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Assessing the extent of quality service delivery in the life insurance sector in Zimbabwe – A case of life insurance companies in Bulawayo, Zimbabwe

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Abstract: The purpose of this paper was to explore the service quality delivery between customers' expectation and perception of service quality delivery (customer satisfaction /dissatisfaction) of the life insurance in Bulawayo, Zimbabwe. The SERVQUAL scale for measuring service quality was used to measure service quality in life insurance five-dimensional structure (Tangibles, Reliability, Empathy, Assurance and Responsiveness). The research used a qualitative research design and the respondents were chosen purposively.Questionnaires and interviews were used as research instruments. Questionnaires were distributed to 200 insurance company customers. Interviews were held with 36 insurance company managers and agents. The findings were that customer expectations are greater than perceived service and there is a gap between customer expectations and perceived service. It was recommended that insurance companies should understand the customer expectations so as to deliver customer perceptions.
Keywords: Customer, Expectation, Perception of service, Service Quality delivery.

1. Introduction

Services have grown to contribute immensely to the Gross Domestic Product (GDP) of developed and significantly to developing countries. Over the past decades, the contribution of GDP attributable to services has continued to grow in many countries and accounts for more than 60 percent of the world output today (King, 1992[1]). In Zimbabwe the contribution of services to the country's GDP was estimated at 54.6% in 2014 (Zimstat, 2016[2]). This trend is bound to continue in the future. As a consequence, service marketers are dealing with an increasingly globalized environment, confronting new opportunities for profit while facing world-class competitors through the internet. Liberalization and internationalization has impacted in the way as service quality across the sectors has now become an important means of differentiation and path to achieve business success (Negi, 2009[3]). Such differentiation based on service quality can be a key source of competitiveness for insurance companies and hence have implication for leadership in such organizations. The trend of insurance companies shifting from a product-focused view to a customer-focused one has been developing recently as insurance products become increasingly hard to differentiate in fiercely competitive markets. It is becoming desirable for insurance companies to develop a customer centric approach for future survival and growth. The awareness has already dawned that prompt, efficient and speedy service alone will tempt the existing customers to continue and induce new customers to try the services of the company (Saravanan & Rao, 2007[4]). Saravanan & Rao (2007),state that service quality remains critical in the service industries, as businesses strive to maintain a competitive advantage in the marketplace and achieving customer satisfaction. According to Negi (2009),providing quality service delivery to customers increases customer retention, attracts new customers, enhances corporate image, lead to positive referral by word of mouth, and above all guarantees survival and profitability. Measuring service quality poses difficulties to service providers, because of the unique characteristics of services: intangibility, heterogeneity, inseparability and perishability (Douglas & Connor, 2003[5]). In view of this, services require a distinct framework for quality explication and measurement. Among the prominent frameworks, SERVQUAL model developed by Parasuraman (1985[6]), is most preferred and widely used model for measuring service quality in the service industry. The GAP model proposed by Parasuramann *et al*. (1985), presupposes that t service quality is the differences between expectation and performance relating to quality dimensions (perception). This SERVQUAL scale for measuring service quality in a variety of service sectors is used in most studies of insurance service quality (Arasli et al.,2005[7]).

2. Problem Statement

The financial services, particularly banks, compete in the marketplace with generally undifferentiated products; therefore service quality becomes a primary competitive weapon. There is an increase in the number of players joining the life assurance industry in recent years in Zimbabwe. There are 12 registered life assurance companies in Zimbabwe and went on to state that business declined by 11% from US$102 million to US$91 million from 2015 to 2016 for the major products in life assurance (The Insurance and Pension Commission{IPEC}, 2016[7]). Endowment and Pure Endowment products remained unattractive to the market as growth was negative. Such products require effective sales and marketing strategies in the wake of economic challenges facing the country. The commission is tireless in encouraging product innovation, product differentiation and market segmentation in order to ensure that they meet customer expectation (IPEC, 2016).Conversing from the above literature the problem statement reads as "*Life insurance companies have failed to provide quality service to its customers".*

