



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**THE IMPACT OF QUALITY SERVICE DELIVERY ON CUSTOMER
SATISFACTION AT OROMIA INSURANCE S.C**

**BY
LENSA KUMA
ID NO: SGS/0058/2006**

**DECEMBER, 2015
ADDIS ABABA, ETHIOPIA**



**THE IMPACT OF QUALITY SERVICE DELIVERY ON CUSTOMER
SATISFACTION AT OROMIA INSURANCE S.C**

**BY
LENSA KUMA
ID NO: SGS/0058/2006**

**A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (MBA)**

**DECEMBER, 2015
ADDIS ABABA, ETHIOPIA**

**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS**

**THE IMPACT OF QUALITY SERVICE DELIVERY ON CUSTOMER
SATISFACTION AT OROMIA INSURANCE S.C**

**BY
LENSA KUMA**

APPROVED BY BOARD OF EXAMINERS

DEAN, GRADUATE STUDIES

SIGNATURE

ADVISOR

SIGNATURE

EXTERNAL EXAMINER

SIGNATURE

INTERNAL EXAMINER

SIGNATURE

Table of Contents

Table of Contents	iv
Acknowledgements	viii
List of Abbreviations and Acronyms	ix
List of Tables.....	x
List of Figures.....	xi
Abstract.....	xii
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study.....	1
1.2 Statement of the Problem	2
1.3 Research Questions	3
1.4 Objectives of the Study	4
1.4.1 General Objective	4
1.4.2 Specific Objectives	4
1.5 Significance of the Study	4
1.6 Scope of the Study.....	5
1.7 Limitation of the Study	5
1.8 Organization of the Study	5
CHAPTER TWO: LITERATURE REVIEW	6
2.1 Service.....	6
2.2 Characteristics of Services	7
2.2.1 Intangibility of Services	7
2.2.2 Inseparability of Services	7
2.2.3 Variability of Services	8
2.2.4 Perishability of Services	8

2.3 Service Quality	8
2.3.1 Tangibility	9
2.3.2 Reliability	9
2.3.3 Responsiveness	10
2.3.4 Assurance	10
2.3.5 Empathy	10
2.4 Customer Satisfaction	10
2.5 Models for Measuring Customer Satisfaction	11
2.5.1 SERVQUAL Model	11
2.5.2 The KANO Model	12
2.5.2.1 Basic Factors	12
2.5.2.2 Excitement Factors	12
2.5.2.3 Performance Factors	12
2.5.3 The Profit -Chain Model	12
2.6 Variability in the Service Process Model (Wharton)	13
2.7 The Common Measurements Tool (CMT)	14
2.8 The Customer Satisfaction Index (CSI)	14
2.9 Service Quality and Customer Satisfaction	15
2.10 Consumers Expectation of Service Quality	16
2.11 Consumers Perception of Service Quality	17
2.12 Measuring Customer Satisfaction in the Insurance Industry	17
2.13 The Need to Measure Customer Satisfaction	18
2.14 Service Quality Gaps Model	19
2.15 Conceptual Framework	19

CHAPTER THREE: RESEARCH DESIGN AND METHODS	21
3.1 Research Design	21
3.2 The Research Participants	21
3.3 Sample Size and Technique of Sampling	22
3.4 Method of Data Collection	23
3.5 Procedures of Data Collection.....	23
3.6 Method of Data Analysis.....	24
3.7 Validity and Reliability of the Instrument.....	24
3.8 Ethical Considerations.....	25
CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION OF RESULTS	26
4.1 Background Information of Respondents	26
4.2 Service Quality and Customers' Expectation.....	29
4.3 Service Quality Perception of Customers	29
4.3.1 The Tangibility Dimension	29
4.3.2 The Reliability Dimension	32
4.3.3 The Responsiveness Dimension.....	34
4.3.4 The Assurance Dimension	37
4.3.5 The Empathy Dimension.....	39
CHAPTER FIVE: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS	42
5.1 Summary of Major Findings	42
5.1.1 Tangibility Dimension	42 <u>2</u>
5.1.2 Reliability Dimension	43 <u>3</u>
5.1.3 Responsiveness Dimension	43 <u>3</u>
5.1.4 Assurance Dimension	43 <u>3</u>
5.1.5 Empathy Dimension	43

5.2 Conclusion.....	44 <u>4</u>
5.3 Recommendations	45
REFERENCES	48
APPENDICES	52
Appendix A: Questionnaire.....	52
Appendix B: Organization Structure.....	59
DECLARATION.....	60
ENDORSEMENT	61

Acknowledgements

First, I would like to thank my advisor Dr. Tilaye Kassahun, for his fruitful support and his invaluable comments to improve the quality of the work. So, I remain grateful and thankful always.

My thank also goes to employees of Oromia Insurance Company in general and those working in marketing section in particular for cooperating me by providing the required information.

I am not indebted only to these contributors but also to many other institutions such as Get-As International, Abbahawa Trading, Abyssinia Profile, Oromia International Bank and many others, who have showed me a welcoming face and were willing to devote their valuable time filling the questionnaires. Without their kind cooperation, this study would not have been completed and become a reality.

I owe special thanks to my father Ato Kuma Jebessa who always has a dream to see a better daughter in her carrier. My mom, W/O Tenagne Tadesse, I am indebted to her for being such a strong mother to support me financially and emotionally. My brother, Yosen Kuma you give me a priceless emotional support by being with me all the time.

I also would like to thank my uncles Fikadu Tadesse and Sintayehu Tadesse, my friend Mesi who helped me financially, by providing materials and professionally.

Finally, yet importantly, I would like to express my appreciation to Aschalew Yimer, for his invaluable comments on the structure and language of the paper.

Above all, thanks my Almighty God for being my strength from the start to end!!

List of Abbreviations and Acronyms

OIC: Oromia Insurance Company

SERVQUAL: Service Quality

SPSS: Statistical Package for Social Sciences

List of Tables

Table 1: Background Information of Respondents	28
Table 2: Mean and standard deviation for Tangibility responses	30
Table 3: Mean and standard deviation for Reliability responses	32
Table 4: Mean and standard deviation for Responsiveness responses.....	35
Table 5: Mean and standard deviation for Assurance responses	37
Table 6: Mean and standard deviation for Empathy responses	39

List of Figures

Figure 1: Conceptual Framework.....	20
Figure 2: Sex Distribution	27
Figure 3: Age Distribution.....	27

Abstract

This research examined the effect of service quality on customer satisfaction in case of Oromia Insurance S.C. service. Service quality has been defined as a difference between customers' service perception and expectations. To achieve the objectives of this study, data was collected through questionnaire from a sample of 319 major customers of Oromia Insurance S.C. These respondents were selected using judgmental sampling method. The data collected from the questionnaire were analyzed using Descriptive Statistical tools such as counts, percentage, mean, and standard deviation. The results of this study indicate that except tangibility the four service quality dimensions (reliability, responsiveness, assurance, and empathy) have negative and significant difference with customers' expectations. Furthermore, customers were most dissatisfied with the reliability dimensions of service quality. On the contrary, customers were more satisfied with tangibility and empathy dimensions of service quality. Based on the findings of the study, the researcher forwards some recommendations for Oromia Insurance S.C. managements such as the company must improve its service quality and consistency of performance as well as on improvement of customer handling and service process.

Key Words: Service Quality, Customer Satisfaction

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Customer satisfaction and service quality remain critical issues in most service industries, and are even more important for financial service providers that offer generally undifferentiated products. For example, in the insurance industry, the major approach to differentiation and the principal means by which one insurer can distinguish itself from another is service before and after the sale of the policy (Stafford and Wells, 1996). Otherwise, companies are generally unable to differentiate based on market offerings because insurance providers offer state-mandated standardized products.

In an increasingly competitive environment, service quality as an essential strategy for success and survival has attracted increasing attention in the past 20 years (Ismail et al., 2006). Thus, companies need to pay keen attention to their customers and must understand their customers' needs and wants so as to meet or exceed their expectations. In this context, customers are considered as *kings* since customer satisfaction is what guarantees for their success and survival. To remain competitive, especially, service providers must render quality service to their customers. Moreover, understanding and meeting customers' expectations and subsequently being different by providing best quality service are important in order to survive in today's globalizing world.

Defining service quality is not as simple as defining product quality because of the nature of services. Parasuraman et al. (1985) have developed service quality measurement tool (SERVQUAL) and defined service quality as the gap between customer expectation and perception based on five dimensions. They further define consumer's perception of service quality as a function of the difference between expectations about the performance of a general class of service providers and assessment of the actual performance of a specific firm within that class. The five dimensions of service quality identified by the authors are: tangibles, reliability, responsiveness, assurance and empathy.

The concept of customer satisfaction occupies a central position in marketing thought and practice. Many companies today are aiming for Total Customer Satisfaction (TCS). Although a variety of alternative definitions exist, the most popular definition of customer satisfaction is given by K. Douglas & John E.G (2008) which is a comparison of customer expectations to perceptions regarding the actual service encounter. Oliver (1981) who defined customer satisfaction as a judgment of

product or service providing a pleasurable level of consumption-related fulfillment, including levels of under-or-over-fulfillment, gives the other definition of customer satisfaction. According to Kotler (2002), customer satisfaction is the levels of one's feelings after comparing the performance (results) are perceived as compared with expectations. Thus, this is the reason behind why companies direct their business activities to produce goods and services that can provide best satisfaction to consumers. Pertaining to the above, the focus of this study is to examine the level of service quality provision by Oromia Insurance Company.

Oromia Insurance S.C was established and licensed by the National Bank of Ethiopia to carry on general business on 26 January 2009 and commenced operation on 9 February 2009. It was established by 540 founding shareholders (now 815) with paid up capital of Birr 26 million (now 84.6 million) and subscribed capital of Birr 85.084 million (<http://oromiainsurancecompany.com.et>).

Currently the Insurance Industry in Ethiopia is relatively in a high competition among insurance companies. The intense competition among the firms is mainly based on premium rate, market proximity, promotion and advertisement etc. to attract new customers and to retain the existing ones. In order to win the customer, companies should begin to devise mechanisms to attract new customers and to retain existing ones by improving their service quality level.

Moreover, like any business, insurance business need to attract and establish a customer market and would need to retain it through satisfaction. That is the key to its business performance (Johnson et al., 2000). In order to attain this goal, a company should have a high satisfaction rate from its clients. The increasing competition, is forcing the business sectors to pay much and more attention to satisfying customers (Management library, 2008). Therefore, exploiting the opportunities, maintaining and improving the service excellence and measuring the current level of customers satisfaction level is necessary.

1.2 Statement of the Problem

Insurance by its nature does not produce tangible goods but provides services which must meet the requirements of its customers. Measuring services by its intangible nature is very difficult. It is also often difficult to standardize or to make insurance services uniform because the quality of service perceived by each individual may be different depending on the circumstances of the type of cover needed, the nature of the risk, type of loss in the case of claims and also the level of professionalism displayed by employee specially in the front line officers.

