

## **GAPS IN CUSTOMER SERVICES IN INSURANCE INDUSTRY AND STRATEGIES TO CLOSE THESE GAPS**

**MS KAVITA MAHAJAN**

RESEARCH SCHOLAR, PUNJAB TECHNICAL UNIVERSITY, JALANDHAR

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### **ABSTRACT**

Increase in quality service such as improving the service and training of employees of insurance industry to be more pleasant throughout their daily interaction with the public will apparently increase in service quality that can further have a dramatic impact on a insurance firm / industry's survival. Most experts will agree that customer satisfaction is short term, transaction specific measure which as service quality is an attribute formed by long term overall evaluation of performance. The increasing GDP of India will definitely favour the life insurers to make full use of this opportunity. The insurers must understand that insurance is not an alien concept to mankind now. When a new kind of product is launched, the marketer has to create a lot of awareness in the market to make the people understand that the product caters to an important need of the people. If people are convinced about its worth, they might buy it.

**KEYWORDS:** Insurance sector, service quality, gaps, measures.

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### **Introduction:**

In US, service sector is contributing up to 60% of the economy towards GDP whereas in India the contribution not more than 12%. The productivity of insurance service sector is difficult to measure. The **Cape Gemini World Insurance Report** of 2008 describes the penetration of life insurance in India as 'still woefully low'. India had 16% of the world population, but only 1.68% of the world life insurance market in 2006. India is also far behind world averages in terms of insurance penetration, and insurance density. A mere 20% of the insurable population aged 20 to 60 years is currently covered by life insurance. The average number of policies (life/non-life) held by per Indian consumer is just 1.33 as against 5.2 policies per consumer in mature markets.

The two concepts of customer satisfaction and service quality are interviewed but there relationship is not clear. The logic can be

- a) Customer perception of the service quality of a firm which he / she has no prior experience is based on consumer expectations.
- b) Subsequent encounters with the firm lead the consumer through the disconfirmation process and revised perception of service quality
- c) Revised service quality perceptions modify future consumer purchase intentions towards the firm.

To deliver a consistent sort of satisfying experience that can build into an evaluation of high quality requires the entire organization to be focused on the task. The needs of consumer must be understood, and the operational constraints under which the firm operates. Service provider must be focused on quality / the system must be designed to support that mission by being controlled correctly and delivering as it was designed to do.

## **Review of literature**

**Zeithmal, Parasuraman, and Berry (1994)** Business schools have recently been criticized for the failing to prepare students for the increasingly complex, fast paced and global work environments they will face as employees of organizations in the 1990s and beyond. Students must be taught both new content and new skills in order to meet the changing needs of the US Businesses. Services marketing is a prime example of the new content that must be added to business school curricula, since services now account for more than 70% of our GNP. Service marketing courses can also provide an excellent opportunity for students to proactive critical new workplace skills

**Chandhaluk Heesawat (2005)** Understanding the intangibility of a particular service appears to have some level of importance in understanding consumer quality expectations. Managing those expectations means managing the risks a consumer faces when buying a particular service. The service provider who is successful in managing these risks will make it possible for consumers to paint a realistic set of expectations for service quality

**Choudhury, Rahman and Afza (2007)** have found in a survey that a good number of people are choosing insurance companies with a view to earn higher return on deposited money.

**Mohammad et al (2010)** in their research paper have concluded in the resource-constrained climate of the high schools in Iran, where students' expectations are continually increasing, there is a recognized need for managers to update and upgrade their services by implementation of internal marketing concept to assure the quality of educational services. On the basis of students' priorities, this research study suggests that there is considerable scope for applying gap analysis methodology in high school contexts

**Waston, Dastoor, and Koutroumanis, (2012)** in their study extended the literature of organizational culture as it relates to the restaurant industry. The findings have important ramifications for practitioners in the casual dining restaurant industry.. The study also suggests that having good service programs in place and improving service levels will increase repeat business in this particular sector of the restaurant industry. Previous studies revealed that customers in all segments of the restaurant industry have high expectation levels when it comes to service (Meng & Elliot, 2009; Stevens et al., 1995). Meeting and exceeding those expectations is of paramount importance to restaurateurs if they want to increase the frequency of repeat customers. Results indicate that, as proposed, clan culture type is positively related to high levels of perceived service quality and to intentions to return to the restaurant; however market culture type is, as expected, negatively related to intentions to return. The findings lead to practical applications for the restaurant industry with a blueprint for practitioners to develop and improve their service delivery practices in order to generate a larger number of repeat customers.