3. Research Aim

The aim of the research is to assess quality service delivery in the life insurance industry in Zimbabwe

4. Literature Review

4.1. Service Quality

Parasuraman *et al*, (1985)& Carman, (1990), agree that service quality is an abstract concept, difficult to define and measure. On service quality modeling, Gronroos (1984[8]), divides the customer's perceptions of any particular service into two dimensions, namely technical and functional quality. Parasuraman *et al*, (1985) proposed the gap model of service quality that operationalized service quality as the gap between expectation and performance perception of the customer. Later on, service quality has also been defined broadly as "consumers' assessment of the overall excellence or superiority of the service" (Zeithaml *et al*, 1993[9]). It is viewed as an attitude or global judgment about the overall excellence of a service, with comparison of expectations and performance as the measuring tools. Parasuraman *et al*, (1985) have tried to operationalized service quality from different perspectives for different service applications. Based on their conceptual and empirical studies, researchers derived and proposed different service quality dimensions for various service applications. However, SERVQUAL (Parasuraman *et al*, 1988; Boulding *et al*, 1993) and SERVPERF (Cronin & Taylor, 1992[18]), are the most widely used service quality measurement tools. SERVQUAL scale measures service quality, based on difference between expectation and performance perception of customers using 22 items and five-dimensional structure. The researcher adopted the 22 items and 5 dimensional structure to measure service quality in the life insurance sector in Zimbabwe.

Pure services like insurance may, therefore, conjure different expectations than that of services that include tangible products (Toran, 1992[12]). An insurance policy is almost always sold by an agent who, in 80% of the cases, is the customer's only contact (Richard &Allaway, 1993; Clow & Vrhies, 1993; Crosby & Cowles, 1986[13]). Customers are, therefore, likely to place a high value on their agent's integrity and advise (Zeithaml et al., 1993[10]). The quality of the agent's service and his/her relationship with the customer serves to either alleviate or exaggerate the perceived risk in purchasing the life insurance product. The agent as a representative of the insurance company should be trained and be well presentable to portray a good image to the customers and putting the customer first, and, exhibiting trust and integrity have found to be essential in selling insurance (Slattery, 1989[14]). Zeithmal et al (1990[10]),states that high quality service (defined as exceeding "customers' expectations") is rare in the life insurance industry but increasingly demanded by customers. Toran (1992), points out that quality should be at the core of what the insurance industry does. Customer surveys by Prudential have identified that customer want more responsive agents with better contact, personalized communications from the insurer, accurate transactions, and quickly solved problems (Pointek, 1992[15]). A different study by the National Association of Life Underwriters found other important factors such as financial stability of the company, reputation of the insurer, agent integrity and the quality of information and guidance from the agent

(King, 1992). Clearly, understanding consumers' expectations of life insurance pagent's service is crucial as expectations serve as standards or reference points against which service performance is assessed (Walker &Baker, 2000[16]).Technology has also become an important factor in how the agent operates in the field including other functions such as distribution, claim costs and administration (Anonymous, 2004[17]). Research has shown that the quality of services and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers. The quality of after sales services, in particular, can lead to very positive results through customer loyalty, positive WOM, repetitive sales and cross-selling (Taylor, 2001[18]).However, many insurers appear unwilling to take the necessary actions to improve their image. This creates problems for them as the market is extremely competitive and continuously becomes more so (Taylor, 2001). Therefore the purpose of this study is to assess the service quality in the life insurance industry to see whether customer expectations are being met by the insurance companies using the gap model.

4.1.1. Gap Model

4.1.1.1 Positioning Gap

According to Zeithaml et al., (1990) the positioning gap is about not knowing what customers are expecting from the service, usually due to insufficient marketing research or poor internal communication. This gap arises when the management does not correctly perceive what the customers want. Key factors leading to this gap are: insufficient market research, incorrectly interpreted and incorrectly understood information about customers, about their expectations, research is not focused on requisite quality, too many layers of management in company or poor communication in company. The main source of information by creation and specification of insurance products should be the insurance sales agents (the workers of first line), with respect the changes in legislation. It is important that management knows which insurance products are preferred at clients, what clients miss at the offered products or if clients have a feeling that they pay for something they do not need. Otherwise, it is very supposed that the client will search for a suitable product at the competition.