So the greatest challenges posed to insurance companies is setting standards and adopting appropriate parameter for measuring customer satisfaction performance over time. Each insurance company that wants to continually satisfy its customers' needs has to do customer satisfaction analysis. By doing so, a company can identify and understand the need of customers. In this regard, a study conducted on financial institution by Ethiopian Economic Association (2012) shows that:

The insurance industry in the country is not dynamic as it should be the service is traditional, not differentiated. In addition to this, there are some common problems faced by consumers when it comes to service delivery. These are lack of creating awareness on the terms of the policy, prompt claims settlement method, poor risk assessment as a result insufficient recommendation by the service provider to the customer in order to minimize the happening of the loss, delay in communication, unprofessional conduct, inflexible service, in availability of staff for advise at time of claims due to rigid working hours which leads to dissatisfaction (Ethiopian Economic Association (2012: p. 84).

In relation to this, the main purpose of this study is also to assess service quality of Oromia Insurance S.C using the five dimensions of SERVQUAL model and its subsequent effect on customer satisfaction. SERVQUAL is selected for this study because of the nature of the research title which best fits and also in order to bring out the best result out of this study. Moreover, it is a widely-accepted quality assessment tool (Hemmasi *et al.*, 1994, p. 25; Jensen and Markland, 1996, p. 39).

Pertaining to the above, the researcher of this study will attempt to investigate the perceptions of customers towards the quality of insurance service of Oromia Insurance S.C and attributes that customers used to judge service quality of the company.

1.3 Research Questions

In order to assess the level of satisfaction of the customers the study anticipates finding possible and relevant responses for the following questions;

1. What is the level of service quality of Oromia Insurance Company?
2. What meaningful difference exists between customers' expectations and their perceptions regarding Oromia Insurance Company service?

3. What is the relationship between service quality and customer satisfaction of Oromia Insurance Company?
4. What challenges do customers face in relation to Oromia Insurance Company service quality and how to overcome it?

1.4 Objectives of the Study

1.4.1 General Objective

The main purpose of this study is to assess and know the current satisfaction/dissatisfaction level of customers with regard to insurance service provided to them and also to recommend possible remedial solutions that should be undertaken by the concerned working unit in order to improve the service quality.

1.4.2 Specific Objectives

1. Assess the level of service quality of Oromia Insurance Company.
2. Identifying the extents of differences exist between customers' expectation and their perception.
3. To describe the relationship between service quality and customer satisfaction of Oromia Insurance Company service.
4. To assess the impact of customer dissatisfaction with respect to the provided service and provide recommendations which enable the company to improve its service quality.

1.5 Significance of the Study

In general, customer satisfaction studies provide formal means of customer feedback's to the insurance service received, which may also help to identify existing and potential problems. It also conveys a message to customers that the company cares about their well-being and values customer input concerning operations. In specific terms, this study is believed to have the following importance:

1. It helps to identify the level of satisfaction/dissatisfaction in the prevailing insurance operation and to recommend possible solutions on the cause(s) or dissatisfying factors.
2. The research is important to Oromia Insurance Company to recognize the gap between customer's expectation and their perception towards the service.
3. The study will enhance the understanding level of management about the level of customer satisfaction/dissatisfaction and in turn give more emphasis to the outcome of the study.
4. The finding of the study might be used as source document for further similar study.

1.6 Scope of the Study

With an aim to explore the level of customer satisfaction and service quality at Oromia Insurance Company, the scope of the thesis was delimited to major customers who were registered in Addis Ababa city branches. Addis Ababa city branches were selected since the majority of insurance service users were found in the city branches. In addition, the researcher limited the respondents to major customers of the company owing to their attachments to the company under study; In fact, they are already labeled as major customers.

Besides, it was practically unattainable to include all customers across branches of Oromia Insurance Company due to the huge number of customers. If all customers in all of the branches the company operates had been included, the study would have not been realized, because of inability of data management and resource limitation (i.e., time and financial resources).

1.7 Limitation of the Study

Although Oromia Insurance Company operates throughout the regions of the country, this study is limited to the level of service quality and customer satisfaction of major customers of the company in Addis Ababa. However, the findings of this study would have had paramount importance if more customers had been included in the research, for customers who live in different regions may have different expectations and perceptions towards customer services.

However, due to time and financial constraints, it was not possible to broaden the study to see the relationship between city branches and outlying branches customer satisfaction level in terms of their expectation and perception with respect to the need for insurance service. As a result, all the major customers in the city branches only were taken as the subject of the study.

1.8 Organization of the Study

This research is organized into five chapters. The first Chapter contains background of the study, statement of the problem, research questions, objectives of the research, significance of the study, scope and limitations of the study, and organization of the research. Chapter two provides a literature review informing the reader of what is already known in the area or field. Chapter three discusses about the methodology employed in the study, including, research design, sample size and sampling method, data source and collection method and method of data analysis. Chapter four contains data analysis and discussion of results. Finally, Chapter five includes summary of major findings, conclusion and recommendations.

CHAPTER TWO: LITERATURE REVIEW

This chapter provides the reader with a literature review concerning the research area. Large number of studies has been conducted in the field of service quality and customer satisfaction. There are useful contributions expressed by so many authors about service quality dimensions, which are tangibles, reliability, responsiveness, assurance, and empathy as important factors of quality service delivery. The definitions of service, characteristics of service, definitions and dimensions of service quality, customer satisfaction, and relationship between service quality and customer satisfaction literatures and other topics were discussed in this chapter in detail.

2.1 Service

Scholars in the field understand the concept ‘service’ from different perspectives. For example, Gronroos (1990: 27) understands service as “an activity or series of activities of more or less intangible in nature that normally, but not necessarily, take place in interactions between the customer and service employees which are provided as solution to customer’s problems”. Similarly, Kotler (2001) defines service as any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything; its production may or may not be tied to a physical product.

Some researchers have viewed service from a system-thinking paradigm. Lakhe and Mohanty (1995: 140) have defined service as “a production system where various inputs are processed, transformed and value added to produce some outputs which have utility or benefit to the service seekers.” It is not merely in an economic sense but from supporting the life of the human system in general, even maybe for the sake of pleasure. Moreover, Grönroos (2000: 47) summarizes characteristics that are identified for most services as follows:

- *Services are processes consisting of activities or a series of activities rather than things;*
- *Services are at least to some extent produced and consumed simultaneously;*
- *The customer participates in the service production process at least to some extent (Grönroos, 2000: 47)*

There are two parties to the service which are the producer and the customer. Thus, the delivery of the service is not a simple exchange, since the service is produced typically on the spot. Besides, both the producer and customer must be seen as an actor since both are participating in the service production.

2.2 Characteristics of Services

A number of characteristics of service have been suggested to help distinguish goods and services in the past decades. It is the combination of these characteristics which creates the specific context in which service organizations must develop their marketing policies. Though different authors suggest different characteristics of service, Kotler (2001) lists intangibility, inseparability, variability, and perishability as the common characteristics services.

2.2.1 Intangibility of Services

Unlike physical products, services cannot be seen, tasted, felt, heard or smelled before purchased. Obviously, opinions and attitudes may be sought beforehand, but a repeat purchase may rely upon previous experience. To reduce uncertainty buyers will look for signs or evidence of service quality. They will draw inferences from place, people, equipment, price, etc. that they see. Therefore the service provider's task is to "manage the evidence", to "tangibilize the intangible". According to Kotler (2001), Services are essentially intangibles, in which the service marketers are able to manage evidences and visualize the intangible services or the abstract offers. Regan (1963) also introduced the idea of service as activities, benefits or satisfactions which are offered for sale or provided in connection with the sales of goods. The degree of intangibility has been suggested as a means of differentiating tangible products with services (Levitt, 1981). Most of the time, services are explained as being intangible since their outcome is considered to be an action rather than a physical product (Johns, 1999).

2.2.2 Inseparability of Services

The other characteristic of service is inseparability. Services are typically produced and consumed simultaneously and often cannot be separated from the person who sales the service. Thus, performing the service occurs at the same time as full or partial consumption of it. Unlike physical goods, services cannot be manufacture, put into inventory, distributed through seller and consumed later. Whereas, services are produced, sold and consumed at the same time. According to Zeithaml (1981), inseparability is taken to reflect the simultaneous delivery and consumption of services. It is

believed that, inseparability of service enable consumers to affect or shape the performance and quality of the service (Grönroos, 1978; Zeithaml, 1981 as cited in Wolak et al., 1998).

2.2.3 Variability of Services

Variability of service quality depends on who provides the service, where and when they are provided. Knowing this, service firms can take three steps towards quality control according to Kotler (2001). The first one is that recruiting the right employees and providing them with excellent training regardless of whether they are professionals or low-skilled workers. The second step is standardizing the service performance process throughout the organization. The third and final step is that to monitor customer satisfaction through suggestions, complaint system and customer surveys. Having this in mind, service providers can apply these steps in their organization so as to improve their service provision.

2.2.4 Perishability of Services

Contrasting to physical goods, services cannot be stored and carried forward to the future time period Zeithaml et al. (1985). The perishability of services is not a problem when demand is steady. When demand fluctuates, service firms have problems.

2.3 Service Quality

Researchers have tried to operationalize service quality from different perspectives for different service applications. Authors (Parasuraman et al., 1988; 1991; Carman, 1990) agree that service quality is an abstract concept, difficult to define and measure.

Key characteristics of service quality can be difficult to define due to the highly subjective nature of service quality. This is underlined by Deming (1986) when he stated that; quality can be defined only in terms of the agent." In essence; ultimately this means that it is the consumer that will form a judgment about the quality of any given service that they receive".

A further complexity in trying to understand the service quality is its dynamic nature. Firstly, the speed of a consumer's reaction to service quality is immediate, compared, for example, with the speed of reaction to manufactured goods. Additionally, because of the immediacy of the consumer's service quality evaluation, attempting to understand a consumer's reaction to a future service cannot be ascertained today as consumer needs and expectations continually change. Therefore, the relevant characteristics are those which are important to each individual consumer at a specific point of time (Deming, 1986). This is particularly well summarized by Peters (1985) who stated that; "consumers

perceive service in their own unique, idiosyncratic, emotional, irrational, end-of-the-day, and totally human terms. Perception is all there is.”

Nonetheless, in spite of the intangible, difficult to pin down nature of service quality, what can be concluded is that a good service experience will depend on the organization’s ability to understand consumer needs, wants and expectations, and then to deliver service in a way that meets or exceeds those expectations.

Several measuring instruments have been developed aiming to capture and explain the service quality dimensions. SERVQUAL has been developed in a series of stages leading to consecutive more refined versions. In the most commonly used version (Parasuraman et al., 1988), service quality is calculated as the gap between customer expectations and perceptions, and is characterized by five dimensions namely reliability, responsiveness, assurance, empathy, and tangibles. Later on, service quality has also been defined broadly as “consumers’ assessment of the overall excellence or superiority of the service” (Zeithamlet al., 1993). 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.

Parashuraman et al (1985) have found that consumers consider five dimensions in their assessments of service quality: reliability, responsiveness, assurance, empathy and tangibles. These dimensions represent how consumers organize information about service quality in their minds. These five dimensions are explained in detail below:

2.3.1 Tangibility: the physical appearance of the facility which includes materials, equipment and personnel. This enhances the image of the company and provides a more positive image in the way the customer perceives the service. All of these provide physical representations or images of the services that customers’ particularly new customers’ will use to evaluate quality.

