

Assessment of the Relation Between Service Quality and Customer Loyalty (Case Study: Iran Insurance Co)

Farzaneh Yekrang Safakar¹, Maryam Haghshenas², Abouzar Sadeghzadeh³

¹Management, Rasht Azad University, Rasht, Iran

²Media Management, University of Tehran, Tehran, Iran

³Electronics & Telecoms Engineering, University of Bradford, Bradford, UK

Email address

farzaneh_yekrangsafakar@yahoo.com (F. Y. Safakar), M_haghshenas@ut.ac.ir (M. Haghshenas),
abouzar_10@hotmail.com (A. Sadeghzadeh)

To cite this article

Farzaneh Yekrang Safakar, Maryam Haghshenas, Abouzar Sadeghzadeh. Assessment of the Relation Between Service Quality and Customer Loyalty (Case Study: Iran Insurance Co). *American Journal of Business, Economics and Management*. Vol. 4, No. 5, 2016, pp. 102-106.

Received: July 27, 2016; Accepted: August 8, 2016; Published: August 25, 2016

Abstract

The aim of this paper is to assess the effect of service quality on customer loyalty for Iran Insurance Company's Tehran province customers. In order to evaluate service quality, Servprov's performance based scale model was utilized. This model consists of physical appearance, reliability, answerability, guarantee, and empathy aspects. For customer loyalty assessment, factors such as purchase repetition and referrals to others were considered. The research is descriptive and Likert's multiple answer survey was used. The statistical audience consisted of all Iran Insurance's customers in the province of Tehran. The statistical sample was formed by 420 individuals who were selected by random sampling. For correlation analysis, Pearson's correlation analysis was used. Results showed that at 95% reliability, service quality had significant effect on customer loyalty.

Keywords

Physical Appearance, Answerability, Guarantee, Reliability, Empathy, Servprov Model, Customer Loyalty

1. Introduction

In today's competitive era, companies and organizations will not succeed without paying attention to customer needs and satisfaction. Recent studies indicate that service quality is more effective compared to the product or service features when it comes to customer loyalty and successful sales. Service quality is significantly effective in terms of minimizing costs, increasing customer satisfaction and loyalty, increasing profits and the general performance of the organization. The aim of this paper is to introduce the concept of service quality and its value for corporations. A case study of an Iranian insurance company is used by utilizing Servprov's model to evaluate service quality on customer loyalty.

1.1. Performance Evaluation Model (Servprov)

Cronin and Taylor (2004) assessed the relationship gap between expectations and performance as a basis to evaluate service quality using Servprov's scalable model which takes into account customers' perception of performance. Based on their studies, Servprov's model is an adjusted concept of service quality measurement based on the Servqual scale.

In more recent studies, Brady et al (2002) prioritized Servprov's model as a suitable method to measure service quality and stated that in cases where there are customer satisfaction discrepancies concerning customer perception of service quality (expectations) and performance, Servprov's model is superior to Servqual.

1.2. Literature Review

In order to provide optimal services for customers, a system should be utilized that aids in the prediction of customer requirements. Access to precise and timely information enables prompt response to customer complaints and commitment to the provision of credible services (Chen, 2014).

Shekari (2015), carried out research in Saman Bank and concluded that service quality had significant and positive effect on customer loyalty.

One of the most prominent factors which come under the external communications category are prices of services (Lavlack, 2007). A company that can provide higher quality services compared to other companies will have a competitive advantage (Haghighi et al, 2005)

Purchase repetition is not only an optional reaction but is the result of psychological, emotional and normative factors (Miller, 2006).

1.3. Research Hypotheses

Main Hypothesis

There is a significant relation between service quality and customer loyalty for Iran Insurance Co.'s Tehran province customers.

Sub-hypotheses

- 1) There is a significant relation between the physical aspect and customer loyalty for Iran Insurance Co.'s Tehran province customers.
- 2) There is significant relation between the answerability aspect and customer loyalty for Iran Insurance Co.'s Tehran province customers.
- 3) There is significant relation between the guarantee aspect and customer loyalty for Iran Insurance Co.'s Tehran province customers.
- 4) There is significant relation between the reliability aspect and customer loyalty for Iran Insurance Co.'s Tehran province customers.
- 5) There is significant relation between empathy and customer loyalty for Iran Insurance Co.'s Tehran province customers.

1.4. Research Implementation Process

First, main research variables were identified and hypothesis were formed based on the theoretical framework and research model by assessing the research literature. Then, data for evaluation and assessment of the identified variables were gathered by carrying out surveys on Iran Insurance Co.'s Tehran province customers. Gathered data was then analyzed using the SPSS19 software. Following the analysis, descriptive characteristics of relevant variables and tables were calculated. Variable distribution traits were then assessed and results were compared with the hypothesis.

