

An Investigation of Relationship between Service Quality and Customer Satisfaction in Car Insurance Industry (Sina Insurance Company in Tehran City)

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Received: February 19, 2015

Accepted: April 7, 2015

ABSTRACT

Today, competition has been intensified all over the world in production and service companies. Competition increase in service companies is observable in areas like hoteling, banking, insurance andthis has made it difficult to maintain customers and increase their loyalty. Therefore, provision of service quality is a main challenge for companies which are active in service industries. The present research aims to investigate and specify relationship between service quality and customer satisfaction in car insurance industry in Sina Insurance Company. In terms of methodology, the present research is a descriptive survey. Furthermore, statistical population of the research included all customers and the injured of car insurance policies in Sina Insurance Company in eastern Tehran City. Cluster sampling was used for picking sample members. Data were gathered by means of questionnaire. Validity and reliability of the questionnaire was verified. Confirmatory factor analysis was used for inferential analysis of data and structural equations modeling was used for testing the hypotheses. The results showed that guarantee, responsiveness, empathy and reliability influence customers' satisfaction. However, tangibles do not influence customer satisfaction.

KEYWORDS: reliability, responsiveness, guarantee, empathy and tangibles

INTRODUCTION

In every organization, either a production or a service one, customer is the most important element in organizational survival and the company will not be able to guarantee its long-term growth if it is not able to attract satisfaction and loyalty of customers (Rahnama et al, 2012). It seems that insurance industry has had a lower flexibility in utilizing new methods in comparison with other financial services. This is while we have observed considerable growth in insurance sector incomes (Riahifar, 2004). As insurance culture develops, insurance market will also expand and insurance industry will be more active. Insurance culture development in different dimensions has facilitated investment because insurance is not actually a kind of cost but it is a kind of investment and people should be aware of the advantages of this kind of investment. Therefore, insurance is effective both from material welfare and psychological comfort aspects. Today, intensification of competition in production and service areas is observable all over the world. Competition increase in service companies is observable in areas like hoteling, banking, insurance andthis has made it difficult to maintain customers and increase their loyalty. Therefore, provision of service quality is a main challenge for companies which are active in service industries. Customer satisfaction relies highly on high-quality services. According to studies, service quality is one of the most important factors in increasing customers' satisfaction and customers' loyalty. Within the recent years, different economic firms, from small newly-established organizations to multinational companies have learned about customers' loyalty. They know that keeping current customers is more profitable than attraction of new customers. Consequently, marketing units emphasize mainly on keeping the existing customers rather than spending time and money on useless advertisements.

Sina Insurance Company (public stock) was established in 2003 and started its activity 2003 according to non-governmental insurance institutes establishment law and under Iranian Central Insurance license. Service quality is a strategic axle and key pivot of competition and has received a lot of attention by managers and commentators. Today, every organization, either a production or a service one cannot succeed without paying attention to improvement of service quality. Therefore, the main problem in this research was to investigate relationship between service quality and customer satisfaction in car insurance industry in Sina Insurance Company in Tehran City. It must be noted that loyal customers bring many advantages with them. These include improvement of organizational probability, reduction in marketing costs, increase in sales and having customers with lower price sensitivity (Rahnama et al, 2012).

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Service quality

Kotler believes that serving customers includes all actions which facilitate conditions so that customers can face appropriate individuals in an organization and receive rapid and satisfactory responses and solve their problems. Gronroos believes that a service is a process which is made up of a series of intangible activities which take place in interactions between customers and employees or physical resources or products or service providing systems. Today, service sector plays an important role. Quality means the level of compatibility between product and user expectations (Parasuraman, 2005). Quality refers to a collection of activities, processes, actions and interactions which are provided for customers in order to solve their problems (Varga, 2004). From Parasuraman's viewpoint, service quality is stable compatibility with customer expectations and understanding of customer needs from a particular service. Parasuraman, Zeithaml and Berry (1991) defined perceived service quality as "a global judgment or attitude towards superiority of a service" and mentioned that judgment about service quality is a reflection of difference between perceptions and expectations. According to this definition, Parasuraman et al presented SERVQUAL model as a five-dimensional scale with the following dimensions: tangibles, reliability, responsiveness, assurance and empathy. This framework and scale has been used widely in different industrial sectors. From users' viewpoint, the most observable influence of service takes place when customers interact with service companies. In these interactions, customers acquire an image of service quality. From organization viewpoint, any confrontation provides an opportunity for improving its ability as a provider of service quality in order to increase customer loyalty (Garcia, 2008). If a customer interacts a company for the first time, that customer cannot judge about the company and the first telephone call or face-to-face confrontation with company representative has an important impact on customer's perception of service quality. Quality does not have any meaning but what a customer wants actually. In other words, a product has a good quality when it matches customers' needs and expectations. Quality should be defined as a product's compatibility with customer's need.