2.3.2 Reliability: this refers to service reliability, which is different from product reliability and involves the service provider to be able to perform the services accurately and dependably.

This means that the company fulfills its promises with regard to the delivery of the service, the price and solving the customer's problems. Customers want to do business with companies that keep their promises, particularly their promises about the core service attributes.

2.3.3 Responsiveness: the readiness to provide timely service by the service provider. This includes paying attention to the customer, and dealing with the customer's complaints and problems in a timely manner. Responsiveness is being flexible with the customer and trying to accommodate the customer's demands and performing the service without delay.

2.3.4 Assurance: the ability to deliver services at a professional level. This includes the employee's knowledge and courtesy which inspires confidence in them. Having trust and confidence in the employee leads to the customer having more trust in the company itself. This dimension is likely to be particularly important for services that the customer perceives as involving high risk and/or about which they feel uncertain about their ability to evaluate outcomes, for example, banking, insurance, brokerage, medical, and legal service.

2.3.5 Empathy: is defined as the caring and individualized attention the firm provides to its customers. The essence of empathy is conveying, through personalized or customized service, that customers are unique and special. Customers want to feel understood by and important to firms that provide service to them. Service quality is considered an important tool for a firm's struggle to differentiate itself from its competitors (Ladhari, 2008).

2.4 Customer Satisfaction

As stated by Kotler and Armstrong, (2010), satisfaction is a person's feelings of pleasure or disappointment resulting from the comparison of product's perceived performance in reference to expectations. Satisfaction or dissatisfaction is a measure or evaluation of a product or service's ability to meet a customer's need or expectations. Customers compare their expectations about a specific product or services and its actual benefits. Customer's feelings and beliefs also affect their satisfaction level.

Customer satisfaction is actually a term most widely used in the business and commerce industry; it is a business term explaining about a measurement of the kind of the products and services provided by a company to meet its customer expectation. To some, this may be seen as the key performance indicator (KPI). In the competitive market place where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. There is a substantial body of empirical literature that establishes the benefit of customer satisfaction for firms. It is well established that satisfied customers are key to long term business

success (Kriestensen et al., 1992; Zeithami et al, 1996; Mccoll-kenedy and Schneider, 2000) it also defined as a global issue that affects all organizations. Regardless of its size, whether profit or non-profit local or multi-national.

2.5 Models for Measuring Customer Satisfaction

2.5.1 SERVQUAL Model

Customer satisfaction and service quality are interrelated, the higher the service quality, the higher its customer satisfaction. Many agree that in the insurance sector, there are no recognized standard scales to measure the perceived quality of the insurance service. However, competitive advantage through high quality service is an increasingly important weapon to survive. Measuring service quality seems to pose characteristics of service: intangibility, heterogeneity, inseparability and perishability (Batson, 1985). Because of these complexities, various measuring model have been developed for measuring perceptions of service quality (Gro'nroos, 1983; 1990; Parasuraman et al, 1985, 1988, 1991; Staford, 1996; Bahia and Nantel, 2000; Aldiagian and Buttle, 2002). The SERVQUAL Model of Parasuaman et al (1988) Propose a five dimensional Construct of perceived service quality: tangibles, reliability, responsiveness, assurance and empathy- with item reflecting both expectation and perceived performance. Service quality has become an important research topic because it's apparent relation to cost, profitability, customer satisfaction, customer retention and positive word of mouth. There are many research instrument developed to measure the perceived service quality. Among such general instrument the most popular being the SERVQUAL model, a well-known scale developed by Parasuraman et al.

SERVQUAL has been widely acknowledge and applied in various services setting for variety of industries in the past decade. Example, including health care setting, dental school, clinic, business school placement center, tire store, banking, insurance, pest control etc... the SERVQUAL measuring tool main benefit is its ability that allow researchers to examine numerous service industries such as, health care, insurance, banking, financial service and education. The fact that SERVQUAL has criticism received concerning SERVQUAL measuring tool may have more to do with how researcher use the tool, SERVQUAL formulated by Parasuraman et al (1985) show case ten various components. Letter in 1988, these ten component were collapsed in to five different dimensions. They are Assurance, Reliability, Tangibility, Empathy, and Responsiveness.

2.5.2 The KANO Model

The customer satisfaction model from N. Kano is a quality management and marketing technique that can be used for measuring client happiness. Kano's model of customer satisfaction distinguishes six categories of quality attributes, from which the first three actually influence customer satisfaction: these are

2.5.2.1 Basic Factors (Dissatisfies, Must have): The minimum requirements which will cause dissatisfaction if they are not fulfilled but do not cause customer satisfaction if they are fulfilled (or are exceeded). The customer regards these as prerequisites and takes these for granted. Basic factors establish a market entry 'threshold'.

2.5.2.2 Excitement Factors (Satisfiers, Attractive): The factors that increase customer satisfaction if delivered but do not cause dissatisfaction if they are not delivered. These factors surprise the customer and generate 'delight'. Using these factors, a company can really distinguish itself from its competitors in a positive way.

2.5.2.3 Performance Factors: The factors that cause satisfaction if the performance is high and they cause dissatisfaction if the performance is low. Here, the attribute performance-overall satisfaction is linear and symmetric. Typically these factors are directly connected to customers' explicit needs and desires and a company should try to be competitive here.

2.5.3 The Profit -Chain Model

Research has shown that organizational sub-units where employee perceptions are favorable enjoy superior business performance. The service profit chain model of business performance (Heskett, Sasser & Schlesinger, 1997) has identified customer satisfaction as a critical intervening variable in this relationship (profit-chain model). A number of researchers have found that revenue-based measures of business unit performance, for example, sales and profitability, are significantly correlated with employees' work-related perceptions. The evidence suggests that business units in which employees' collective perceptions are relatively favorable perform better.

Stated simply, the service profit chain asserts that satisfied and motivated employees produce satisfied customers and satisfied customers tend to purchase more, increasing the revenue and profits of the organization. Heskett et al. (1997), for example, define the service profit chain as 'involving direct and strong relationships between profit; growth; customer loyalty; customer satisfaction; the

value of goods and services delivered to customers; and employee capability, satisfaction, loyalty and productivity'. These authors recommend the service profit chain as a framework for constructing a strategic organizational vision, and suggest that, provided service profit chain concepts are carefully interpreted and adapted to an organization's specific situation, they are capable of delivering 'remarkable results'.

The second crucial element of the service profit chain is the link between customer satisfaction and financial performance. Management theorists and chief executives have often argued that superior business performance depends critically on satisfying the customer (e.g. Heskett et al., 1997; Peters & Waterman, 1982; Watson, 1963).

2.6 Variability in the Service Process Model (Wharton)

Service quality has become an essential part of organizational success due to increased customer expectations and customization of services in many markets. In fact, even the definition of service quality is changing, good service quality used to mean that the output was made to conform to the specifications set by the process designers. Today, the concept of service quality is evolving to mean uniformity of the service output around an ideal (target) value determined by the customer. However, when the dimensions or performance of a service output exceed allowable limits, the variation needs to be identified so the problem can be corrected.

Four factors represent major explanations for the existence of process variation in services: heterogeneous customers with different service expectations; lack of rigorous policies and processes; high employee turnover; and nature of customization. The financial performance of a financial service institution is driven to a large extent by its ability to attract and retain customers. Customers increasingly have alternatives from which they can choose. We are interested in whether a customer's decision whether to stay with her current service provider might be more sensitive to variability of service than the level of service quality.

The model shows that, while no individual process is correlated with firm performance, the aggregate measure of process performance affects firm performance. More importantly, the most significant finding is that while aggregate process performance is correlated with financial performance, it is not correlated with customer satisfaction. The process performance measure associated with both firm financial performance and customer satisfaction is the measure of variation across processes. We

have found that if processes are managed in a consistent way, then both financial performance and customer satisfaction are improved. By consistent process management, we mean that the performance of individual processes within a firm are similar to one another and thus provide a consistent service offered to the consumer.

2.7 The Common Measurements Tool (CMT)

CMT is the result of an extensive study by researchers at the Canadian Centre for Management Development and others, which examined a number of approaches to standardizing measurement of customer satisfaction with public services. The model they have developed provides a useful example of how elements of different approaches can be combined to improve our understanding of satisfaction and highlight priorities for improvement. It incorporates five main questioning approaches, measuring:

- expectations of a number of service factors;
- perceptions of the service experience on these factors;
- Level of importance attached to each of a number of service elements;
- Level of satisfaction with these elements;
- Respondents' own priorities for improvement.

The approach is therefore made up of three distinct strands. The measures of expectations and perceptions of the service experience tend to focus on a relatively small number of very specific factors, such as how long customers wait to be served etc. This allows the gap analysis approach through comparing expected service quality with experience.

The second strand involves asking levels of satisfaction with a more extensive list of elements, followed by asking how important each of these aspects is to respondents. This allows the comparison of satisfaction and importance that asking people to think about what should be provided by an ideal or excellent service. As noted above, this approach has also been taken by Berry in later studies.

2.8 The Customer Satisfaction Index (CSI)

The Customer Satisfaction Index represents the overall satisfaction level of that customer as one number, usually as a percentage. Plotting this Satisfaction Index of the customer against a time scale

shows exactly how well the supplier is accomplishing the task of customer satisfaction over a period of time.

Since the survey feedback comes from many respondents in one organization, the bias due to individual perception needs to be accounted for. This can be achieved by calculating the Satisfaction Index using an importance weighting based on an average of 1.

Calculate the average of all the weightings given by the customer. Divide the individual weightings by this average to arrive at the weighting on the basis of average of 1. Customer's higher priorities are weighted more than 1 and lower priorities less than 1. The averages of the Customers Importance Scores are calculated and each individual score is expressed as a factor of that average. Thus Customer Satisfaction can be expressed as a single number that tells the supplier where he stands today and an Improvement plan can be checked out to further improve his performance so as to get a loyal customer.

2.9 Service Quality and Customer Satisfaction

Quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market. Regarding the relationship between customer satisfaction and service quality, Oliver (1993) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific. In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Wilson et al., 2008). As said by Wilson et al. (2008), service quality is a focused evaluation that reflects the customer's perception of reliability, assurance, responsiveness, empathy and tangibility while satisfaction is more inclusive and it is influenced by perceptions of service quality, product price and quality, also situational factors and personal factors. Service quality has a strong correlation with customer satisfaction, financial performance, manufacturing costs, customer retention, customer loyalty, and the success of marketing strategy (Cronin et al., 2000; Wong et al., 2008). Organizations operating within the service sector consider service quality to be a strategic component of their marketing plan (Spathiset al., 2004). Through service quality, organizations can reach a higher level of service quality, a higher level of customer satisfaction, and can maintain a constant competitive advantage (Meuteret al., 2000).

2.10 Consumers Expectation of Service Quality

Definitions of service quality revolve around the idea that it is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Lewis and Booms, 1983; Lehtinen and Lehtinen, 1982; Gronroos, 1984; Parasuraman et al., 1985, 1988, 1991, 1994).