4.1.1.2. Specification Gap

According to Zeithmal et al., (1990) the specification gap is concerned with the difference between what management believes the consumer wants and what the consumers expect the center to provide. This gap arises when the management or service provider might correctly perceive what the customer wants, but may not set a performance standard. The gap may arise in company from following reasons: insufficient planning, insufficiently declared liabilities of leadership, unclear or ambiguous service acts or non-system processes. Even in this case, to reduce this gap in the specification of services from the side of management, it is necessary to consult the service or insurance product with sales representatives who are in close contact with customers and have the best knowledge about their requirements, needs or complaints.

4.1.1.3. Delivery Gap

According to Zeithmal et al., (1990) is concerned with inability of staff to perform a service at the level expected by customer and as specified by the organization. The gap may arise in the process of service creation. It could also happen in the production facilities, but most frequently is caused incorrect service or incorrect intervention or progress of employee of the company. Here is necessary realize the fact that human factor exercise an influence on quality of service with important share. The possible main reasons for this difference are: deficiencies in human resources policy, for example in recruitment a new employees, incorrect system of quality evaluation, incorrect system of reparation, insufficient staff training, ineffective internal market, violation of declared supply or demand or insufficient education and vocational training. Each insurance group or company has its own standards and corporate culture, which affects the quality of provided services. The corporate culture presents a superstructure, which should be the norm and which manifests itself already at the first contact of the insurance company employee with the customers. It is a part of the specification of quality of service and sales representative must identify yourself with it. Otherwise, it will be reflected on its performance. This gap can be minimized or avoided through the suitable explanation and completion of information during communication. This can lead to minimization of the earlier gaps, what can reduce the resulting conflict GAP 5.

4.1.1.4. Communication gap

According to Zeithmal et al., (1990) exists when the promises communicated by the provider do not match delivery usually caused by overzealous marketing that creates unrealistic expectation that cannot be met or exceeded. Subsequently the promises do not match delivery; because the company pledges a level of service it cannot deliver (Zeithaml et al., 1990). Consumer expectations are highly influenced by statements made by company representatives and advertisements. The gap arises when these assumed expectations are not fulfilled at the time of delivery of the service. The cause may be a lack of horizontal communication - for example among marketing and sales representatives, or the tendency to give the company exaggerated promises. It may be a lack of harmonization between the process of services production and the processes of analyses of their improvement.

4.1.1.5. Perception gap

According to Zeithmal et al., (1990) is the difference between the consumers‟ internal perceptions and expectations of the services. This difference arises when the consumer misinterprets the service quality. It is the difference between expected service and experience.