**Ruhama Goussinsky (2012)** Customer verbal aggression is one job stressor that appears to be inevitable for service workers. Although organizations have almost no control over customer behavior, they can – through training and support – reduce the sense of threat their

employees feel when exposed to customer verbal abuse and increase their sense of self-efficacy. Strengthening employee self-efficacy is one step that organizations can take to help reduce both job burnout and the use of dysfunctional coping strategies, and to thereby contribute to the quality of interaction with customers.

**Research methodology:** Secondary data has been collected from research papers, articles, and websites. The author has used descriptive research method in the research paper to understand the service quality gaps in the life insurance industry.

**Statement of Problem:** The main objective of this paper is

- To study the service quality gaps in life insurance;
- To study the special considerations to the attributes of service gaps pertaining to life insurance industry;
- The strategies that can be adopted to combat the gaps in life insurance service.

## Theoretical interpretations

**Difficulties and diagnosing failures gaps in service delivery.** Many difficulties are inherent in implementing and evaluating service quality.

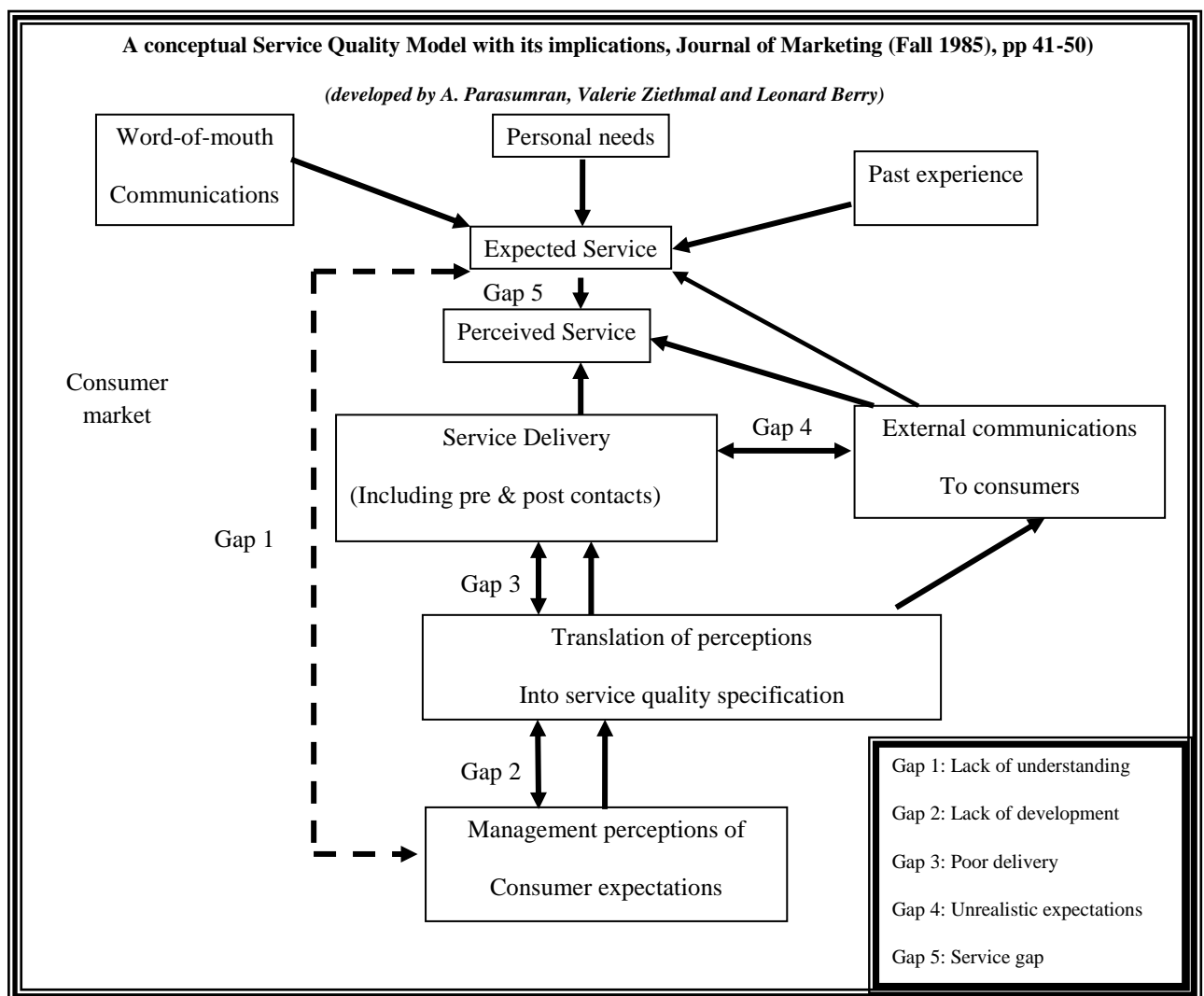
1. Perception of quality tends to rely on a repeated comparison of the customer expectations about a particular service: If a service no matter how good, fails, repeatedly to meet a customer expectation, the customer will perceive that the service to be of poor quality. This will result into *service gap* and the customer evaluates the prices of service as well as its outcome.
2. **Knowledge gap:** it is the difference between what customers expect of a service and what management perceives that consumers expect.
  - a. **Research orientations:** A Service firm reflects its attitude towards conducting consumer research. Information obtained from consumer research defines consumer expectations.
  - b. **Upward communication:** front line personnel interact with customer needs that the top management as the flow of upward information is high knowledge gap is low.
  - c. **Levels of management:** as the organization hierarchy becomes more complex and more levels of management are added, higher levels of management tend to become more distant from customers and day to day activities of the organization. When the levels of management increase, the size of knowledge gap tends to increase.
3. **Standards gap:** the difference between what management perceives that consumer expect and the quality specification set for service delivery. **Standards gap:** while developing standards, the firm should use a flowchart of its operations to identify all points of contact between it and its customers e.g. acknowledge the customer upon arrival, establishing eye contact, smiling, completing the proper paper work, and