According to (Kotler, 2001) customers' expectations are formed by the firm's past experiences, word of mouth and advertising. As to (Parasuraman et al., 1988) the term "expectation" as used in the service quality literature differs from the way it is used in the consumer satisfaction literature. Specifically, in the consumer satisfaction literature, expectations are viewed as predictions made by consumers about what is likely to happen in the future transaction or exchange. For instance, it is generally agreed that expectations are consumer-defined probabilities of the occurrence of positive or negative events if the consumer engages in some behavior according to Oliver, 1981 (p.33) as cited in (Parasuraman et al., 1988). In contrast, according to (Parasuraman et al., 1988) in the service quality literature, expectations are viewed as desires or wants of consumers which means, what they feel a service provider should offer rather than would offer. Gronroos (2007) also defined service quality as the outcome of the comparison that consumers make between their expectations and perceptions. Customer's expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectation and quality is low when performance does not meet their expectation (Athanasopoulou et al., 2001).

There are different sources which shapes customer expectations of services. The following outlines are the key factors and most commonly seen to influence expectation. These are previous experiences, personal needs, implicit service communication, word-of-mouth communication and explicit service communication (as cited by Alemayehu, 2010).

- Previous experience that many have before: Customers' previous experience will in fact influence their future expectation of the service.
- Personal needs: Any customer or user of the service will have what she/he regards as a set of key personal needs that he/she expects the service to address. These will vary from service to service and from customer to customer.

- Word of mouth communication: expectations will be shaped by communication from sources other than the service provider itself. This can include family, friends, and colleagues, but more widely the media and other organizations.
- Implicit service communication: this includes factors such as the physical appearance of buildings; for example renewal may lead the customer to expect other service aspects to be of higher quality.
- Explicit service communication: Statement from leaflets and other publicity materials can have a direct impact on expectations.

2.11 Consumers Perception of Service Quality

It is more difficult for customers to evaluate the quality of service than the quality of products. Unlike products, which are first produced, then sold, then consumed, most services are first sold and then produced and consumed simultaneously. While defective product is detected by factory quality control inspectors before it ever reaches the consumer, a defective service is consumed as it is being produced, thus there is little opportunity to correct it (Schiffman et al., 1997 in Alemayehu, 2010).

Perceived service quality is defined as “the consumer’s judgment about a services overall excellence or superiority” (Zeithaml, 1988). According to (Juran, 1988) quality is consists of two primary elements which are:

- (1) To what degree a product or service meets the needs of the consumers; and
- (2) To what degree a product or service is free from deficiency. According to these authors, Perceived value takes into account the price of the service in addition to the quality. Parasuraman et al., (1985) define Consumer’s perception of service quality as a function of the difference between expectations about the performance of a general class of service providers and assessment of the actual performance of a specific firm within that class. Gronroos (1984) summarize perceived service quality, as “the outcome of an evaluation process, where the consumer compares his/her expectations with the service he/she has received.

2.12 Measuring Customer Satisfaction in the Insurance Industry

Insurance operations are becoming increasingly customer dictated. The demand for insurance services is well goes up every time. The ability of insurance companies to offer clients access to several markets become a valuable competitive edge. Convergence in the industry to cater to the

changing demographic expectations is now more than evident. Insurance service will soon alter the business dynamics of the companies and fuel the process of consolidation for increased scope of business and revenue. The thrust on industry sector, farm sector, health sector and services offers several investment linkages. In short, the domestic economy is an increasing pie which offers extensive economies of scale that only large insurance companies will be in a position to tap. With the phenomenal increase in the income of the population and the increased demand for insurance services; speed, service quality and customer satisfaction are going to be key differentiators for each insurance company's future success. Thus it is imperative for insurance companies to get useful feedback on their actual response time and customer service quality aspects of service delivery, which in turn will help them take positive steps to maintain a competitive edge.

The working of the customer's mind is a mystery which is difficult to solve and understanding the nuances of what customer satisfaction is, a challenging task. This exercise in the context of the insurance industry will give us an insight into the parameters of customer satisfaction and their measurement. This vital information will help us to build satisfaction amongst the customers and customer loyalty in the long run which is an integral part of any business.

2.13 The Need to Measure Customer Satisfaction

Satisfied customers are central to optimal performance and financial returns. In many places in the world, business organizations have been elevating the role of the customer to that of a key stakeholder over the past twenty years. Customers are viewed as a group whose satisfaction with the enterprise must be incorporated in strategic planning efforts. Forward-looking companies are finding value in directly measuring and tracking customer satisfaction (CS) as an important strategic success indicator. Evidence is mounting that placing a high priority on CS is critical to improved organizational performance in a global marketplace.

With better understanding of customers' perceptions, companies can determine the actions required to meet the customers' needs. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors, chart out path future progress and improvement. Customer satisfaction measurement helps to promote an increased focus on customer outcomes and stimulate improvements in the work practices and processes used within the company.

2.14 Service Quality Gaps Model by Parasuraman et al. (1985)

The most well-known model is the model of Parasuraman et al. (1985) which is widely utilized in the literature. The model attempts to show the prominent activities of the service organization that influence the perception of quality. Moreover, the model shows the interaction between these activities and identifies the linkages between the key activities of the service organization or marketer which are pertinent to the delivery of a satisfactory level of service quality. The links are described as gaps or discrepancies: that is to say, a gap represents a significant hurdle to achieving a satisfactory level of service quality (Ghobadian et al., 1994).

Parasuraman et al. (1985) proposed that service quality is a function of the differences between expectation and performance along the quality dimensions. They developed a service quality model based on gap analysis. The gaps include (Seth and Deshmukh, 2005):

Gap 1: Customer expectation-management gap - This gap addresses the difference between consumers' expectations and management's perceptions of service quality.

Gap 2: Management perception-service quality specifications gap - This gap addresses the difference between management's perceptions of consumer's expectations and service quality specifications, i.e. improper service-quality standards.

Gap 3: Service quality specification-service delivery gap - This gap addresses the difference between service quality specifications and service actually delivered, i.e. the service performance gap.

Gap 4: Service delivery-external communication gap - This gap addresses the difference between service delivery and the communications to consumers about service delivery, i.e. whether promises match delivery.

Gap 5: Expected service-perceived service gap - This gap addresses the difference between consumer's expectation and perceived service. This gap depends on size and direction of the four gaps associated with the delivery of service quality on the marketer's side.

2.15 Conceptual Framework

Service Quality is a vital antecedent of customer's satisfaction (Cronin and Taylor, 1992).

In turn, customer satisfaction is believed to affect post-purchase and perception and future decisions of customers. In this conceptual model the five Service quality dimensions have been selected from the study conducted by Parasuraman et al., (1988).

Parasuraman et al., (1985) conducted research on different service organization by using ten service

quality dimensions which are (tangibility, reliability, responsiveness, communication, access, competence, courtesy, credibility, security, and knowledge). Later Parasuraman et al., (1988) conducted another research and further purified the ten dimensions and developed into five dimensions (tangibility, reliability, responsiveness, assurance and empathy). The reason behind purifying the ten dimensions into five dimensions was the appropriateness of each service quality dimensions to different service organizations. Therefore, in this study a modified model of Parasuraman et al., (1988) was used.

Service Quality Dimensions

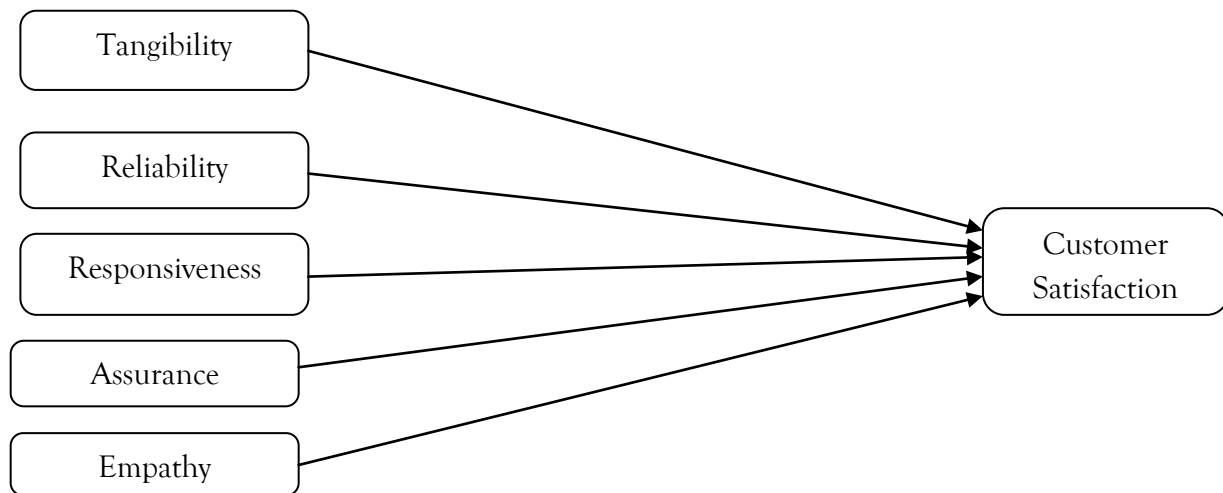


Figure 1: Conceptual framework of the effect of service quality on customer satisfaction

Source: A modified Model of Parasuraman et al. (1988)

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

This chapter presents details of the research design and methodological considerations of the thesis. It includes the research design, sample size, data source, method of data collection, procedure of data collection, methods of data analysis, and ethical considerations.

3.1 Research Design

The research design of this study was cross-sectional as it assessed service quality at a predetermined moment of time. Besides, quantitative method was employed to gather and analyze data. It is predominantly quantitative for concepts that are in the form of distinct variables are described with generated numerical data; the researcher compared factors of service quality to find top priorities which help to understand the customers' criteria in judging service quality. It also includes explanation of customer satisfaction, which cannot be measured numerically alone.

Therefore, this study used descriptive inquiry to describe the service quality dimensions that lead to customer satisfaction and explanatory inquiry to explain, understand, predict and control the relationship between variables.

3.2 The Research Participants

The study focuses on Oromia Insurance's provision of service quality rendered to its customers located in Addis Ababa region. Oromia Insurance Company has been operating with 29 full-fledged branches and 6 contact offices by now, of which 17 branches are found in Addis Ababa. On March 2015, 49,070 customers were registered using services provided by the company. Among these 36,267 of them were served in city branches only.

In order to produce a realistic outcome, the collections of data were distributed to major customers of OIC found in city branches. Around 472 Customers are listed under major customers. Among them, 319 of them are registered under city branches only.

The target respondents include Government and Non-Government Organizational Customers, Individual Customers, Financial Institutions, agencies and private limited companies; this is useful for the fact that different class of customers has different expectations and needs.

3.3 Sample Size and Technique of Sampling

It is forgone that taking a sample is required since collecting data through questionnaires from whole population is expensive and time taking. As it is stated in the previous section of this paper, the company understudy had 49,070 customers registered active on March 2015, and depending on the revenue the customers generate, the company labeled them. Taking advantage of the company's classification of its customers, the researcher included in the study customers labeled as 'major customers'. The sampling technique adopted in this study is, hence, cluster sampling which was believed by the researcher as an appropriate technique to draw a representative sample from the population under study. Accordingly, the researcher included major customers of the company for this study for reasons. This is because the researcher thought these major customers can represent the large population since they are more familiar with the service and also because of their high usage of the service.

