Gronroos' Service Quality Model

Source: Gronroos (2007, p. 77)

The author identified three components of Service Quality namely Technical Quality; Functional Quality; and Image quality

(a) Technical Quality is the quality of what consumer actually receives as a result of his/her interaction with the service firm and is important to him/her and to his/her evaluation of Service Quality.

(b) Functional Quality is how he/she gets the technical outcome. This is important to him/her and to his/her views of service he/she has received.

(c) Image is very important to service firms and this can be expected to built up mainly by Technical and Functional quality of service including the other factors (tradition, ideology, word of mouth, pricing and public relations).

 GAP model (Parsuraman et.al 1985)

Parsuraman *et al.* (1985) proposed that Service Quality is a function of the difference between expectations and performances along the quality dimensions. They developed a Service Quality model (Fig. 2.0) based on gap analysis. The various gaps visualised in the model are:-

Gap 1. Difference between customer's expectations and Management's perception of those expectations, i.e. not knowing what customers expect.

Gap 2. Difference between Management's perception of consumer expectations and Service Quality specifications, i.e. improper Service Quality standards.

Gap 3. Difference between Service Quality specifications and services actually delivered, i.e. the service performance gap.

Gap 4. Difference between the service delivery and the communications to consumers about service delivery, i.e. whether promises match delivery.

Gap 5. Difference between consumer's expectations and perceived service. This gap depends on the size and direction of the four gaps associated with the delivery of Service Quality on the marketer's side.

According to this model Service Quality is a function of perceptions and expectations and can be modelled as:-

$$S.Q = \sum_{j=1}^{k} (P_{ij} - E_{ij})$$

Where:

S.Q = Overall Service Quality; k = number of attributes

P_{ij} = Performance perception of stimulus i with respect to attribute j

E_{ij} = Service Quality expectation for attribute j that is the relevant norm for stimulus i

This exploratory research was refined with their subsequent scale named SERVQUAL for measuring customers' perception of Service Quality (Parsuraman et.al 1988). At this point the original 10 dimensions of Service Quality collapsed into 5 dimensions: Tangibles, Reliability, Responsiveness, Assurance (Communication, Competence, Credibility, Courtesy and Security) and Empathy which capture Access and Understanding/knowing the customer (Fig 3.0). Later, SERVQUAL was revised in 1991 by replacing 'should' word by 'would' and in 1994 by reducing the total number of items to 21 but five dimensional structure remaining the same. In addition to this empirical research, the authors characterised and further delineated the four gaps identified in their research of 1985. This led to the extended Service Quality model. According to this extended model most factors involve communication and control processes implemented in organization to manage employees.