extending hospitality at waiting area, queuing system for all customers, etc. Detailed standards can be written for

- a) ways the systems should operate
- b) behaviour of the contact personnel at each point in the system.

**4. Delivery gap:** the difference between the quality specification set for service delivery and the actual quality of service delivered,

**5. Communication gap:** it is the difference between the actual quality of service delivered and the quality of service described in the firm's external communication such as brochures and advertisements.



**Methods of enhancing Service quality:** There are a large number of techniques which can be employed to monitor service quality. These fall largely into four main categories such as:

- a) **Benchmarking:** the organization which has fully researched quality issues in both of its internal and external markets should now be in a position to set quality standards which can be regulated and monitored and can also meet customary requirements successfully. An

index in which personal scoring or weighing system which takes into account the different characteristics of the subject for measurement should also be developed. This will enable service providers to measure performance and quality between different sized branches or based on newness of the service activity in a particular market sector. This should take into account the standards against which competitors will operate and should reflect optimum quality standards within the competitive environment. This may also mean taking into account the standards set by indirect competitors, as well as, organization offering the same services. E.g. banks, life and general insurance companies, brokers, etc.

- b) **Internal performance analysis:** many organizations have undertaken this practice to measure the success of their planning, not necessarily relating solely to quality. Quality benchmarks will be used in the internal performance analysis to measure the quality standards being achieved in practice. Steps should be taken very quickly to rectify and make up shortfall in service quality on a regular basis. Sales figures and other internal reporting data which is not directly quality based should also be referred to in monitoring service quality. Staff at all levels should be involved in the monitoring process and should be encouraged to be proactive in identifying and resolving quality problems. Internal Marketing research should ensure that no further quality gap arises and that staff are satisfied and are working together for optimum service quality.
- c) **Specialist market research:** A mystery shopper – a trained Market researcher will research the branches of service provider and pose as an ordinary customer. This will assess many aspects as the expertise of the staff, courtesy, and response times and will report back their findings. The purpose is to monitor overall standards and impression of quality facilities and physical evidences is to ensure that plans and programmes are working effectively to achieve standards.
- d) **Proceed with caution:** Results of customer survey can be used to classify product service attributes into three attributes
  - a. **Essential:** core requirements of the customer i.e. key performance attributes.
  - b. **Desirable:** when all essential attributes of service are just satisfied. (usually additional items)
  - c. **Unexpected:** when the customer is really satisfied, (entire essential as well as some desirable attributes are met) when he gets something totally unexpected that he is delighted.
- e) **Qualitative assessments:** A market researcher can easily assess the customer dissatisfaction from the drop in the sales of the product but it may take a lot of time before one gets to know of the dissatisfaction of customer through drop in sales / market share. If one keeps on measuring customer satisfaction on timely basis one can take corrective action and prevent the drop in sales volume and market share before it is too late.
- f) **Moving towards competitive assessment.** The instrument for measuring customer satisfaction should also be used to find the competitive situation. The result of surveys would not only reveal the level of satisfaction of customer of different types in absolute terms but would also provide information of how it compares with competitors. This

information will prove extremely useful in forming strategies to measure customer satisfaction as well as combat competition:

1. **Market Perceived Quality:** Quality of a product / service perceived by the customers is a very important factor for its success in the market place. MPQ tells the relative importance, company's performance, as well as the performance of three important competitors. It brings out the area on which the company has to work on priority to improve its competitive position in the market.
2. **Application of Survey Results & MPQ:** A Gap analysis matrix showing company's competitive strength in a characteristic on X axis and its importance on Y axis can be prepared. Depending on the position of a characteristic on the matrix, the company can decide the appropriate strategy with respect to the characteristics. There are some risks however to defining service quality primarily in terms of customer's satisfaction with customer relative to their prior expectation. Satisfaction based research into quality assumes that customers are dealing with services that are high in search or experience characteristics.
3. **Return on Quality and Analysis.** Return on quality is new management evaluation concept and the financial payoff expected from an investment in a service quality program. Return on quality analysis is measure step wise.

**Step 1** – Calculate and compare cost of current quality programs including problems, prevention, monitoring and warranting.

**Step 2** – Determine the key factors will retain customer and causes them to leave competition.

**Step 3** – focus on quality initiatives that are most likely customer satisfaction at a reasonable cost.

**Step 4** – test market the most feasible quality improvement programs.

**Step 5** – roll out and monitor the results of successful quality programs

**Step 6** – continually improve and monitor the quality programs results.

4. **Designing An Improvement Plan:** the improvement plan consists of making use of the information collected from the survey and MPQ for increasing the level of customer satisfaction leading to enhanced competitiveness in the market place and excellence in customer satisfaction.

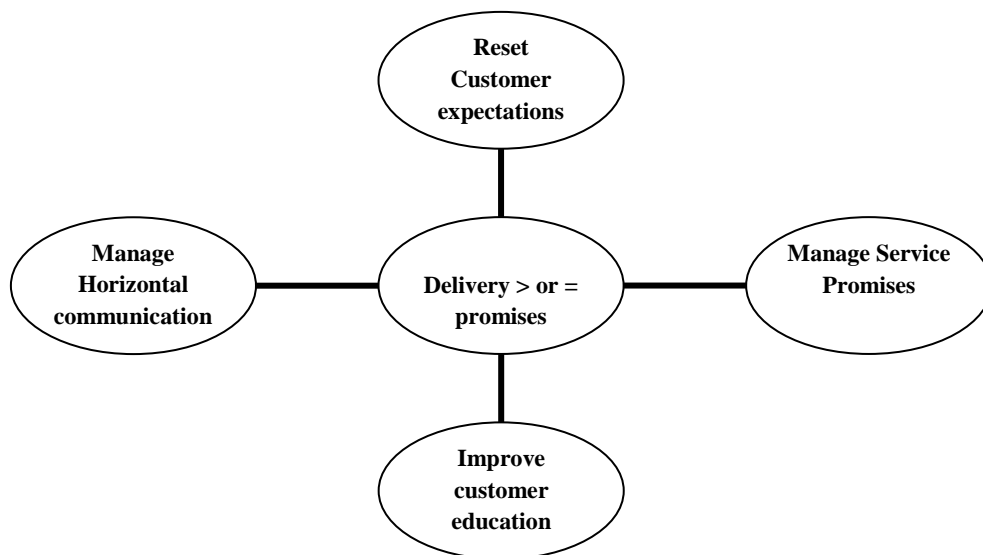
**Step 1 → Gap Analysis:** The data collected from surveys reveals the gaps between expected and perceived services. The company should refine and tune its internal measures to eliminate or minimize the gaps. The GAP ANALYSIS MATRIX can be prepared on the basis of four section / quadrants. Quadrant A – Characteristics of Services , Quadrant B – Character of high importance to customers, Quadrant C - Areas of urgent need for improvement but not of high importance but in which the company is strong and Quadrant D – includes those characteristics that are of high importance to customers on which the company is also wrong.

<b>Importance to customers</b>		<b>Company's strength</b>	
		<b>Low</b>	<b>High</b>
	<b>High</b>	<b>B</b>	<b>D</b>
	<b>Low</b>	<b>A</b>	<b>C</b>