Oromia Insurance Company classifies its customers based on the revenue they generate for the company. Accordingly, customers who generate above birr 100,000 and birr 50,000 revenue annually for the city branches and outlying branches respectively are categorized as major customers. These customers use different classes of business provided by the company when they are compared to other customers whose businesses are only motor class businesses, for the majority of them at least. As a result, they frequently visit the company and well experience the services delivered by different departments, like underwriting, claims, and finance that it makes them capable of judging the service quality of the company from different dimensions.

A question that often arises is how large a sample for a research should be. Although there is no clear-cut answer for the correct sample size, it depends on mainly the purpose of the study and the nature of the population under scrutiny. In this regard, Cohn, Manion, & Morrison (2007) suggest that a sample size of thirty is held by many to be the minimum number of cases if researchers plan to use some form of statistical analysis on their data. The total number of major customers of the company understudy recorded as of march, 2015 was 472, and 319 (67.58%) of them were served in the city branches. The researcher took all the major customers served in the city branches as sample, which is more than 50% of the total major customers on record in the year of data collection. Generally, because major customers are repeat customers who generate the lion share revenue in the company and are

involved in different insurance businesses, and thus they have much to say about the service delivery, they were picked out intentionally for this study.

3.4 Method of Data Collection

With an aim to investigate the satisfaction and /or dissatisfaction level of customers with regard to services delivery of Oromia Insurance Company, the researcher used questionnaires to gather data from subjects. Questionnaires were distributed to major customers of Oromia Insurance Company served in city branches only. The data were collected through close ended questionnaires which incorporate five dimensions of service quality (tangibility, reliability, responsiveness, assurance and empathy) as well as open-ended questions in order to strengthen their responses. A questionnaire was developed that included the 22 expectations and perceptions items from Parasuraman et al.'s (1988) SERVQUAL scale. Consistent with research on SERVQUAL, respondents were instructed to rate each item on a scale from one to five, with five being the highest expectation and perception level.

To measure the responses a five-point Likert scale ranging from “Strongly Disagree=1” to “Strongly Agree=5” were used. “The Likert scale method was preferred to make questions interesting to respondents, thereby to enhancing their cooperation and besides, to ensure maximum response rate ultimately” (Robson Colin, 2002).

In addition, eight-point overall questions were included in order to assess additional ideas on the service quality. A questionnaire with close-ended questions was developed (1) to improve or increase response rate, (2) to make the data analysis simple and quantifiable, (3) to directly compare and easily aggregate data and (4) to obtain relevant information, opinion and attitude from large population within a short period.

3.5 Procedures of Data Collection

Up on request, the researcher got permission from Oromia Insurance Company to gather data on service quality and customer satisfaction specifically from major customers of insurance service users of the company in Addis Ababa region. Then, questionnaires were distributed to the respondents with the necessary explanations on how to complete the questionnaire. The survey pack included a copy of the cover letter and the main questionnaire. Collection of filled out questionnaires was started after a week from the date of distribution and continued for three weeks.

3.6 Method of Data Analysis

Data collected from primary sources was analyzed using descriptive analysis like tables, figures, charts, bar graphs and others. In addition to this, the researcher was also concerned with the interpretation and representation of justification. The collected data from customers were summarized, edited, coded and data entry was done. And then SPSS and descriptive statistics were applied to analyze the data as:

- Frequency counts and percentage were used to analyze various characteristics of the sample population such as sex, age and occupation.
- Mean was used to assess the degree or magnitude of OIC's service quality expectation and perception under the dimensions considered in this study.
- T-tests were executed to test for the significant difference and similarities that may exist between the mean of service quality expectation and perception of OIC on the five dimensions of service quality (tangibles, reliability, assurance, responsiveness and empathy) in order to assess the relation between the independent variable (service quality) and dependent variable (customer satisfaction). In this study, it is declared to use a critical alpha level of 0.05 in which the probability of 0.05 or less is considered to be a significant difference between the mean of customers' expectation and perception of service quality.

3.7 Validity and Reliability of the Instrument

The 5-point Likert scale of the questionnaire was developed based on the 22 expectations and perceptions items from Parasuraman et al.'s (1988) SERVQUAL scale, which is a standardized multiple item scale. Parasuraman et al have undergone a number of experiments in various ways to measure the hypothetical dimensions of service quality.

The questions are arranged into a meaningful order and format where the subjects were provided with easy to answer background questions at the opening section, which lead them easily and naturally to the next. This is because it is likely that respondents may break off unless they find the opening questions easy and pleasant to answer. Besides, to minimize the risk of possible cut off owing to fatigue or impatience, questions that are of special importance included in the earlier part of the questionnaire.

Generally, the reflective accounts of the steps in the data collection and data analysis sections offered above is one way of showing the validity of the research process.

3.8 Ethical Considerations

Given the importance of ethics for the conduct of research, this study was carried out with ethical approvals from people concerned. First, the researcher requested Oromia Insurance Company for permission to access the necessary documents of the company and contact major customers in the city branches to fill in questionnaires. Similarly, after getting consent from the company, the researcher explained briefly the subjects (major customers) the purpose of the research and got from them oral consents before they filled in the questionnaires. In fact, the purpose of the research was explained for each of the participants and each of them was requested for his consent. Moreover, they were informed that their names and data would be kept confidential. For this reason, in analyzing and appending the data, codes were used instead of names in order to protect participants' anonymity.

CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION OF RESULTS

This part of the study deals with discussion of the final results and interpretations of data that were gathered from the respondents. The findings were provided based on questionnaires filled by major customers of Oromia Insurance Company. In addition to this, the process through which the results were obtained and background information of respondents had been presented. Finally, analysis was done using SPSS and the results were presented including descriptive analysis as shown in the following.

4.1 Background Information of Respondents

To conduct this study a total of 319 (Three hundred nineteen) questionnaires were distributed to different major customers of Oromia Insurance Company. Out of the figure mentioned above, 292 (91.52 %) respondents filled and returned the questionnaire and gave appropriate response to all questions. Among 319 questionnaires 19 (5.97%) were not returned and the rest 8 (2.51%) were returned back but found incomplete. Therefore, the researcher analyzed and discussed only those accurately filled and returned questionnaires.

As one can see from figure 4.1 below, the sex distribution of the major customer respondents is 236 (80.82 %) and 56 (19.18%) males and females, respectively. The result clearly shows that male respondents were greater in number than female respondents which implies that female respondents are less in number in responding to this particular questionnaires.

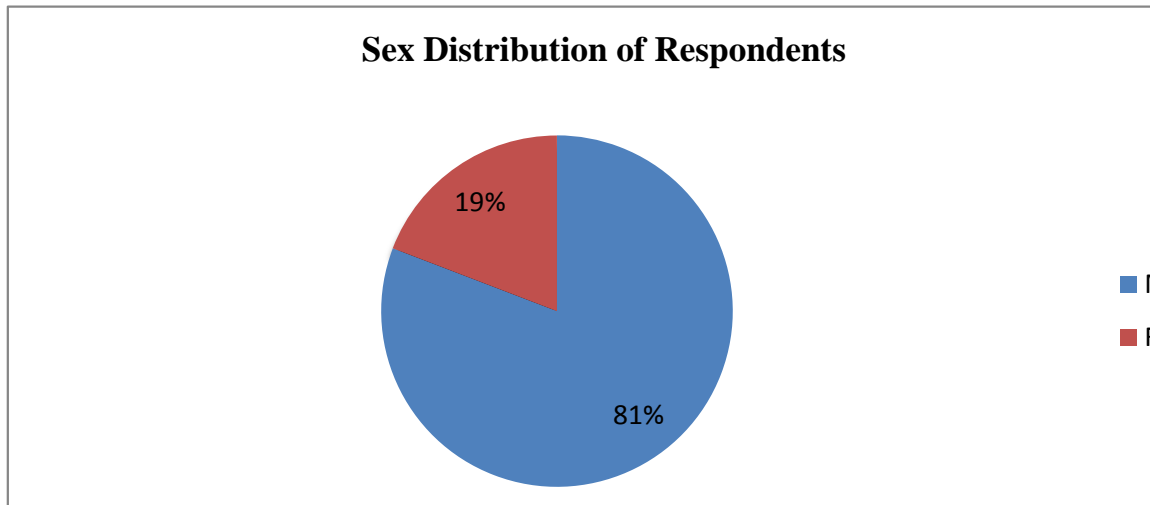


Figure 2: Sex Distribution

Similarly with regard to respondents age range, figure 2 shows that 113 (38.70%) of respondents were between the age of 25 and 35; and the majority of the respondents age fall between 36 and 50 that is 134 (45.89%), and the rest 45 (15.41%) were between 46 and 55 years old. From the age distribution it is possible to conclude that more of the respondents are in the productive age group and have knowhow about the service very well.

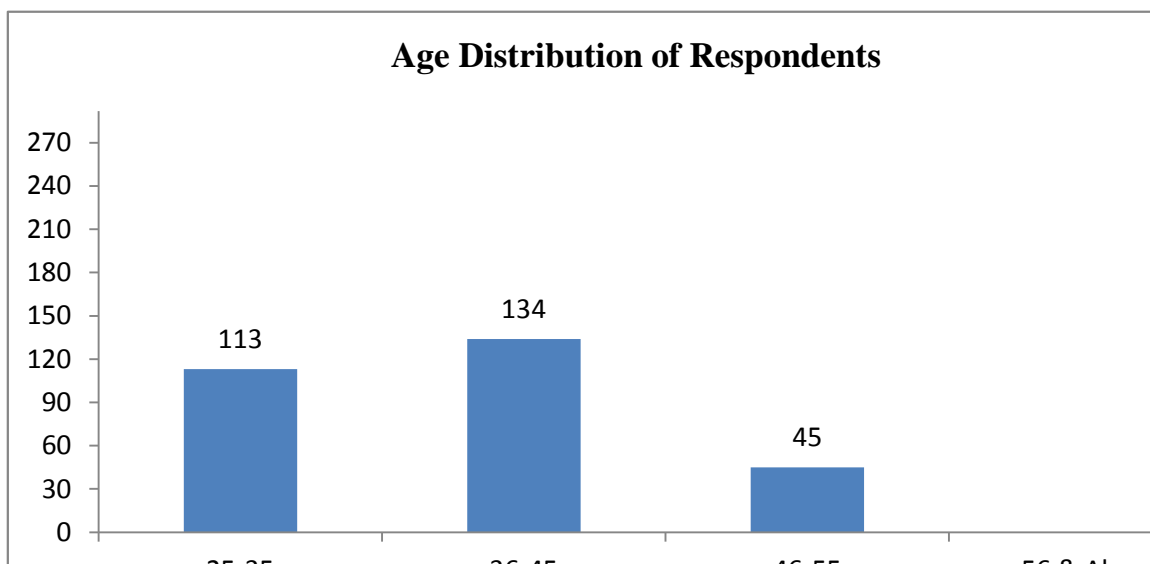


Figure 3: Age Distribution

With regard to the occupational status of respondents, 198 (67.81%) were experts, 63 (21.57) were managers and the remaining 31 (10.62%) of them were categorized under others, which includes

those who prefer not to mention their occupation. From the table below, one can infer that most of the respondents were experts and managers who hold top positions and assumed to be familiar with insurance services. In other words, most of the respondents are literate to use the insurance service and to fill the questionnaires responsibly.