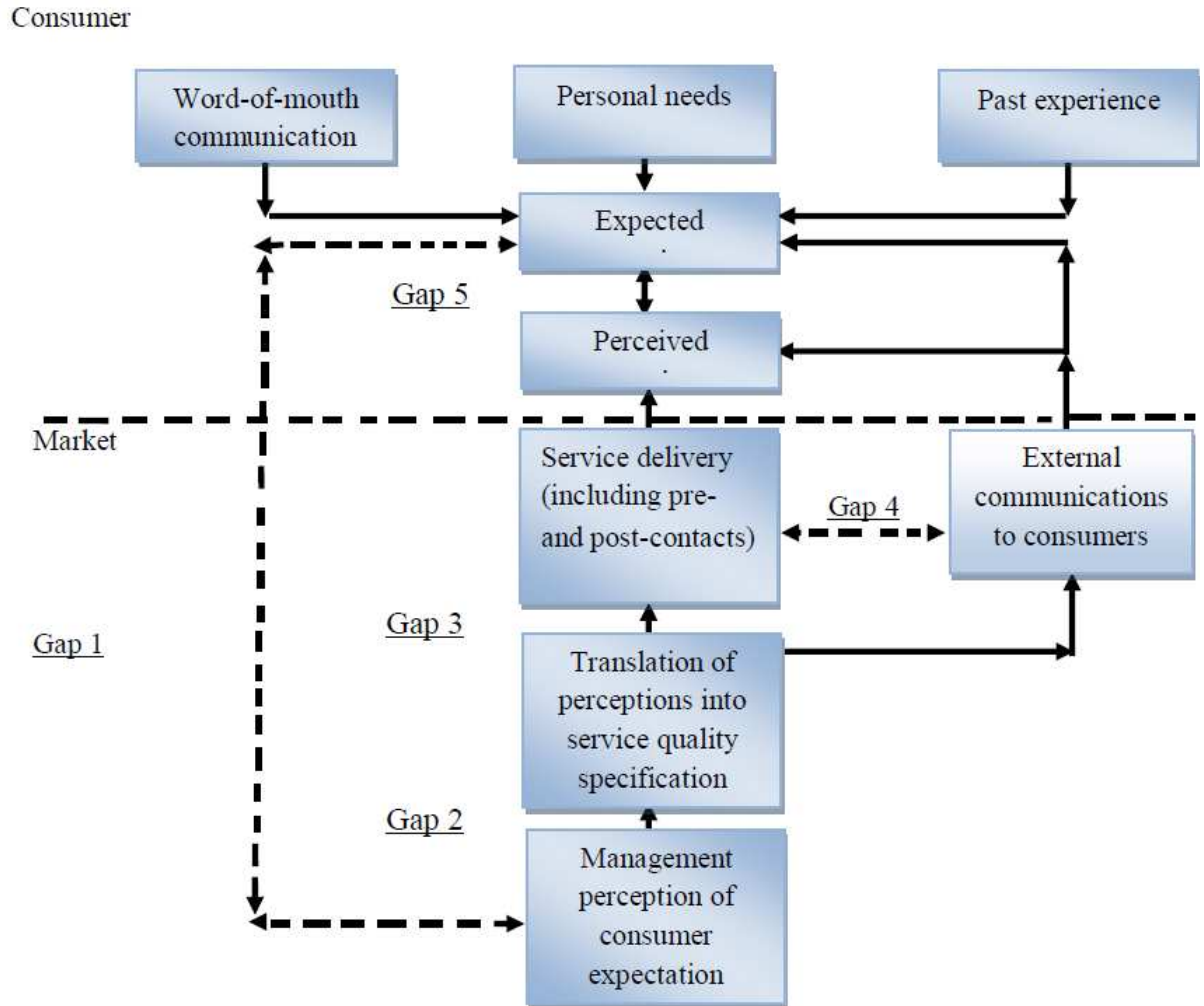*Performance only model* (Cronin and Taylor, 1992)

The authors investigated the conceptualization and measurement of Service Quality and its relationship with customer satisfaction and purchase intentions. They compared computed difference scores with perception to conclude that perceptions only are better predictor of Service Quality.

They argued on the framework of Parsuraman *et al.* (1985), with respect to conceptualization and measurement of Service Quality and developed performance only measurement of Service Quality called SERVPERF by illustrating that Service Quality is a form of consumer attitude and the performance only measure of Service Quality is a better measure of Service Quality. They argued that SERVQUAL confounds satisfaction and attitude. They stated that Service Quality can be conceptualized as "similar to an attitude", and can be operationalzed by the adequacy

importance model. In particular they maintained that performance instead of "Perception – Expectation" determines Service Quality.