Tendency to provide high quality services plays an important role in service industries like insurance services, banking and so on because service quality is vital for organizational survival and profitability. Quality has received a lot of attention in industrial and production areas. This is because products are tangible. In service sector, however, this subject has received lesser attention. Customers are aware of all service companies quality and as competitors increased, customers do not receive every kind of service like before. Therefore, in such competition conditions, the most appropriate strategy for organizations is approaching service quality improvement (Adiaigan and Buttle, 2002). In the past, customers' needs were not considered by companies because of different reasons like limited competition and higher level of demand than supply. They had to receive services or products with any level of quality. Economic firms which produce different products and services were concentrated on the quantity of their products and services and quality had a low level of importance in portfolio of management values. Perceived quality is actually the difference between expected service and received service and is actually the output of such comparative process (Gronroos, 2000). Service quality is a mental evaluation of customers of expectations before receiving services (Liu, 2008). Service quality is the difference between expectations before serving customers and expectations after receiving services. As this gap is smaller, the quality and satisfaction will be higher. Service quality is considered as long-term evaluation of services received (Parasuraman et al, 1985). Service quality is a function of ability to do claimed services in an exact and reliable manner and tendency for helping customers and provision of services and knowledge and modesty of employees and their abilities to inspire trust and certainty and individualized attentions which are given to customers by a company, physical facilities, equipment and appearance of employees. According to Juran's findings, quality is made up of two main factors:

1. the fact that to what level a particular service or product satisfies consumers' needs.
2. the fact that to what level a particular product or service is free from defect.

Definition of service perceived quality

Primary contents about service quality shows that service quality is resulted from a comparison of what customers expect service providers to provide (i.e. customers' expectations) with what service providers provide actually (Gronroos, 1982; Lehtinen and Lehtinen, 1982; Lewis and Bumez, 1983; Sasser et al, 1978). For instance, according to Lewis and Bumez, service quality is a scale for measuring the fact that to what level the services provided are compatible with customers' expectations and needs. High quality service means obeying customers' demands and expectations.

The fact that service quality can be defined as a difference between customers' expectations of performance and the real performance they received was improved by a multifaceted research conducted by Parasuraman, Zeithaml and Berry (1985) (which are called three professors from now on). This research included 12 interviews with groups of customers. They conducted three interviews in all four service sectors including banking, credit card, stock broker and maintenance of instruments. The results showed that how customers evaluate service quality. These three researchers defined service quality as the gap between customers' expectations and the real performance they receive.

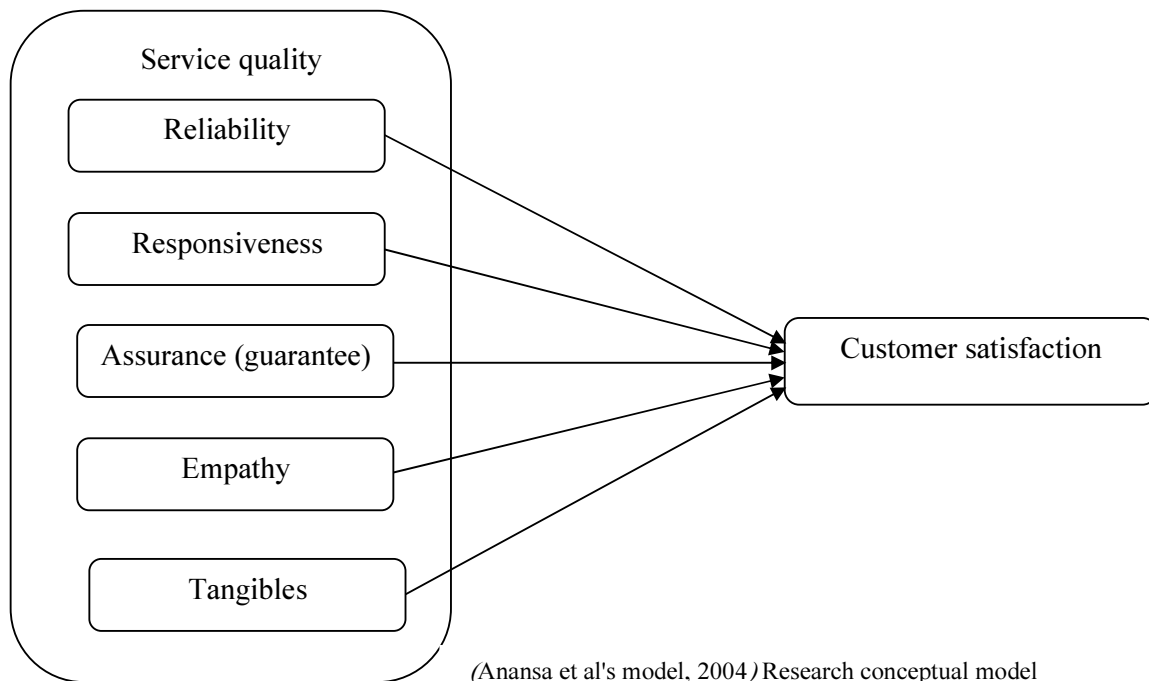
Service quality dimensions: primary conceptualization recommended several general service aspects which might be used by customers for service quality evaluation. In 1978, Sasser, Alsen and Vikoff proposed three dimensions of service performance which all concern service provision: levels of materials, facilities and employees. Gronroos (1982) proposed two kinds of service quality. Technical quality means what customers receive from service providers (the result of service) and physical quality or operational quality which is a method which is received by customers and is in fact the process of service provision which will be discussed in the subsequent sections. Lehitin (1982) discussed three kinds of quality:

1. Physical quality: this includes physical aspects of services like equipment or construction.
2. Organizational quality: this includes mental image of services of a company.
3. Interactive quality: this includes mutual relationship between service employees and customers and communications among customers.

Customer's satisfaction

In a general viewpoint, every customer is satisfied or unsatisfied after receiving a service or buying a product. Satisfaction is presence of a positive feeling which is formed in a consumer. This feeling is created as a result of satisfaction of customer expectations and supplier's performance. If a customer's expectations are higher than what he or she receives, he or she will be dissatisfied and if his or her expectations are lower than what they receive, he or she will be satisfied. A fair, good-tempered and patient salesperson who provides high-quality product or service persuades us to repeat purchases and vice versa. In industrial countries, mutual communication with customers is at the top of marketing agenda. Costs which are incurred for attraction of customers' satisfaction and making them loyal are considered as investment (Kheiri, Ghoreishi, 2012). Tsu and Milton defined satisfaction as: customers' response to evaluation of perceived difference between previous expectations or performance norm and real performance of product which is perceived after consumption."

Satisfaction is a consumer's emotional evaluation and response to general use of a product or service which improves purchase action. In fact, as it can be seen in this definition, dissatisfaction is the very emotional response and evaluation which improves purchase cancel. In other words, customers' satisfaction means: good or bad feelings of a person which is resulted from comparing his or her mental performance and his or her expectations. Kotler defines customer satisfaction as a degree to which real performance of a company satisfies customers' expectations. From Kotler's viewpoint, if corporate performance satisfies customers' expectations, the customer will feel satisfied. Otherwise, he or she will feel dissatisfied. In customers' strategy, loyalty is very important. Increasing customers' loyalty has received a lot of attention by managers and academics (Haghighi et al, 2012). Customer's satisfaction plays an important role in designing marketing programs and companies consider it as a main instrument for prediction and control of their customers' behaviors. Satisfaction is customers' understanding of their satisfied expectations. It means a positive evaluation and favorable sense which customers acquire by receiving a product or service (KhoshDahan, 2002). Today, production of service firms consider customer's satisfaction as a criterion for measuring quality of their works and this trend is increasing.



Research hypotheses

H1: service quality influences customer's satisfaction.

H2: reliability influences customer satisfaction.

H3: responsiveness influences customer satisfaction.

H4: assurance influences customer satisfaction.

H5: empathy influences customer satisfaction.

H6: tangibility influences customer satisfaction.

RESEARCH METHODOLOGY

The present research was conducted to investigate relationship between service quality and customer satisfaction in car insurance in Sina insurance company in Tehran City. The present research is an applied study. In terms of data gathering, it is a descriptive study. Furthermore, it is a correlation study in terms of data analysis. Data were analyzed by means of structural equations modeling.

Statistical population and sample

The statistical population of the research included all customers and the injured of executive deputy branch of car insurance in Sina Insurance Company in eastern Tehran City. Sample size was equal to 384 people according to Krejcie and Morgan Table (1970). Random cluster sampling was used for sampling.