Table 1: Background Information of Respondents

Variables	Respondents		Percent (%)
	Categories	No	
Occupation	Expert	198	67.81
	Manager	63	21.57
	Business Owner	-	-
	Any Other	31	10.62
	Total	292	100%
Education Qualification	High school graduate	-	-
	College Diploma	47	16.10
	BA/BSC Degree	183	62.67
	Masters Degree	49	16.78
	PHD	13	4.45
	Other (please state)	-	-
		292	100%

As indicated in the above table, educational qualification of respondents were compared in which, 47(16.10%) has diploma in different field of studies; 183(62.67%) were BA/BSC Degree holders;

49(16.78%) were Masters Degree holders and the rest 13 which are 4.45% of respondents were PHD holders.

Moreover, 258 (88.35%) of respondents respond they use more than two class of business of insurance service from OIC. This indicates the respondents are capable of judging service quality of the company from different dimensions.

4.2 Service Quality and Customers' Expectation

From the findings below, one can infer that customer's expectation is much greater than the actual service quality. According to Kotler (2001), customers' expectations are formed by the firm's past experiences, word of mouth and advertising. As to Parasuraman et al. (1988) the term "expectation" as used in the service quality literature differs from the way it is used in the consumer satisfaction literature. Specifically, in the consumer satisfaction literature, expectations are viewed as predictions made by consumers about what is likely to happen in the future transaction or exchange. Thus, OIC's customer's previous expectation might come from one of the above mentioned reasons which are word-of-mouth, their assumption from the operational experiences, advertisement and many other reasons.

According to Parasuraman et al. (1985), Consumer's perception of service quality is a function of the difference between expectations about the performance of general class of service providers and an assessment of the actual performance of a specific firm within that class. As to Parasuraman et al. (1985, 1988) model of service quality, if Expectations are exceeded; $E < P$ (Quality Surprise), if Expectations met; $E = P$ (Satisfactory Quality) and if Expectations are not met; $E > P$ (Unacceptable quality). Hence, customer's previous expectation about OIC's service quality was much near to something perfect or quality. But from the questionnaires, one can definitely conclude that customers are not satisfied with the service provided by the company since their expectation is much greater than what is there in reality.

4.3 Service Quality Perception of Customers

4.3.1 The Tangibility Dimension

Regarding the tangibility dimension of service quality which is linked to consumer memory, Table 2 summarizes both the expectation and perception of customer's responses towards OIC as follows;

Table 2: Mean and standard deviation for Tangibility responses of respondents of OIC with (95% confidence level) $P < 0.05$

No	Items of Tangibility	N	Expectation		Perception		Significance Score
			Mean	Std. Deviation	Mean	Std. Deviation	
1	OIC has modern/ up-to-date physical facilities and equipment.	292	4.99	0.4908	4.541	0.5043	0.1595
2	OIC's employees' appearance is neat, clear and up-to-date.	292	4.500	0.6709	4.448	0.4332	0.2664
3	OIC has a clean and adequate space where customers can rest during waiting time.	292	4.595	0.4915	4.646	0.3949	0.1675
4	OIC has welcome desk with brochures & forms that customers can get information from.	292	4.595	0.4908	4.547	0.4158	0.2028
	Total	292	4.5710	0.5461	4.5592	0.4283	0.7715

From table 2 above, one can see that the service quality perception of OIC customers on tangibility shows that the mean score is more than three (out of five). It indicates that the perceived service quality in respect of tangibility items is above average (Mean > 3). Thus, concerning the first item of tangibility which is “OIC has modern/ up-to-date physical facilities and equipment”, the expectation and perception of OIC's major customers has no statistical difference between their previous expectation and the actual performance which accounts mean of 4.599 and 4.541, respectively with a significant level of $P = 0.1595$. Therefore, this result shows that there is no significant difference between customer's expectations and perceptions of the service in respect of the first item of tangibility at 95% confidence level. Therefore, pertaining to the above result, it can be concluded that OIC customers are satisfied with modern looking physical facilities and equipment under this item of tangibility.

The second item of tangibility which refers to “OIC’s employees’ appearance is neat, clear and up-to-date”, the result in the above table shows that there is no significant difference statistically in service quality expectation and perception of OIC with the mean score of 4.500 and 4.448 respectively at significant level of $P= 0.2664$ (which is more than 0.05). Thus, the finding shows that OIC customers are satisfied with OIC’s employee’s appearance in general.

From the third dimension in table 2 above, it is evident that there is no statistically significant difference between expectation and perception of OIC major customers about the company’s clean and adequate space where customers can rest during waiting time. Accordingly, the mean score of 4.595 and 4.646 which shows that both customers expectation and perceived value is above average service quality in which (Mean > 3) in respect to this item with a significant statistical level difference of $P= 0.1675$. So, from the result we can draw that major customers are pleased with the space where they can relax all through their waiting time.

The last item of tangibility assesses materials associated with service (such as brochures or forms) which are visually appealing at the OIC’s service place. As it can be seen from the above table, like the above three items of tangibility the last dimension also doesn’t have significant difference between expectation and perception of OIC customers with the mean score of 4.595 and 4.547 respectively with a statistical significant level difference of $P= 0.2028$ which is (> 0.05). Consequently, the result clearly shows that there is no significant service quality expectation and perception difference with respect to the last tangibility attribute.

In general, the grand mean of customers expectation and perception of service quality in respect to the overall tangibility shows that 4.5710 of customers expectation and 4.5592 of perception with a significant level score of $P= 0.7715$ (> 0.05) which indicates there is no significant difference between customer’s expectation of the service and the actual one. Therefore, customers’ perception score is more than average (Mean >3) service quality in respect to tangibility which is an important dimension for providing the desired service to customers and to facilitate the service provision or delivery. Thus, from the above result, it can be concluded that customers are satisfied in terms of tangibility dimension of service quality.

Here, it is interesting to note that while Parasuraman et al. (1988) stated that tangibles were the least critical dimension for service customers. Thus, the above result in table 2 shows that there is no

significant difference between expected and perceived service quality of OIC customers in terms of tangibility dimensions of service quality.

Finally, the researcher concludes from the above results and detailed of analysis that there is no significant difference between customer’s expectations of the service quality in terms of tangibility and the actual performance of OIC Insurance service quality because the mean score of customers show that their perception of the service is above the average (>3).

4.3.2 The Reliability Dimension

The second important dimension which measures the service quality of the firm is reliability (Parasuraman et al. 1988). Accordingly Table 3 shows, the mean scores summary of major customers of OIC for the five items fall under the general reliability dimension as follows;

Table 3: Mean and standard deviation for Reliability responses of respondents of OIC with (95% confidence level) P< 0.05

No	Items of Reliability	N	Expectation		Perception		Significance Score
			Mean	Std. Deviation	Mean	Std. Deviation	
1	OIC provides its Insurance Service to the level of quality it promises.	292	4.695	0.4034	2.551	0.8550	0.0001
2	OIC’s Insurance Service quality has a consistency of performance right the first time.	292	4.542	0.5751	2.453	0.8537	0.0001
3	When OIC promises to do something, it does so.	292	4.347	0.5498	1.901	0.7382	0.0001
4	OIC shows a sincere interest in solving customers’ compliant effectively.	292	4.347	0.5934	2.404	0.3767	0.0001
5	OIC maintains error free records	292	4.546	0.6109	2.404	0.3767	0.0001
	Total	292	4.4996	0.5656	2.3493	0.7235	0.0001

As it is observed from the first item in table 3 “OIC provides its Insurance Service to the level of quality it promises”, there is a significant variation between customers’ expectation and perception of OIC’s insurance service quality with a mean score of 4.695 and 2.551 respectively. It also indicated in the table that the computed significant level is $P= 0.0001 (< 0.05)$ which shows there is significant difference among customer’s expectations and perceptions of insurance service quality eventually. Furthermore, the mean score of customers’ perception which falls below average (Mean < 3) indicates that the perceived service quality with respect to this item is poorer than what’s expected from insurance which is above average (Mean > 3) mean score. Therefore, it can be summarized that OIC’s insurance service quality is not as good as it’s promised initially.

Again in the second item of reliability, which is “OIC’s insurance service quality has consistency of performance right the first time” as we can see from the above table, there is still a significant difference between customers’ expectation of insurance service quality and its consistency of performance compared to their previous expectation. It is also shown in the table that a mean score of customer’s expectation about the service quality and its consistency of performance is 4.542 and 2.453 of mean value is the result after service with significant level of $P= 0.0001$ which indicates the mean difference is significant. Thus, one can conclude from the above result that OIC’s insurance service quality have no consistency of performance as promised initially from time to time which means the company’s insurance service lacks consistency of performance.

The responses of major customers on “When OIC promises to do something, it does so”, revealed that major customers perceive below average value which is (1.901 out of 5). Thus, it’s evident that there is a significant difference between customers’ expectations and perceptions of OIC’s service delivery on what it promises to do with respect to insurance service quality with a mean score of 4.347 and 1.901, respectively and at significant difference level of $P= 0.0001$. Finally, it is conclusive that OIC needs doing some improvements with regard to insurance services quality. Thus, OIC over promises to do things and finds itself terribly under delivering as it can be seen from the customer’s perceived value under this item of reliability dimension in which the perceived mean value is 1.901. The customer’s perceived value of this item is also the worst mean score of all items in all the five dimensions.

Ultimately, it can also be seen from table 3 regarding OIC’s sincere interest in solving customers’ compliant effectively and the finding shows that major customers of OIC scores mean of 4.347 and

2.404 on OIC's sincere interest in solving their complaint on their expectations and perceptions respectively. As it can be seen from the above result, there is a significant difference between the mean of major customers of OIC's expectations and perceptions, in which the perceived mean value is below the average which is (2.404) with significant difference of $P= 0.0001$. Similar to the above three items of reliability dimensions, the fourth item also has a significant difference between customers' expectation and actual performance of OIC's effectiveness of handling complaints. Finally, we can conclude that there is a significant difference between customers' expectations and perceptions about this item under reliability dimension of service quality. Thus, the results in the above table prove that customers are not satisfied with this item of reliability in which the mean of their perceived value is below average.

Moreover, the fifth item of reliability dimension of service quality shows a significant difference between variables with mean score of 4.546 and 2.404 by significance difference level of $P= 0.0001$. Thus, customers' perception OIC's maintenance of error free records is scored mean value of below average which proves customers' doubt on this item of reliability dimension of service quality.

In summary, the total mean score of reliability depicts that 4.4996 of expectation and 2.3493 of perceived value with a significant level of $P= 0.0001$ which explains the existence of significant difference between customers' expectation and the actual performance of OIC.