Service Quality is evaluated by perceptions only without expectation and without importance weights according to the formula:

Fig 2.0 Gap Analysis Model

Source: Parasuraman, Zeithaml and Berry (1985, p. 44)

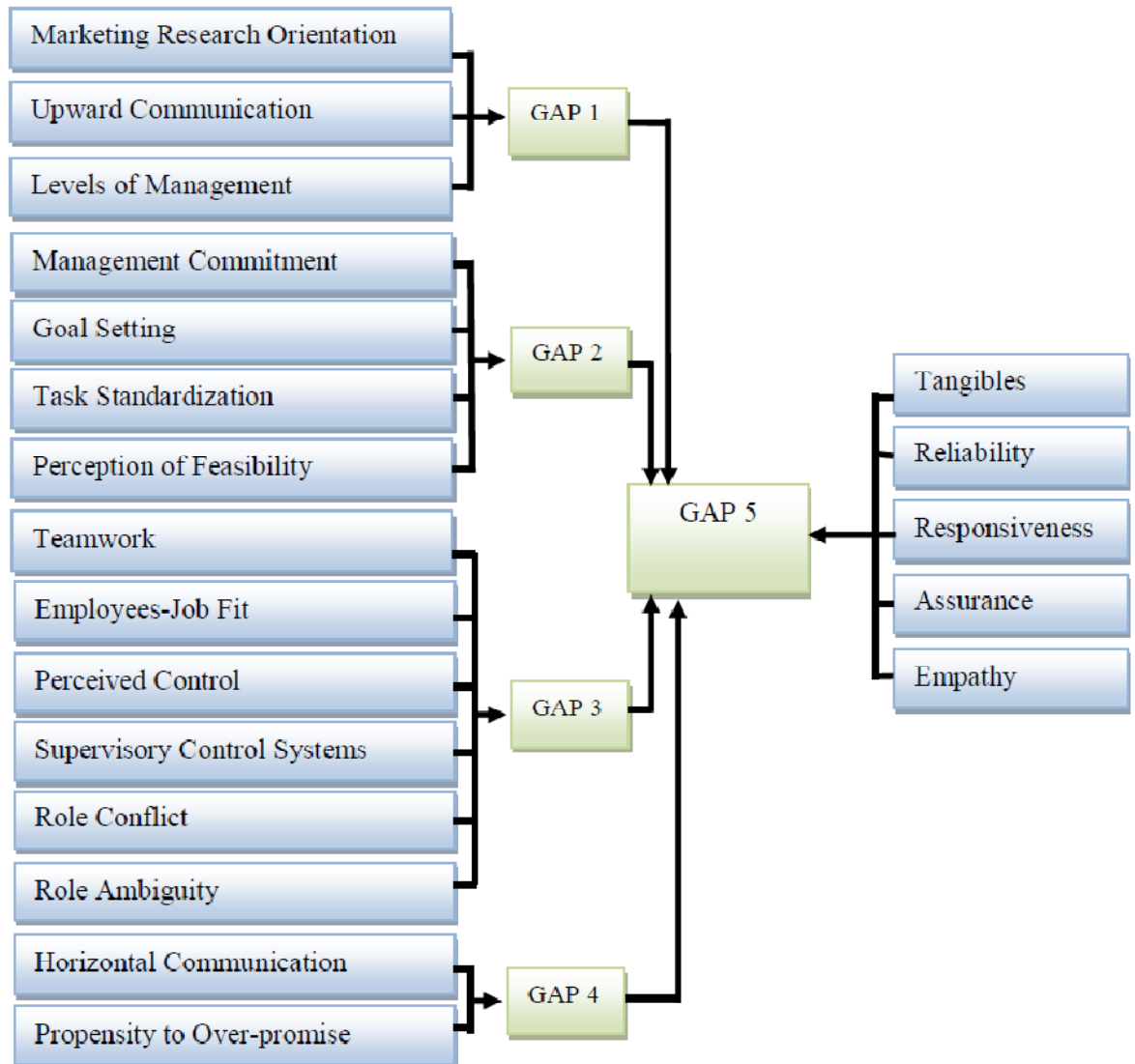$$S.Q = \sum_{j=1}^{k} P_{ij}$$

Where:

S.Q = Overall Service Quality

K = Number of attributes

P_{ij} = Performance perception of stimulus i with respect to attribute j

Synthesised model of Service Quality (Brogowicz *et al., 1990*)

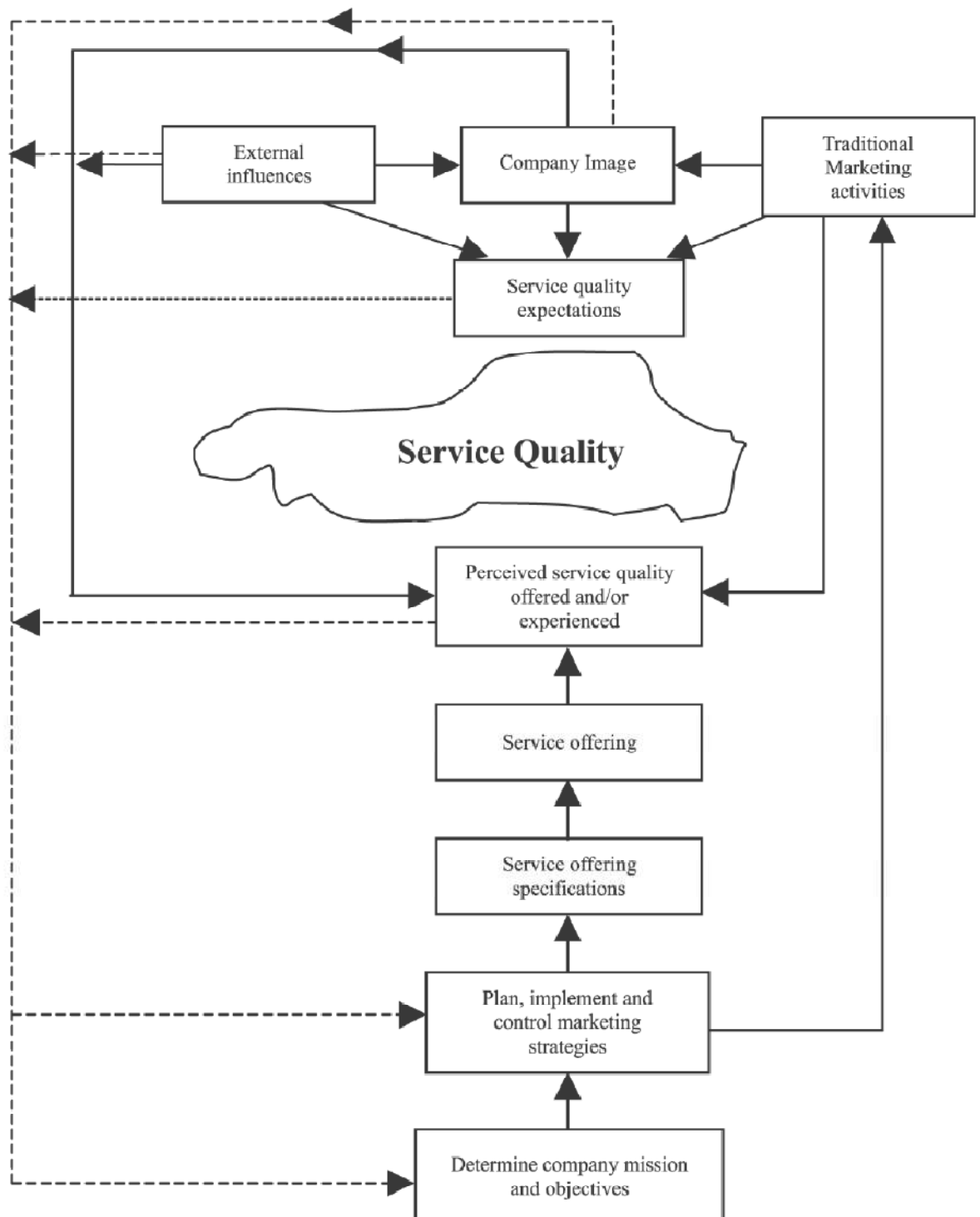### Fig 3.0 SERVQUAL Gaps Model and Related Antecedents