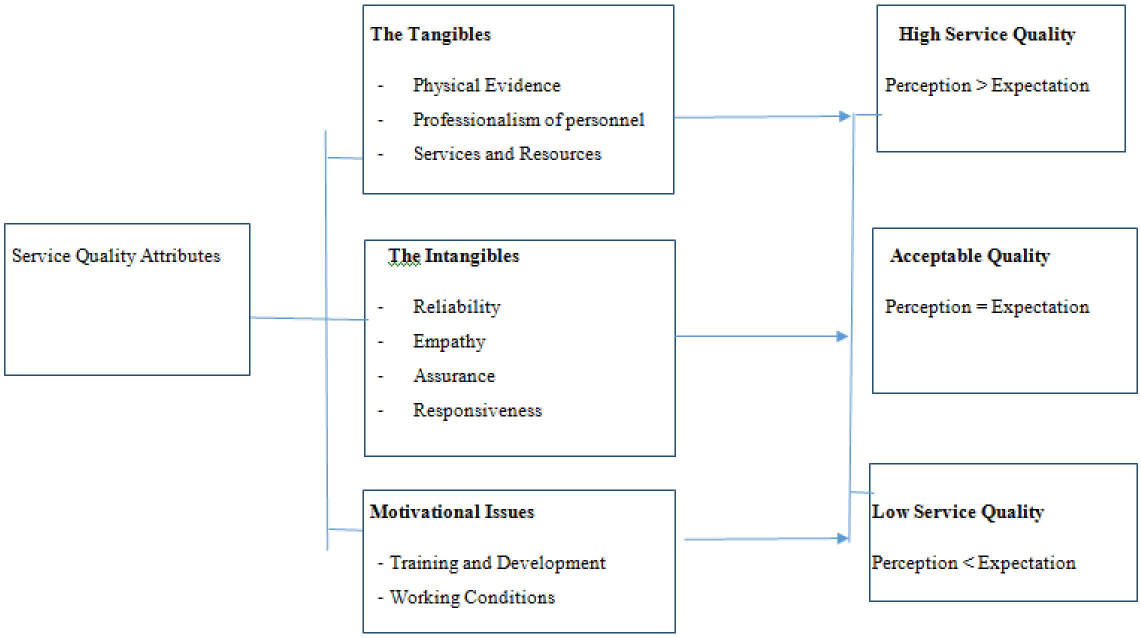

Figure 1: Adopted from Zeithaml, Bitner and Gremler (2006)

Gaps 1 – gap 4 lie within the control of the organization) can be analyzed by providers to determine the cause(s) and change(s) to be implemented to reduce or eliminate Gap 5. By comparing the customers' expected service with the customers' perceived service in the life insurance companies, the researcher was able to determine if the life insurance services are meeting customer expectations. This model was preferred because of inclusion of cognitive procedures, the generic application and parallel approaches to many research areas while allowing modifications to suit particular situations (Chelladurai & Chang, 2000[19]). This model was used in this study and a 22-item scale comprising of the five dimensions: reliability, responsiveness, tangibles, empathy and assurance was used to identify where gaps in the service existed and to what extent. The framework pre-supposes that service quality is the customer's thinking that they're getting better service than expected. This is the perception gap; the gap between what the customer expects and what they think they got. It's worth noting that both sides of the gap are in the customers mind (manifesting the service quality attributes). The main variables for consideration for quick wins and strategic improvements in services are shown as the tangibles, intangibles and motivation factors. Whatever the case, the outcomes will produce high service quality if in-puts are adequately and appropriately manipulated otherwise the result will be low service quality which has dire consequences. These include customer defections, lack of competitive advantage hence loss of business, a situation no serious service provider strives for (Paschal, 2011[20]).

5. Research Methodology

5.1. Research Design

A qualitative research designwas used to study service quality structure and assess its key attributes in the life insurance industry in Zimbabwe. Bernard (1995[21]) states that qualitative research is especially effective in obtaining culturally specific information about the values, opinions, behaviors, and social contexts of particular populations. Qualitative studies seek to understand a given research problem or topic from the perspectives of the population it involves.

5.2. Population and Sampling Techniques

A purposive sampling method was used to select 200 customers, Bernard (1995) stated that Purposive sampling, is one of the most common sampling strategies, groups' participants according to preselected criteria relevant to a particular research question. This method was used to select the 200 customers with insurance policies and the 36 insurance company employees. Questionnaires were distributed to purposively selected customers. Interviews were held with the 12 insurance company managers and 2 agents for each company.

5.3. Data Collection Techniques and Instruments

Questionnaires and guided interviews were used. The survey instrument was the servqual type questionnaire relevant to the insurance industry. The questionnaire was divided into two sections. That is the socioeconomic and demographic criteria like income, age, profession, educational qualifications etc. The second part, respondents were asked to evaluate parameters on service quality relevant to the insurance industry (on a 5 point Likert scale anchored @ strongly agree and strongly disagree. This part consists of 22 service quality attributes in insurance. Using a modified 22 item SERVQUAL questionnaire, data was collected from a randomly selected sample of 200 customers. Secondary data were collected through document analysis.

5.4. Data Analysis and Presentation

The data were presented in the form of tables, graphs and charts. Microsoft Excel Package for Windows was used to further explore findings from the data so that a thorough analysis could be done.