Data collection instrument

Questionnaire was used for gathering data. 5-point Likert scale from "completely agree" to "completely disagree" was used as measurement scale. After preparation of the questionnaire, 30 questionnaires were distributed among respondents in order to investigate reliability of the questionnaire. Cronbach's alpha was used for investigation of reliability. The results showed that Cronbach's alpha coefficients for all variables and total questionnaire were above 0.7 (calculated Cronbach's alpha coefficients have been presented in table 1). On the other hand, content validity of the questionnaire was also verified by experts. Therefore, the questionnaire has enough reliability and validity for distribution among sample members.

Table 1: Cronbach's alpha coefficient

Research variables	Calculated Cronbach's alpha
reliability	0.781
responsiveness	0.713
Satisfaction	0.819
assurance	0.958
empathy	0.805
Customer satisfaction	0.876
Total questionnaire	0.825

Considering table 1, it can be seen that all reliability coefficients are acceptable. 384 questionnaires were distributed among customers who had referred to Sina Insurance Company. The questionnaires were distributed randomly over three weeks in morning and afternoon. Table 2 depicts demographic information of respondents.

Table 2. research demographic variables

variable	dimensions	frequency	Frequency distribution	Cumulative percentage
gender	male	233	63.0	63.0
	female	151	37.0	100.0
Age	Below 20	24	11.0	0.11
	21-30	111	28.5	5.39
	31-40	112	27.2	7.66
	41-50	89	22.0	7.88
	Above 50	48	11.3	100
education	High school	90	24.0	24.0
	Associate's degree	74	19.8	43.8
	Bachelor degree	138	36.0	79.8
	Master degree	75	19.5	99.2
	PhD	7	.8	100.0

Data analysis and hypotheses tests

Testing research hypotheses by path analysis in LISREL software(model's structural section)

One of the strongest and most appropriate methods for analysis in behavioral sciences is multivariate analysis because such studies are multivariate and cannot be analyzed by means of bivariate methods (in which only one independent variable is investigated against one dependent variable). Therefore, structural equations modeling and path analysis was used for verification or rejection of the hypotheses. Path analysis (structural model) is a technique which investigates relationships among research variables (independent, dependent, and mediating variables) simultaneously. Path analysis aims to identify the causality relationships (impacts) among conceptual model variables. figures 4-5 and 4-6 indicate the structural model in standard estimation state and significance coefficients (output of LISREL software). For instance, assurance has a positive and direct influence on customer satisfaction (coefficient equals 0.46). further, responsiveness has a positive and direct influence on customer satisfaction (coefficient equals 0.34). verification or rejection of hypotheses (relations) are indicated in significance state. In other words, if significance number is greater than 1.96 or smaller than -1.96, the hypothesis is supported. Furthermore, the output of the software indicates fitness of the structural model for testing the hypotheses. Ratio of X^2 over df (258.24 divided by 155 equals 1.66) is below three. Therefore, X^2 is acceptable. RMSEA is equal to 0.042, which shows that the structural model has a good fit. In other words, the calculated values are compatible with the research conceptual model to a great extent. Values of NNFI, RFI, IFI, NFI and CFI are above 90% which show high model fit.