Source: Zeithaml and Parasuraman (1990, p. 131)

A service quality gap may exist even when a customer has not yet experienced the service but learned through word of mouth, advertising or through other media communications. Thus there is a need to incorporate potential customers' perceptions of service quality offer. The synthesised model of service quality (Figure 4.0) considers three factors, viz. Company image, external influences and traditional marketing activities as the factors influencing technical and functional quality expectations.

Determinants of Service Quality in Life insurance

(Sachdev and Verma 2004, Ahmad and Sungip 2008) employed five SERVQUAL dimensions: Reliability, Assurance, Tangibles, Empathy and Responsiveness for measuring

Fig 4.0 Synthesised Model of Service Quality

Source: Brogowicz *et al.* (1990)

Service Quality in Life insurance, Banking, Fast food and Beauty salon. Sharma and Bansal (2011) developed an instrument for measuring service quality in insurance companies. The instrument consisted of six dimensions: Tangibles, Competence, Corporate image, Technology, Personalized financial planning, and Assurance aimed at measuring the Service Quality. (Sirajudin 2012, Sidiqui and Sharma 2012) also incorporated the same six dimensions to assess the Service Quality in Life insurance

sector. Sandhu and Bala (2011) used seven dimensions as developed by Sureshchandhar *et al.* (2001), those dimensions were: Proficiency, Media and presentations, Physical and ethical excellence, Service delivery process, Security and dynamic operations, Credibility, and Functionality. Choudhuri (2012) employed six dimensions which included five SERVQUAL factors and one added factor i.e. 'Information technology enabled services' to assess Service Quality in Life insurance in West Bengal. Dar *et al.* (2012) used six dimensions which included five SERVQUAL dimensions and added one extra dimension of 'Culture' to ascertain the Service Quality of Life insurance services in Srinagar J&k. Borah (2012) assessed Service Quality in public and private Life insurance in Assam by employing 13 dimensions which included 5 SERVQUAL dimensions and 8 added dimensions: Competence, Credibility, Accessibility, Communication, Understanding, Price, Offering, and Overall performance. Nwankwo and Durowoju (2011) included nine dimensions to measure Service Quality of Life insurance in Nigeria, those were: Prompt claim settlement, Staff attitude, Advertisement, Ability to reach customers, Financial incentives to customers, Premises of business, Association with other organizations, caring for customers, and Deployment of technology. Djalalie Itana (2011) employed seven dimensions to assess Service Quality in three Life insurance companies in Addis Ababa those dimensions were: Access quality, Infrastructure Quality, Responsiveness, Competence, Courtesy, Problem solving quality, and Credibility.

It is clear from the above that a number of studies have been carried out for the measurement of Service Quality in Life insurance sector. It is quite evident that most of the mentioned studies are based on SERVQUAL paradigm, though some modifications have been incorporated. Most of the added dimensions are confirming to the five original dimensional structure of SERVQUAL.

Conclusion

Services include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser. There are certain characteristics of Services which makes their quality difficult to evaluate, these characteristics include intangibility, heterogeneity, Perishibility etc. However, efforts have been made to make the measurement of Service Quality possible. The Service Quality measuring instruments like SERVQUAL, SERVPERF etc. have been extensively used by the Researchers for the measurement of Service Quality across variety of service settings including Life insurance. It is pertinent to mention that SERVQUAL scale developed by Parsuraman *et al*. (1985) has been extensively used by different researchers for the assessment of Life insurance Service Quality. There are also a good number of studies reported in the literature employing SERVPERF scale (Cronin and Taylor 1992) for the assessment of Service Quality in Life insurance. However, certain modifications have been incorporated in the Service Quality models to meet the requirements of different settings.

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