As indicated by Parasuraman et al. (1988) the reliability dimension appears as the most important to provide quality service to customers. As well as, Zeithaml et al. (2000) suggests that poor performance by service firms is primarily due to not knowing what their customers expect from them. Therefore, there is a significant difference on OIC customers perceived and expected service quality of the company's insurance service in terms of reliability dimensions of service quality which leads to a conclusion that customers are not satisfied with this dimension which is the most important dimension to satisfy customers as to Parasuraman et al. (1988).

4.3.3 The Responsiveness Dimension

As clearly seen in the Table 4 below, concerning responsiveness dimension of service quality, the major customers of OIC perceived a mean value of above average score (Mean >3) for three of the four components under responsiveness dimension of service quality in SERVQUAL model. The details of responsiveness results are presented one by one in the table below.

Table 4: Mean and standard deviation for Responsiveness responses of respondents of OIC with (95% confidence level) $P < 0.05$

No	Items of Responsiveness	N	Expectation		Perception		Significance Score
			Mean	Std. Deviation	Mean	Std. Deviation	
1	OIC's employees are always willing and ready to serve the customers.	292	4.5	1.2028	4.441	0.6341	0.4588
2	OIC gives prompt and quick response to its customer's compliant.	292	4.398	1.7772	2.953	0.9064	0.0001
3	OIC's employees are always willing to respond to customer's request timely.	292	4.341	1.1830	4.205	0.6802	0.0892
4	Employees of OIC tell customers exactly when services will be performed.	292	4.047	0.8192	3.101	0.6626	0.0001
	Total	292	4.3215	1.1185	3.6789	0.9786	0.0001

Evaluating the responses on “OIC’s employees are always willing and ready to serve the customers” it is found that there is no significant difference between the expectation and perception of customers, the mean value of their perception is above average which is 4.5 and 4.441 with significant difference of $P = 0.4588$. Thus, we can clearly observe from the above results that employees of OIC are always willing and ready to serve customers and also customers are satisfied with this item of responsiveness dimension of service quality. Consequently, the result shows us that employees of OIC are always enthusiastic, willing and ready to serve customers positively so as to make them satisfied.

The second item of responsiveness deals with whether OIC gives prompt and quick response to its customer’s compliant or not. Accordingly, the result in the above table shows that the perceived mean value of this item of responsiveness is relatively lower than the rest three items under this dimension.

As we can see from the above, the mean value scored under this item of responsiveness is 4.398 and 2.953 for customers' expectation and perception respectively with significant difference of $P= 0.0001$ which is (< 0.05). Therefore, the result shows the existence of significant difference between the two variables of satisfaction which leads to conclusion that OIC customers are not satisfied with the company's way of prompt and quick response to their complaints.

Coming to the third item of responsiveness, from the above table mean value of OIC customers reveal that customers are pleased with OIC employees' usual willingness to timely respond to customer's request at mean value of 4.341 and 4.205 of their expectation and perception at significant difference level of $P= 0.0892$. Accordingly, the result leads to conclusion that major customers are satisfied with this item of responsiveness because the mean value of their perception score shows that customers perceived more than average mean value which shows the insignificance of the difference between customer's expectation and perception.

Finally, the result on table 4 above for the fourth item under responsiveness confirm us that employees of OIC tell customers when the services will be performed. Consequently, the mean value scored under this item of customers' expectation and perception is that 4.047 and 3.101, respectively with significant difference of $P= 0.0001$. From this outcome it can be concluded that customers are somehow not satisfied with this item. However, the result also shows the existence of significant difference between customer's expectation and perception. This is may be because the employees tell what they guess, but it all depends on the system especially as the respondents complain as delay is learnt as a must in OICs claims handling and payment process.

Ultimately, the grand mean scored shows that the perceived value is somehow below the expected ones which is 4.3215 and 3.6789 with significant difference at $P= 0.0001$ (< 0.05). The difference might be occurred due to failure of responding timely due to the service process as 224 (76.71%) of the respondents choose this item as the source for their dissatisfaction especially on the time of claims and during payments on the questionnaire. From the above table, we can conclude that three of responsiveness items out of the four, score a mean of greater than average mean value which is (>3 out of five). Thus, from the above findings we can wind up that major customers are somehow satisfied with the overall employees' performance, willingness, their quick responses and their being honest with them. In contrary to this, major customers are relatively not fully satisfied with OIC's way of giving quick and prompt response to its customers. Therefore, from the above we can arrive at

conclusion that customers perceived more than average mean value and even we can conclude that customers are in some way satisfied with employees of OICs' general appearance as a whole.

4.3.4 The Assurance Dimension

Due to the service sector special characteristics i.e. heterogeneity, intangibility, etc., the customer-employee contact and its effectiveness have a major impact on the formation of customer perception of the service quality received (Gummerson, 1998 in Lo ling and et al., 2004). Accordingly, Table 5 shows the summary of customers' expectation and perception on the four items under the assurance dimension of service quality.

Table 5: Mean and standard deviation for Assurance responses of respondents of OIC with (95% confidence level) $P < 0.05$

No	Items of Assurance	N	Expectation		Perception		Significance Score
			Mean	Std. Deviation	Mean	Std. Deviation	
1	OIC's employees have the required knowledge & skills in providing the service.	292	4.491	1.2152	4.450	0.4727	0.5914
2	OIC's employees have able to inspire trust and confidence on customers toward the Company.	292	4.551	1.1909	3.103	0.6995	0.0001
3	OIC is trustworthy in its provision of quality insurance Service at expected level.	292	4.303	1.1649	1.907	0.8341	0.0001
4	Customers of OIC feel safe and secured in any transactions of services.	292	4.255	0.9813	2.109	0.7438	0.0001
	Total	292	4.4032	1.1441	2.8899	1.2263	0.0001

As the above table shows, OIC's major customers perceived mean value is more than 3 (out of five) for the first item under assurance dimension of service quality. Thus, customers' response on OIC

employees required knowledge & skills in providing quality service scored a mean value of 4.491 and 4.450 on their expectation and perception, respectively with significant difference of $P= 0.5914$ which is (>0.05). This shows that the customers are receiving a better service quality with respect to this item of assurance in which they are confirmed that employees of OIC have the required skill and knowledge to serve them effectively in which there is no significant difference observed on OIC customer's perception.

The second item of assurance dimension of service quality which talks about OIC employee's ability to inspire trust and confidence on customers toward the company, the outcome in Table 5 clearly shows that the mean value scored under this item is 4.551 of their expectation and 3.103 of their perception correspondingly with significant difference of $P= 0.0001$ (< 0.05) which shows the existence of significant difference between the two variables even though both scored a mean value of more than average which is (>3 out of five). It is the second highest mean score perceived among the four items under assurance which might be due to customers trust on employees of OIC. Thus, the difference observed in the mean score of major customers' expectation and perception is significant enough at ($P= 0.0001$) level.

As we go on with the result on the third item of assurance in the above table; "OIC is trustworthy in its provision of quality insurance service at expected level", 4.303 and 1.907 mean score of OIC major customers' expectation and perception respectively by which the difference is significant enough between the two variables which is ($P= 0.0001$). Therefore, it can be summarized that OIC is not trustworthy in its provision of quality insurance service at expected level as we can see from the above result.

Similarly, it is also true with the last element of assurance dimension of service quality which deals with "Customers of OIC feel safe and secured in any transactions of services", being significant level difference between customers' expectation and perception with mean score of 4.255 and 2.109 respectively in which customers' perceived below average mean value which can be evidence for customers' dissatisfaction on this issue of assurance with significant difference of ($P= 0.0001$).

Finally, when the overall assurance for both customers' expectation and perception is compared, the result proved that there is a significant difference in terms of assurance dimension. Major customers of OIC perceived that the company is providing less quality service in terms of assurance than their

previous expectation about the service quality with mean score of 4.4032 and 2.8899 by significance difference of (P= 0.0001).

This difference might be occurred by the fact that, competition in the insurance sector in Ethiopia is becoming high these times. Consequently, customers are expecting magnificent service quality and also qualified employees who have sufficient experience and knowledge to provide the desired service with courteous and confidently in which the result is brought into being opposite.

4.3.5 The Empathy Dimension

The other and the last dimension which is crucial to measure service quality is empathy. Hence, Table 6 shows the service quality expectation and perception of OIC customers on the empathy dimension which consists five sub items:

Table 6: Mean and standard deviation for Empathy responses of respondents of OIC with (95% confidence level) P< 0.05

No	Items of Empathy	N	Expectation		Perception		Significance Score
			Mean	Std. Deviation	Mean	Std. Deviation	
1	OIC gives caring and personalized attention to its customers.	292	4.152	1.1404	2.898	0.8295	0.0001
2	OIC's employees are committed to skillfully handle conflicts of whatever nature.	292	4.198	1.2497	3.401	0.9687	0.0001
3	OIC's employees have enthusiasm in solving customers' problems.	292	4.401	1.1986	4.353	0.7430	0.5611
4	OIC has operating hours convenient to all its customers.	292	4.397	0.6630	4.351	0.3922	0.6458
5	Employees of OIC understand your specific needs.	292	4.546	0.4730	4.5	0.3888	0.1997
	Total	292	4.3390	1.0053	3.9006	0.9485	0.0001

As it is noticed from Table 6 above, 4.152 and 2.898 of mean scored on customers' expectation and perception of OIC's caring and personalized attention to its customers with a significant level difference of $P= 0.0001$. Thus, the result in the above table depicts the mean score is above average but it also indicates that OIC is not giving adequate caring and personalized attention to its customers. The significant difference noticed between customers' expectation and perception might be related with lack of having an employee who can deal with customers' complaints only as the respondents give feedback.

Comparing the second item under empathy dimension; "OIC's employees are committed to skillfully handle conflicts of whatever nature", both customers' expectation and perception have above average mean score of (4.198 and 3.401) respectively with $P= 0.0001$ which shows there is significant difference between the two variables which determine customer's satisfaction or dissatisfaction. This is supported by the fact that employees who serve customers are trying to satisfy their customers by skillfully handling conflicts by their side but still there are many issues which cannot be answered by employees rather it needs solution from the top management in the company.

Regarding the third item of empathy, "OIC employees have enthusiasm in solving customers' problems", the result depicts the mean score of 4.401 and 4.353 for customers' expectation and perception of the actual performance of the company which is more than average which indicates that employees of OIC have enthusiasm and willing to solve customers' problems with significant difference of $P= 0.5611$ which shows there is no significant difference between customers expectation and perceived value on this item of empathy.

The preceding two items on the above table 6 also shows the last two attributes mean scores; (OIC has operating hours convenient to all its customers and Employees of OIC understand your specific needs) as 4.397 and 4.351 mean value of customers' perception and 4.546 and 4.5 mean value of major customer's expectation value which is not significant in both cases $P= 0.6458$ and 0.1997 for the fourth and fifth items of empathy dimension respectively. From the above result we can conclude that the last two items of empathy shows the insignificant difference between customers' expectations about the service and what they actually perceived after the service. This witness that OIC's employees understand what customers want specifically and also that the company has convenient working hour for its customers.

To conclude, the grand empathy mean score shows that the overall mean score of major customer's expectation is above average (4.3390) and in which their perceived value is (3.9006) by means of significant difference $P= 0.0001$. In general, the grand mean prove that customers are delighted with employee's performance as a whole but, rather as the result clearly shows they are not satisfied with the service from the company side.