1.5. Research Method

Cochran's method was used to determine the statistical

sample since the total audience was formed by all customers of Iran Insurance Co. within Tehran province.

$$n = \frac{z_{\alpha/2}^2 S_x^2}{\epsilon^2} = \frac{(1.96)^2 \times (0.522)^2}{(0.05)^2} = 420$$

n= sample volume

$\alpha = 0 / 05$ Error rate

$\epsilon = 0 / 05$ Estimated error rate

S_x^2 Sample variance

$$Z_{\frac{\alpha}{2}} = 1.96$$

By placing the stated values in the formula, the result was a statistical sample of 420.

1.6. Sampling Method

In this research random sampling was used. From each 10 referrals, one person was selected and handed a survey. Therefore the sampling distance was 10 and considering the 420 sampling volume and 28 insurance offices, 15 surveys were distributed randomly in company branches. (Surveys were distributed in all company branches).

1.7. Kolmogorov-Smirnov's Test

Kolmogorov-Smirnov indicate the normality of data distribution. When data distribution is normal, the parametric test can be utilized otherwise the nonparametric test is used. Upon SPSS analysis using the Kolmogorov-Smirnov test, if P is less than 0.05, this indicates distribution abnormality which entails the use of a nonparametric test. Therefore, if the result is not significant the possibility of using a parametric test exists (Azar, 2008).

1.8. Pearson's Correlation Coefficient

In the implementation process, all completed surveys were gathered and raw data was extracted for descriptive and hypothesis purposes using computer software. This data was then analyzed using the SPSS 19 software and converted into required information in two steps. In the first step which consisted of the descriptive analysis, gathered data was presented in the form of descriptive statistics tables, bar charts and histograms. In the second step which consisted of inferential analysis, the correlation coefficient test was assessed. Finally, conclusions were drawn for the acceptance or rejection of the statistical hypothesis.

1.9. Normality Test

Table 1. Kolmogorov-Smirnov test for research variables.

	Test statistics	Significance level
loyalty	1.387	0.055
Service quality	1.288	0.062

According to table 1, the significance level obtained from the Kolmogorov-Smirnov test is over 0.05 therefore research variables in the statistical sample have normal distribution.

2. Research Findings

2.1. Demographic Variables of Respondents

Table 2. Respondents' gender variable.

	Frequency	Percentage
Male	297	70.7
Female	115	27.4
Total	412	98.1
Without response	8	1.9
Total	420	100

Table 3. Respondents' age variable.

	Frequency	Percentage
Under 30	105	25
Between 30 to 40	210	50
Between 40 to 50	64	15.2
Over 50	41	9.8
Total	420	100

Table 4. Respondents' education level.

	Frequency	Percentage
Diploma and under	46	11
Post diploma	65	15.5
Bachelor degree	206	49
Master degree	89	21.2
Total	406	96.7
Without response	14	3.3
Total	420	100

Research variables description

Table 5. Loyalty variable.

Variable descriptive index	Number	Minimum	Maximum	Mean	Standard Deviation	Variance
loyalty	420	1.56	5	3.6407	0.62410	0.389

Table 6. Service quality variable.

Descriptive variable index	Number	Minimum	Maximum	Mean	Standard deviation	Variance
Service quality	420	1.43	5	3.6565	0.65785	0.433

Table 7. Service quality aspects.

Descriptive statistics variable	Number	Minimum	Maximum	Mean	Standard deviation	Variance
Tangible factors	420	1.6	5	3.5776	0.68532	0.470
Reliability	420	1	5	3.7292	0.81180	0.659
Answerability	420	1.2	5	3.6148	0.75194	0.565
Guarantee	420	1	5	3.7373	0.74663	0.557
Empathy	420	1	5	3.6238	0.79386	0.630

2.2. Hypotheses Testing

Main Hypothesis

1. There is a significant relation between customer loyalty and service quality concerning Iran Insurance Co.'s Tehran province customers
2. There is no significant relation between customer loyalty and service quality concerning Iran Insurance Co.'s Tehran province customers

Table 8. Correlation coefficient between service quality and customer loyalty.

Variables	Number	Correlation coefficient	Significance level	Results
Service quality and customer loyalty	420	0.799	0.000	Hypothesis approved

According to table 8, Sig=0.000 < 0.05 therefore H1 is approved. There is significant relation between customer loyalty and service quality for Iran Insurance Co.’s Tehran province customers.