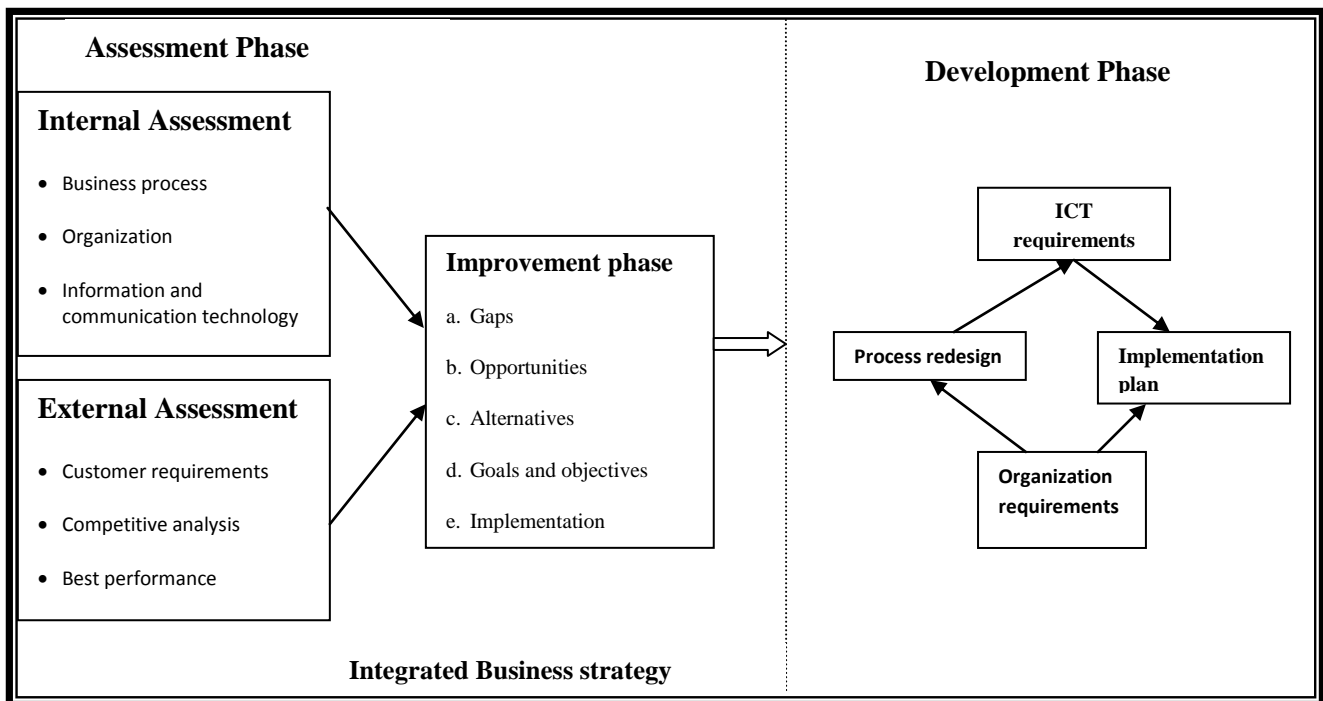
**Step 2 → Solving Problems of Customers:** a good complaint handling system should take care of customer's problems if they complain. Essential components of a good system for solving customer's problems include a well designed problem solving process and employees trained and empowered to solve them. If the customer problems are solved well in time, the customer satisfaction can turn them into loyal customers.

**Step 3 → Preventing recurrence of problem:** the employees should be shared information about the causes of dissatisfaction of customers and guided well in time to prevent recurrence of problems. Standards of customer services have to be set and deployed. Employees should be trained to meet the set standards consistently.

**Step 4 → Managing customer expectation:** the companies should communicate with customers immediately after the service is completed to see if expectations were met. Firm can use a follow up program such as an evaluation survey sent through dissatisfied customer. Primary goal is to communicate with customers is to see if the expectations were met and secondary goal is to modify future expectation to increase the chances of repeat purchase



**Step 5 → Influencing Strategies:** the strategy needs to be developed at the senior management level to ensure that all aspects are taken into account and to create high level acceptance for the new situation.



**Conclusion:** Looking internally at quality and delivery many service organizations may have a service quality system, policies, process, and procedures in place to support their ability to deliver the levels of service and support that their customers require.

The following measures should urgently be taken by the insurers:

- Insurance awareness to be spread.
- New employees have to understand insurance market properly. The students taken from campus placement → MBA (insurance) should be preferred over students with MBA specialization in other streams (HR / Production); as they are more converse with insurance and comfortable and ready to understand the terms and conditions of policies.
- The institutes like NIA and III are offering courses for the insurance sales personnel, these courses can be opted by the employees of insurance companies for career advancement. The companies can also offer increments and promotions to different departments within the organization to the people who have qualified these courses. (Licenciate, associateship and Fellowship)
- Employees (in Operations and Accounts department) can be utilized in Direct Marketing of products.
- Involve customers in developing products (through customer suggestions and feedback for modification in the products).

A sound quality system will always lead to improvement in service operations which in turn a service firm market driven.



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