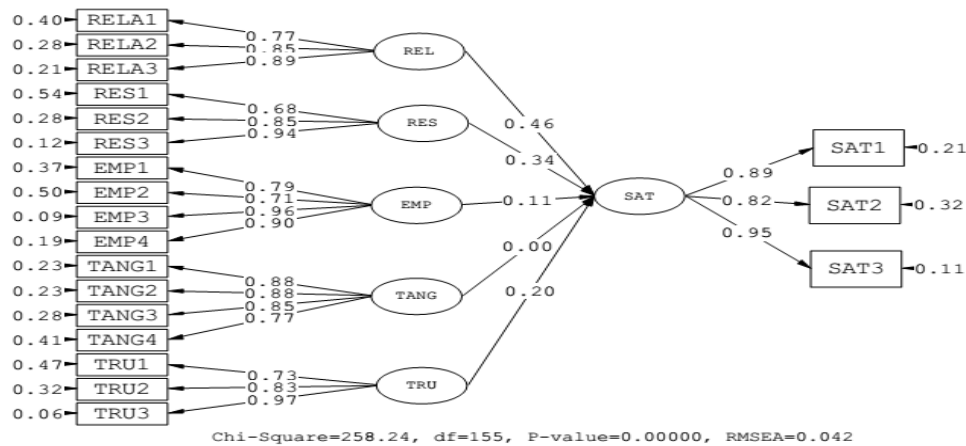


Figure 2.structural model in standard estimation state

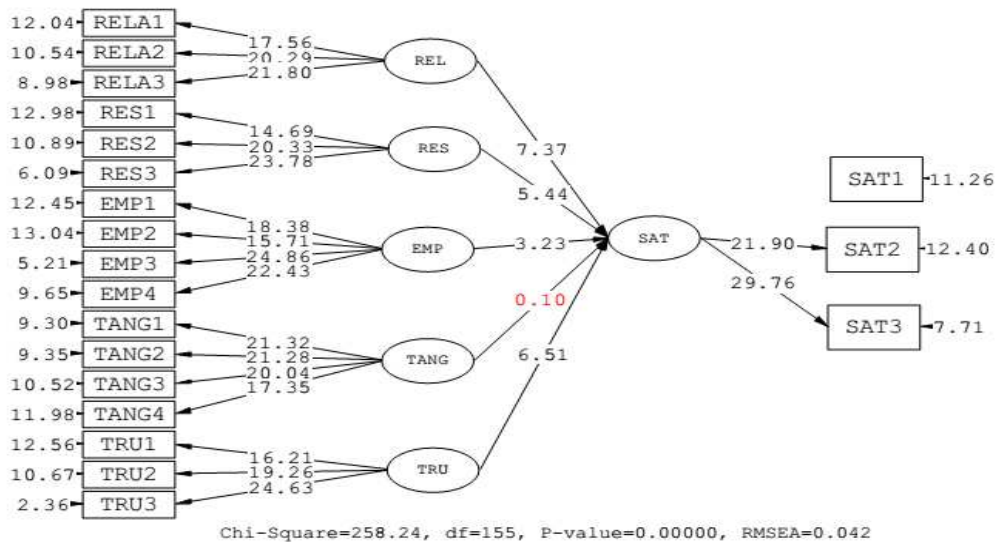


Figure 3.structural model in significance state

Table 3.model fit indices

Fit indices	Calculated value	acceptable value
Chi.squar/df	1.66	Lower than 3
RMSEA	0.042	Lower than 0.08
P.Value	0.000	Lower than 0.05
IFI,RFI,NNFI, NFI	91-99%	Above 90%

Table 4.structural model in standard and significance estimation states

Independent variable		Dependent variable	Path coefficient	Significance number t	result
assurance	<---	Customer satisfaction	0.46	7.37	supported
Responsiveness	<---	Customer satisfaction	0.34	5.44	supported
empathy	<---	Customer satisfaction	0.11	3.23	supported
tangibility	<---	Customer satisfaction	0.00	0.10	rejected
reliability	<---	Customer satisfaction	0.20	6.51	supported

Conclusion and recommendations

In today's world, measurement of customers' satisfaction is very important. Customer's satisfaction is a feeling and it must be quantified in order to be able to improve it. Models of customer satisfaction index are means for this conversion process. Data gathering for this process is conducted by questionnaire and different techniques. Studies conducted by Samadi and Eskandari (2010), SalehiKordAbadi (2010), Naserian et al (2010), Agbor (2011), Din and Pikler (2014), Navaratand Elang (2014), Ravi Shendran (2010), Muhammad and Alhamdani (2011) and Navart and Elang (2014) also verified the presence of significant relationships between service quality dimensions and customer's satisfaction. Therefore, it can be said that the results of the present research are consistent with the results of similar previous studies. Fortunately, Sina insurance Company has acceptable policies in this regard. The following recommendations are proposed based on research results.

1. Sina insurance company is proposed to commit its pledges and fulfill its commitments against their customers so that the customers are attracted.
2. Employees should be trained to have customer orientation. Employees should try to solve customers' problems.
3. Necessary infrastructure should be prepared for establishment of customers' recommendations and complaints systems. The organization should try to solve customers' problems.

Regarding empathy, the following recommendations can be made. Sina Insurance Company can make its customers aware of its services. Further, the company should provide its services in an on-time manner. Employees should be ready to respond to the customers' needs. Regarding empathy variable, Sina Insurance Company is proposed to provide conditions in which customers feel they are important. This can be done by offering discounts to specific customers, sending congratulation and condolence messages and so on. Moreover, the company should consider appropriate hours for serving customers. It should try to provide the best high-quality services for customers. Employees should understand specific needs of customers. This will be possible via continuous market research by R&D department or public relations department. Regarding assurance variable, employees should be trained to behave politely towards customers so that this behavior becomes a part of organizational image. Moreover, provision of necessary training and use of empowered employees for doing organizational processes in Sina Insurance Company is of great importance because employees should have enough knowledge. In the end, employees' behaviors towards customers should be in a way that customers feel security in interaction with employees of Sina Insurance Company.

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