6. Analysis And Findings

6.1. Customer Profile

The profiles show that of the 200 customers, 62.5% were male while 37.5% were female. Respondents ages ranged from 22 to 60 years, but a considerable proportion of 60 % were aged between 25 – 40 years. From the study sample of 36 managers and agents, the male constituted 67% and the females 33%. The analysis further indicates that 80% of the managers had served at the organization for less than 4 years whereas only 20% had served the organizations for more than 4 years. The demographic characteristics of clients to the insurance companies indicate the age groups that they should target for customized services. The characteristics of agents and managers indicate that there is great mobility of staff in the life assurance industry thereby hindering quality service delivery.

6.2. Service Attributes

To assess the extent of service quality in the life insurance industry the researcher used gap analysis i.e. Perception and Expectation(P –E) to come up with the service gap on the modified SERVQUAL (5 point Likert scale) with 22 attributes. As mentioned in Figure1, it is important to note that if P-E results into negative value, it implies a shortfall in service quality.

6.2.1. Empathy

Under this dimension members had high hopes in getting care and individualized attention in the life insurance companies. The results, however, reveal that all attributes in this dimension were not satisfactory as all gaps were negative. The largest negative service staff care with 3 whilst the smallest gap though still negative was individualized attention. More efforts should be made in staff care and all the attributes to have a positive (P-E). This shows that insurance companies do not provide the care needed by customers, they have got no customer interest at heart, and they do not understand the needs of customers and do not provide individualized attention to customers.

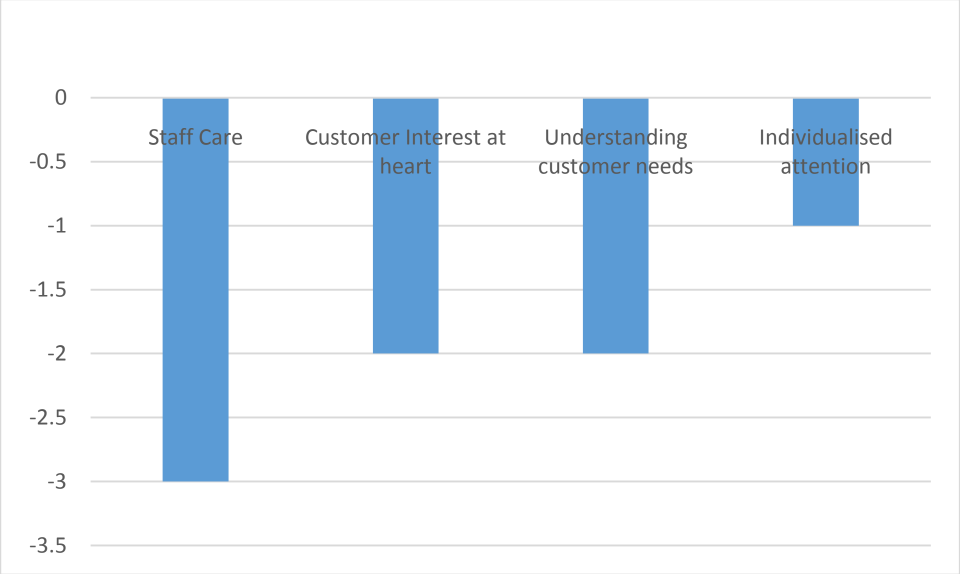

Figure 2: Empathy Levels in the Life Insurance Industry

6.2.2. Reliability

The customers of the life insurance companies were queried about a couple of attributes on company reliability including meeting service promises, records, service information, functionality of equipment, understanding needs and careful service.

