

The study of the relation between service quality and customer satisfaction the based on SERVQUAL model

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Abstract. The present study aims at determining the quality of services based on SERVQUAL model and its relationship with customer satisfaction in insurance companies. The research method was Applied and survey and casual-comparative method and the data are collected from 800 customers entitled to claim on the auto insurance from a public and private sector insurance. Using stratified and simple random sampling methods, a total of 400 customers were randomly selected for the purpose, i.e. 200 customers from each one of the sectors. The research instruments were three questionnaires whose reliability for public sectors was 0.81, 0.75 and 0.76, respectively and their validity is verified based on content method. The data was analyzed using Normality test, Spearman Correlation, ANCOVA, T-test and Regression analysis. The results indicate that there is a significant difference between service quality and customer satisfaction in the public and private sectors and the service quality and customer satisfaction in the public sector is better than those in the private sector.

Keywords: service quality, customer satisfaction, insurance industry, public and private sectors

1. Introduction

Trying to sustain their survival and viability, today, governments apply the policies of downsizing government in various ways which may lead to greater activity of private sector in the society. One of the key requirements in the development and profitability of both private and public organizations and companies is to pay full attention to customer and draw his attention [1] and it is also assumed that one way to obtain customer satisfaction is to use the quality approach. Evaluating the quality of provided services is one of the most important instruments used to identify the existing condition of the services and then use this condition to improve and promote the quality of services[2].

Recognizing and reinforcing these factors in the insurance companies not only maintain the current insured but also attract new insured. Therefore, the insured as the customers are thought to possess indescribable importance since the philosophy of an insurance company is to provide service and sell insurance to the insured and satisfy their needs. Thereby, to address these objectives, this research aims to answer the following questions: How is the quality of services in the public and private companies? Is there any significant difference between service quality and customer satisfaction in these two sectors?

2. Literature review

2.1. The concept of service quality

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

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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[3].

Quality has been generally defined as “fitness for use” and “those product features which meet customer needs and thereby provide customer satisfaction” These basic definitions 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[4].

Service quality can have many different meanings in different contexts. 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[5].

Service quality has been conceptualized as an overall assessment of service by the customers. It is a key decision criterion in service evaluation by the customers. Perceived service quality is believed to be resulting from comparison between customers’ prior expectations about the service and their perceptions after actual experience. Besides service outcomes, service quality perceptions also involve evaluation of the service delivery process. Hence, conceptualization of service quality ought to include both the process as well as the service outcomes. A firm’s ability to serve the customer needs as well as to maintain its competitive advantage also affects the customer perception of service quality[6].

2.2. SERVQUAL scale

Regarding the notion of service quality, various models are developed to assess customer perception of service quality,[7]Among these theories, The SERVQUAL scale constitutes an important landmark in the service quality literature and has been extensively applied in different service settings. Based on non-approved pattern, Parasuraman et al (1985, 1988) developed SERVQUAL model. As mentioned before, these authors identified 5 dimensions of service quality construct (i.e. Tangibles, Reliability, Responsiveness, Assurance, and Empathy) based on which customers evaluate service quality regardless of type of services[8]. SERVQUAL represents service quality as the discrepancy between a customer's expectations for a service offering and the customer's perceptions of the service received. These authors argued that, regardless of the type of service, consumers evaluate service quality using the same generic criteria, which can be grouped into five dimensions: tangibles, reliability, responsiveness, assurance and empathy. These five dimensions were derived from 10 overlapping dimensions, which were regarded as essential to service quality by exploratory research. Dimensions of service quality are correlated, and they form the overall service quality perception[9].

Parasuraman et al. (1988) developed the SERVQUAL scale a widespread instrument to measure both the expectations and the service perceptions of customers. This twin scale consists of 22 items. The size of the gaps between internal customers’ service expectations and their perceptions indicate the level of dissatisfaction. Expectations and perceptions are measured across 5 dimensions of service quality[10].

- **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 for its customers.

Satisfaction is the customer’s reply to the evaluation of the distinction between initial expectations and actual performance. Therefore, customer satisfaction depends on the individual observations created and refined by culture at the same time[7].