In regard to the sub-hypotheses, significance levels were under 0.05 therefore the following conclusions are drawn:

1. There is a significant relation between the physical aspect and customer loyalty for Iran Insurance Co.’s Tehran province customers
2. There is a significant relation between the answerability aspect and customer loyalty for Iran Insurance Co.’s Tehran province customers
3. There is a significant relation between the guarantee aspect and customer loyalty for Iran Insurance Co.’s Tehran province customers
4. There is a significant relation between the reliability aspect and customer loyalty for Iran Insurance Co.’s Tehran province customers

3. Conclusion

Results assessment and analysis

1) Descriptive statistics analysis

From 420 total respondents, 70.7% (297 individuals) were men and 27.4% (115 individuals) were women. 1.9% of questionnaires were left unanswered. 25% of respondents were under the age of 30, 50% were between 30 and 40, 15.2% were between 40 and 50 and 9.8% were over the age of 50. In terms of education level, 49% had a bachelor degree, 21.2% had a master degree, 15.5% had a post diploma and 11% had a diploma. Also, 3.3% of questionnaires were left unanswered.

2) Research variables description

The loyalty variable had minimum value of 1.56, maximum value 5, mean value 3.6407, standard deviation of 0.62410 and variance of 0.389.

The quality variable had minimum value of 1.43, maximum value 5, mean value 3.6565, standard deviation 0.65785 and variance 0.433.

3) Inferential statistics results

Since Sig=0.000 < 0.05 therefore H1 is approved. There is significant relation between customer loyalty and service quality for Iran Insurance Co.’s Tehran province customers. In regard to obtained results in the results section, all sub-hypothesis are also approved.

Suggestions

Practical Suggestions

Considering the validation of the first sub-hypothesis in terms of increasing service quality by physical aspects, it is suggested that:

- Personnel that are in direct contact with customers

should wear uniforms

- Personnel should place their work tools neatly and in place

Considering the validation of the second sub-hypothesis in terms of increasing service quality by improving answerability, it is suggested that:

- Personnel communicate with customers directly either by telephone or in person
- A 24/7 response system set up to consult and guide customers

Considering the validation of the third sub-hypothesis in terms of increasing service quality by improving the guarantee aspect, it is suggested that:

- Insurance coverage is increased to guarantee customers with adequate coverage

Considering the validation of the fourth sub-hypothesis in terms of increasing service quality by increasing reliability, it is suggested that:

- Reliable individuals are hired
- Customer files are documented in their personal files

Considering the validation of the final sub-hypothesis in terms of increasing service quality by increasing empathy, it is suggested that:

- Hold various training courses for personnel to understand the value of customer orientation
- Hold training courses for personnel to enhance understanding of customer requirements

Suggestions for further research

- It is suggested that surveys are distributed between customers that have at least a year of insurance coverage by Iran Insurance Co.
- It is suggested that researchers use other methods for evaluating service quality such as the Parasuraman method

Research Restrictions

- Due to limitations in identifying customers with at least a year of experience with Iran Insurance Co., surveys were distributed between customers that were present during the time of distribution
- Due to customers being reluctant to answer longer surveys, the Parasuraman method which consists of ten aspects could not be utilized

References

- [1] Azar, Adel and Momeni (2008), “statistics and its practical uses in management”, first edition, Semat Publications, Tehran, p 67-71.
- [2] Shekari, Gholamabas (2015), “Assessment of service quality and its relation with customer loyalty in Saman Bank”, Masters Dissertation, Mashhad Azad University, p 27-42.

- [3] Christopher Lavlack, Lauren Right (2007), "Principles and Management of Services Marketing", Semat Publications, p 33-60.
- [4] Haghighi, Mehdi (2015), "Comparison of Governmental and Private Sector Insurance Companies in Iran's Insurance Industry", 3rd Edition, p 47-55.
- [5] Brady, M. K., Cronin, J. J, (2002). And Brand, R. R. "Performance only Measurement of Service Quality: A Replication and Extension ", Journal of Business Research, Vol.55, No.1, pp17-31.
- [6] Taylor, S.A, Goodwin, S. (2004)"The importance of brand quality to customer loyalty", Journal of product & Brand management, vol. 13. No. 4. pp 217-227.
- [7] Abouzar Sadeghzadeh, M Haghshenas, M Nassiri Yar, R Shahbazi, "The Measurement of Factors Influencing User Satisfaction in a FLMS", IGI Global, volume 3, issue 2, 2015.
- [8] Chen, HJ. (2014). "Exploring Relationships among Health Care Quality and Patient Satisfaction on Patient Loyalty by Applying PZB Model" [Thesis]. China: Institute of Health Care management.
- [9] Melter J. J., Hansan T, (2006)." An Empirical examination of brand loyalty "Journal of Product & Brand Management, No.7, pp442-445.vol15.
- [10] Mohammad Ghamari, Balazs Janko, R. Simon Sherratt, William Harwin, Robert Piechockic and Cinna Soltanpur, "A Survey on Wireless Body Area Networks for e-Healthcare Systems in Residential Environments", Multidisciplinary Digital Publishing Institute (MDPI), volume 16, issue 6, 2016.
- [11] Maryam Haghshenas, Abouzar Sadeghzadeh, Mojtaba Nassiriyar, Roghayeh Shahbazi, "Higher Education-Workforce Relationship and Higher Education Job Satisfaction", IGI Global, 2015.