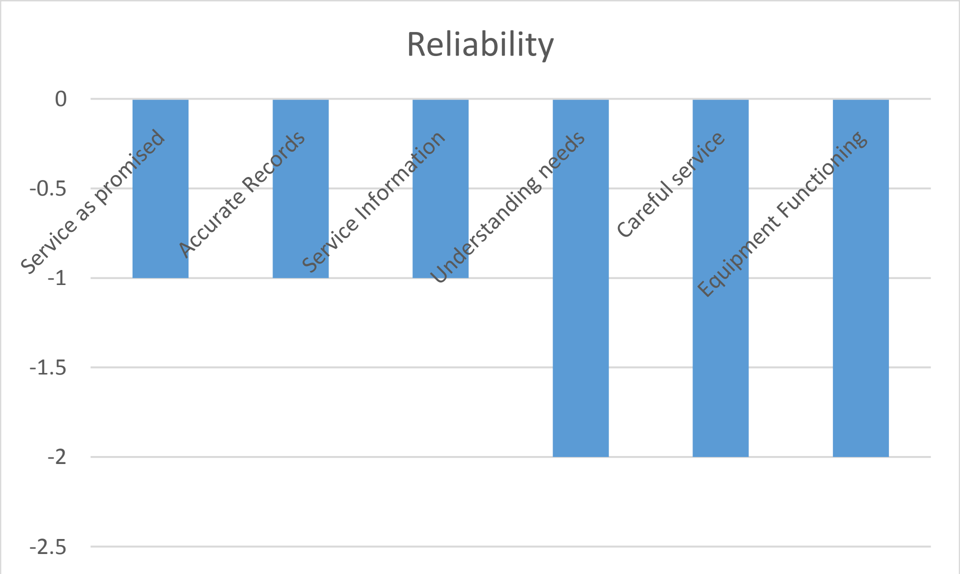

Figure 3 Reliability Levels in the life insurance industry

Figure 3 reveals the service delivery gap for each attribute. This dimension effectively measures the timelines for solving and giving attention to customer problems. Further analysis reveals that the largest service gap was -2 on Functionality of equipment, careful service and understanding customer needs. The other attributes had -1. All these findings imply that the services did not match customers' expectations with regard to this dimension and the researcher learnt that insurance companies should be reliable to its customers.

6.2.3. Tangibles

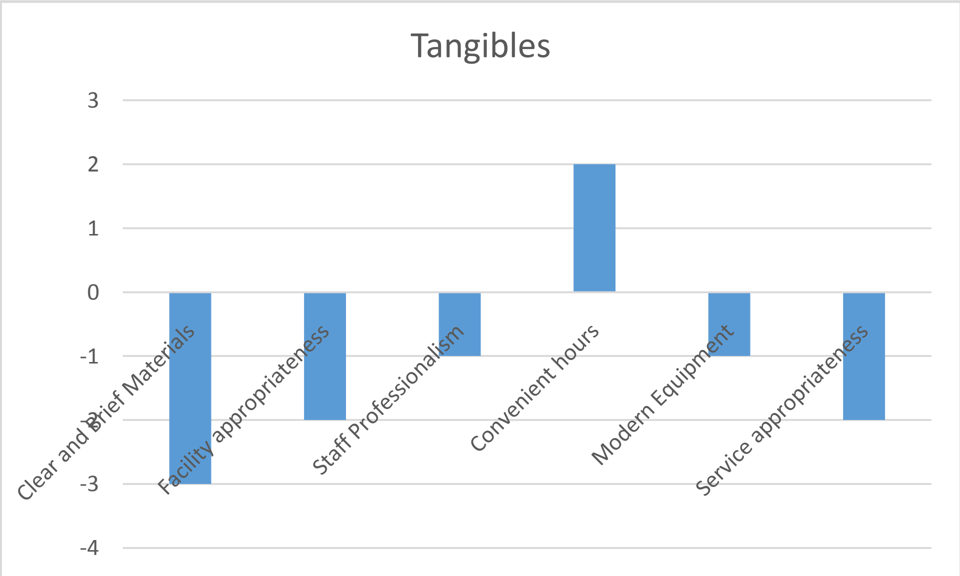

Figure 4: Tangible levels in the life insurance industry

Figure 4 illustrates the quality service gap scores for the tangibles dimension. The intention in this regard was to gain the expectations and perceptions of the modernity of the facility equipment and how staff and visuals and décor were. Members to life insurance companies had very high expectations about this dimension. From figure 4, all gaps except convenient hours with a positive gap were found to be negative but attention should be made to Materials are brief and clear (-3) which exhibited the largest gap. In this regard therefore, the life insurance companies have not managed to achieve this service quality dimension covering the equipment and facilities being visually appealing and modern and staff being neat in appearance. Ambience and physical evidence gives confidence to customers the researcher learnt that insurance companies do not provide the tangibles expected by the customers.