Customer satisfaction can be considered as the essence of success in today’s business competitive world. Therefore, the importance of customer satisfaction and customer retention should be never underestimated in

making policy for customer-oriented and market-oriented companies. Consequently, customer satisfaction with a growing rate has drawn companies' attention[11]. values and trends affect people behavior, culture can also influence customer satisfaction[12].

3. Methodology

The present research enjoys an applied, survey and casual-comparative method and the data are collected from 800 customers entitled to claim on the auto insurance from public and private insurance companies in Golestan province, Iran. Using stratified and simple random sampling methods, a total of 400 customers were randomly selected for the purpose, i.e. 200 customers from each one of the sectors. The research instruments were two standard questionnaires and a research-made one whose validity is verified based on content method and, using Alpha Cronbach, their reliability for public sectors was 0.81, 0.75 and 0.76 and for private sector was 0.81, 0.76 and 0.79, respectively. The SPSS software package is also employed to analyze collected data using Normality test, Spearman Correlation, ANCOVA, T-test and Regression analysis.

4. Findings

The results of the study show that our respondents, with regard to the condition of service quality in the public sector, assigned most points to the assurance and tangibles (94%), followed by reliability (89%), responsiveness (83%) and empathy (77%) and service quality as a whole received high rate of 99%. It should also be noted that customers were completely satisfied on the public insurance companies. On the other hand, in private sector, responsiveness received the most points (100%), followed by tangibles (98%), reliability (97.7%) , empathy (90%) and assurance (88%) and service quality again as a whole received high rate of 100%. It is interesting to say that customers were completely satisfied on the private insurance companies.

The results of testing the first hypothesis show that there is no relationship between tangible factors of service quality and customer satisfaction in the public sector. However, the same relationship can be achieved in the private sector by a value of 0.151. Considering the results of T-test presented in Table 1 and adopting 0.000 as a level of significance, one can conclude that the first hypothesis of the research is accepted, i.e. there is a significant difference between public and private sector with regard to the effect of physical dimension on the customer satisfaction and it is interesting to know that this difference is in favor of private sector.

Table 1 comparison of the effect of tangible factors on the private and public insurance

| Physical dimensions | F-test | Significant level | T-test | Significant level | 95% Confidence interval | |
|-----------------------------|--------|-------------------|--------|-------------------|-------------------------|----------|
| | | | | | Lower | Upper |
| Equal variances assumed | 15.486 | 0.000 | 6.849 | 0.000 | -0.15787 | -0.28680 |
| Equal variances not assumed | | | 6.783 | | -0.15848 | -0.28620 |

The results of testing second hypothesis indicates that there is no relationship between reliability of service quality and customer satisfaction in the public sector, but the same relationship is achieved in the private sector with the value of 0.194. Considering the results of T-test presented in Table 2 and adopting 0.000 as a level of significance, one can conclude that the second hypothesis is also confirmed i.e. there is a significant difference between public and private sector with regard to the effect of reliability on the customer satisfaction and it should be noted that this difference is in favor of private sector.

Table 2. the results of comparing the effect of reliability on customer satisfaction in Iran and Parsian insurance

| Reliability | F-test | Significant level | T-test | Significant level | 95% Confidence interval | |
|-----------------------------|--------|-------------------|--------|-------------------|-------------------------|----------|
| | | | | | Lower | Upper |
| Equal variances assumed | 76.234 | 0.000 | -14.24 | 0.000 | -0.25582 | -0.19377 |
| Equal variances not assumed | | | -14.54 | | 0.000 | -0.25522 |

The findings of testing third hypothesis indicates that there is a meaningful relationship between responsiveness of service quality and customer satisfaction in the public sector with value of 0.157, but the same relationship has not been seen in the private sector. Observing the results of T-test presented in Table 3 and adopting 0.000 as a level of significance, one can conclude that the third hypothesis is also confirmed i.e. there is a significant difference between public and private sector with regard to the effect of responsiveness on the customer satisfaction and this difference is in favor of private sector.