6.2.4. Assurance

Figure 5: Assurance Levels in the life insurance industry

To estimate whether staff behavior and confidence at the insurance companies were appropriate and acceptable, the attributes indicated in Figure5 were queried. Customers' expectations were again very high than the service perception. From figure 5, it is again clear that all gaps are negative with the largest manifesting in carefulness and polite as well as knowledgeable and skilled staff with a gap of -2 and the smallest was confidence and trust in staff and the staff assurance and confidentiality with -1 which must be generally addressed. The findings shows that customers expect more assurance from life insurance companies that what they got from the insurance companies.

6.2.5. Responsiveness

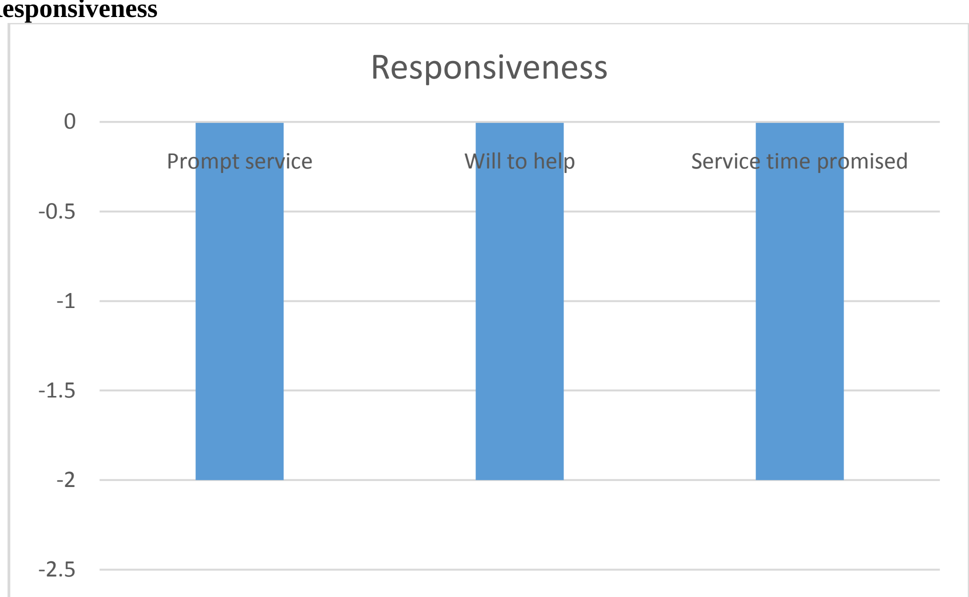

Figure 6: Responsiveness Levels in the Life Insurance industry

This dimension tested if there was the willingness by staff to help customers and provide speedy and timely service delivery (speed of in-put with minimal waiting or queuing time). Results in Figure 6 clearly reveal that members' expectations were high and produced a gap of -2 for all the attributes. All these are shortfalls and are indicative of inadequacies at the life insurance companies under study and surely must be addressed.

7. Summary of Findings

The findings of this study were that on average the life assurance companies have gaps in their provision of quality services to customers. Using the SERVQUAL dimensions of tangibles, reliability, responsiveness, assurance and empathy the gaps (Perceived – Expectations) were in the negative.

8. Recommendations based on the results

These are some of the recommendations that managers in the life insurance companies can make use of to improve service quality. The owners are particularly encouraged to provide their employees with the opportunities for in-service training and education to make a difference. Managers should improve the physical appearance of their shops to improve customer confidence in the life assurance company. Companies should meet their promises in the delivery of policy documents, meeting claims, serving customers and be able to provide service when customer want to cancel policies.

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