Table 3 the results of comparing the effect of responsiveness on customer satisfaction in Iran and Parsian insurance

| responsiveness | F-test | Significant level | T-test | Significant level | 95% Confidence interval | |
|-----------------------------|--------|-------------------|--------|-------------------|-------------------------|---------|
| | | | | | Lower | Upper |
| Equal variances assumed | 14.180 | 0.000 | 5.323 | 0.000 | 0.07375 | 0.16017 |
| Equal variances not assumed | | | 5.359 | | 0.000 | 0.07404 |

The results of testing fourth hypothesis presented in Table 4 suggest that there is no significant relationship between assurance of service quality and customer satisfaction in the public and private sectors. Regarding the results of T-test shown in Table 5, the findings are proved to be true.

Table 4. correlation of the effect of assurance on customer satisfaction

| Customer satisfaction | | assurance | |
|-----------------------|----------------------------------|-----------|---------|
| | | public | private |
| | Spearman correlation coefficient | -.013 | -0.084 |
| | Sig(2-tailed) | .863 | 0.271 |
| | N | 200 | 200 |

Table 5. the results of comparing the effect of assurance on customer satisfaction in Iran and Parsian insurance

| Assurance | F-test | Significant level | T-test | Significant level | 95% Confidence interval | |
|-----------------------------|--------|-------------------|--------|-------------------|-------------------------|---------|
| | | | | | Lower | Upper |
| Equal variances assumed | 15.056 | 0.000 | 59.419 | 0.476 | 1.12396 | 1.20091 |
| Equal variances not assumed | | | 58.597 | | 0.469 | 1.12338 |

The results of testing fifth hypothesis show that there is no relationship between empathy of service quality and customer satisfaction in the public sector with value of, but the same relationship has been found in the private sector with value of -0.190 implying an inverse relationship. Analyzing the results of T-test presented in Table 6 and adopting 0.030 as a level of significance, one can conclude that fifth hypothesis is also confirmed i.e. there is a significant difference between public and private sector with regard to the effect of empathy on the customer satisfaction and this difference is in favor of private sector.

Table 6. the results of comparing the effect of empathy on customer satisfaction in Iran and Parsian insurance

| Assurance | F-test | Significant level | T-test | Significant level | 95% Confidence interval | |
|-----------------------------|--------|-------------------|--------|-------------------|-------------------------|----------|
| | | | | | Lower | Upper |
| Equal variances assumed | 25.198 | 0.000 | -2.164 | 0.031 | -0.11865 | -0.00567 |
| Equal variances not assumed | | | -2.185 | | 0.030 | -0.11813 |

5. Conclusion

Regarding high service quality and customer satisfaction of public and private insurance, the findings of the research suggest that there is a significant difference between public and private sectors with respect to the effect of tangible factors and reliability on customer satisfaction and it should be noted that this difference is in favor of private sector, i.e. customers believe that tangible factors and reliability work for public sector, but they have no effect on customer satisfaction. Instead, customers in private sector believe in tangible factors and reliability as key factors affecting their satisfaction. Additionally, it is mentioned that there is a significant difference between public and private sectors with regard to the effect of responsiveness on customer satisfaction and it is also concluded that this difference is in favor of public sector, i.e. to the public nature of these companies, customers, in public sector, expect that managers and employees are accountable for the services promised to customers, but this is not the case in the private sector.

This research also pointed out that there is no significant relationship between public and private sectors with regard to the effect of assurance on customer satisfaction, i.e. Customers of these sectors believe that these factors don't affect their satisfaction. Finally, the results show that there is a significant difference between public and private sector with regard to the effect of empathy on customer satisfaction and this difference is in favor of private sector. According to the findings of the research, the following suggestions are made to open new horizons for improving service quality and promoting customer satisfaction in insurance industry:

- Continuous measurement of customer satisfaction and expectations.
- Defining and evaluating quality from customers' point of view, i.e. updating and implementing service quality standards based on customer needs, analyzing customer complaints to identify its causes and problems and participating actively in quality tests.
- Creating business-oriented work culture consistent with comprehensive quality and customer satisfaction.

6. Acknowledgments

We would like to thank the cooperation of all whose assistance and comments were instrumental in the development of this study.

7. Reference

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