To summarize the results of the research, there is a significant difference between customer's expectation and perception on four of the five service quality dimensions. However, with respect to tangibility dimension there is no significant difference in the perception of customers.

Moreover, in the rest four dimensions the result shows that the major customers' perception is lower than their previous expectation about the insurance service quality provided by OIC in general. Thus, this implies that OIC delivers lower level of service quality as compared to major customers' previous expectation and what's expected from the company in general. Therefore, we can conclude from the findings that OIC's insurance service quality is much poorer than what's expected from the company as the result shows that customers are somehow fully satisfied with only one service quality dimension among the five which is tangibility. This is because of the way of claims handling process, delay at the time of payment, lack of using advanced technology in the industry like General Insurance Information System which helps to fasten the service process, lack of employee who can only deal with customer complains as most of the respondents put their feedback on these issues on the question which deals about the overall performance of the company and also difficulty to understand Insurance policies were stated as they have a negative influence on the customer.

Therefore, OIC must give attention to those issues as they are leading the customer to dissatisfaction and our result on satisfaction of overall performance of the company shows 151(51.71%) of respondents are somewhat unsatisfied, 21(7.19%) very unsatisfied and 74(25.34%) on the fence which indicates that customers are not satisfied with the insurance service provided by the company. In turn, this could lead to losing customers as the result shows on the continuity of using the service given by the company most respondents 199(68.15)% were fall in unsure category and also as competition in the industry is becoming high from time to time.

CHAPTER FIVE: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Summary of Major Findings

Quality is an important element of value and it is a key strategic asset of companies for applying on the market regardless of whether it is a product or a service. Customer perception of quality is an important determinant of their purchase choice and the achieved customer satisfaction. Quality can be defined in different ways and from different perspectives. From the customer's perspective, quality is what a customer or a target segment considered to be, i.e. the ability of a product or a service to meet or to exceed his expectations (Veljković, 2009, p. 103).

Evaluating the quality by customers is the result of benefits that they gain by using a product (service), and its image. However, the main problem that arises in the management of service quality, in service companies, is that quality cannot be easily identified and measured due to the specificity of services (Jain, Gupta, 2004, p. 25). In relation to the quality of a product, it is more difficult for customers to measure objectively the quality of service, due to the intangibility as one of the main characteristics. The dominant perception is that the quality of a service is its delivery that is in accordance with the expectations of customers, i.e. the result of customers comparisons between expectations related to a certain service and their perception on how services should be provided (Caruna, et. al., 2000, p. 1339).

This research was conducted to assess whether there is significant similarities or differences of service quality provision between what is expected from Oromia Insurance Company and the actual performance as perceived by customers' vis-à-vis the five dimensions of SERVQUAL model. Thus, to successfully meet the objectives of the research data were collected, analyzed and reached on some findings. Accordingly, the findings of the research were summarized as follows:

5.1.1 Tangibility Dimension

Both customers perceived value and their previous expectation about the company in general is more than average value (Mean > 4) in respect of tangibility dimension since for both cases the mean score is above average. Thus, the significant difference among customers perception about attribute of tangibility associated with the visually appealing modern physical equipment, appearance of employees, adequate space during their waiting time and existence of welcome desk with brochures or statements related with insurance service is insignificant.

5.1.2 Reliability Dimension

Regarding the reliability dimension of service quality, the T - test revealed that there is a significant difference between the two variables of satisfaction in which customers' perception is by far below than what's expected from the company by major customers. In addition, in all items under reliability dimension of service quality customers' perceived mean score is by far lower than the expected ones in which the perceived mean score under this dimension is below average (mean= 2.3493) which makes it terribly poor service quality in terms of reliability dimension.

5.1.3 Responsiveness Dimension

As per the finding of the research, even though OIC's major customers' perceived value with respect to insurance service quality is found to be above average (Mean > 3) statistically it shows there is a significant difference between the customer's expectation and perception. This in turn shows that the service quality in respect to responsiveness is not as good as previously expected by OIC's major customers. Moreover, it is observed from the T- test that the difference of customers' expectation and perception is significant enough.

5.1.4 Assurance Dimension

On the assurance dimension, customers perceived value shows the existence of significant difference between the two variables except one among the four items which is (OIC's employees have the required knowledge & skills in providing the service). However, there is significant difference on the three items under assurance by which customers' expectation is still higher than the actual performance of the company. Besides, the T- test (P = 0.0001) confirms that there is significant difference between the two variables of customers satisfaction in respect to the above three items out of four under assurance dimension of service quality.

5.1.5 Empathy Dimension

The finding of the research revealed that the gap between customers' expectation and perception is significantly different on two attributes of empathy. Moreover, the average mean score of three items under empathy out of five scored mean value of more than average. Accordingly, from the above results we can see that major customers are satisfied with all question concerning employees of OIC. When we come to the questions regarding the company's issue, customers look dissatisfied in which the mean scores are below average and also the difference is significant enough which leads to conclude that customers are not happy with the company's overall strategy implying that they are not satisfied with the service quality of OIC Insurance Service.

Generally, OIC's service quality provision as perceived by customers from the five dimensions is significantly different with that of the previously expected from the company with the exception of one of the five dimensions of SERVQUAL which is tangibility. Furthermore, the two variable's mean score shows that the customers' expectations in four dimensions among the five are far from the actual customers' perceptions regarding insurance service of OIC which leads to customer dissatisfaction. Ultimately, based on the analysis so far, one can deduct that employees of OIC are skillful, courteous, willing and always ready to serve customers promptly. In addition, it can be concluded that customers doubt about the overall service provision (except working hour) such as quality, consistency of performance, trustworthiness, security, compliant handling, promptness and timely response of the company concerning insurance service and many other issues. According to this assessment, it can be concluded that OIC's insurance service quality is poor in which the customer's expectation is by far from the perceived one. Thus, it can also be summarized that service quality has a direct relationship with customer satisfaction in which if the service quality is poor it leads customers to dissatisfaction and if it is advanced it leads to customer satisfaction which is also the major challenge in using the service.

5.2 Conclusion

This study intended to examine the level of service quality provision by Oromia Insurance Company. In order to accomplish the objective, 319 major customers who were served in city branches were taken as a sample using judgment sampling method.

A number of implications can be drawn from this study. Accordingly, the study proves the direct effect of service quality and customer satisfaction on Oromia Insurance Company Services based on responses given by the respondents. The result reveals that perception towards service quality level provided by OIC was consistently lower than their expectation. As the analysis of the responses to the questionnaires revealed, the expectation of OIC's major customers is much greater than what is there in actual performance of the company in four of the five dimensions of service quality (Reliability, Responsiveness, Empathy and Assurance). Moreover, the difference between the two variables of satisfaction is significant since $P=0.0001$ in case of reliability, responsiveness, assurance and empathy. Whereas, with regard to tangibility dimension of service quality, the difference between the two gaps which determine customer's satisfaction, that are customer's expectation and perception is not significantly different with value of $P= 0.7715$ which is $P> 0.05$. Accordingly, this in turn shows that customers look unhappy with the insurance service provided from the company in the four

dimensions among five. This implies that more effort is needed to improve the service quality level of the insurance.

Parasuraman et al., (1985) suggested that when perceived service quality is high, then it will lead to increase in customer satisfaction. He supports the fact that service quality leads to customer satisfaction and this is in line with Saravana & Rao, (2007, p.436) and Lee et al., (2000, p.226) acknowledge that customer satisfaction is based upon the level of service quality provided by the service provider. This is a good ground for asserting whether customers are satisfied with service quality in case of OIC insurance service or not. A higher perception indicates higher satisfaction as service quality and satisfaction are positively related (Fen and Lian, 2005, p.59-60). This means that dimensions with higher perception scores depict higher satisfaction on the part of customers and lower perception scores depict lower satisfaction. Implicitly, customers are barely dissatisfied since the average perception mean score is 3.4756 from average expectation mean score of 4.4269 which is an indication that OIC needs to work hard to satisfy its customers and improve its service quality as competition in providing insurance service is becoming high in the country.

Moreover, as customer expectations are changing over time, it is good to measure ones' customer expectation and satisfaction regularly and handle complaints timely and effectively in order to provide quality service and have satisfied customers.

5.3 Recommendations

Based on the findings and conclusions, the following recommendations were forwarded for the purpose of improving the service quality of insurance service of OIC.

1. As it has been found in the research; even if, the two variables which determine customer's satisfaction score mean value of above average (Mean > 3) with respect to the tangibility service quality dimension, but still it is not enough to say it is the right level since the rapid growth in the area requires competing with other insurance service providers in the industry. And also OIC should think about improving insurance policy wordings in order to make its customers easily aware of its content.
2. Prior researchers indicated that reliability plays a great role to provide quality service. Accordingly, OIC has to improve its overall reliability dimension of service quality. Hence, the following recommendations are suggested to improve OIC's reliability service quality dimension:

- a. OIC should improve its insurance service as quality as promised initially with consistency of performance not only at the time of underwriting but claims too.
 - b. OIC should show sincere interest to solve customer's problems by adopting systems which can fasten the service process so as to improve the service quality issues as a whole.
 - c. OIC should do the same when promising to do something and must maintain error free records to make the company and service area more trustable by avoiding over promising and underperformance.
3. OIC should give prompt and quick response to its customers' compliant by creating a simple and fast compliant handling system by forming a separate section to handle customers' complaints.
4. OIC should use advanced systems like General Insurance Information System in order to fasten its service process and meet customers' need.
5. The company must let its customers feel safe and secured in any transaction or in using the insurance service through creating safe and secured system.
6. OIC should give caring and personalized attention to its major customers since they generate huge amount of income for the company and give immediate response to each major customer's complaints.
7. OIC has to design a strategy to keep its customers satisfied, feel safe and secured by improving its system concerning the overall service quality specially in claims handling and payment process.
8. OIC has to understand the changing needs of customers, their aspirations and expectations to create value by creating effective and continuous feed backing system. The company should also have a strong customer relationship management and be able to understand the customer's needs while interacting with them.

9. The company should use a feedback system to know the customer service quality expectation and perceptions for improving the level of customer satisfaction and also to notify customer's criteria in judging the service quality about insurance service quality as well.

REFERENCES

1. Alemayehu, F. (2010). "A comparative assessment of customers' satisfaction between public and Private Banks" unpublished.
2. Awash Insurance Company S.C. (2010). *Marketing Manual*.
3. Arasli H., Katircioglu S.T., & Smadi S.M. (2005). A comparison of service quality in the banking industry: Some evidence from Turkish- and Greek- Speaking areas in Cyprus. *Inter. J.Bank Mark*, 23(7), 508- 526.
4. Brown, S.W. and Swartz, T.A., (1989). A Gap Analysis of Professional Service Quality. *Journal of Marketing*, 53 (2), pp. 92-98.
5. Boyd Westfall and Stasch. (1999). *Marketing Research* (7th Ed). Richard d. Irwin, inc., Homewood, Illinois.
6. Chingang, N. D. and Lukong, P. B. (2010). Using the SERVQUAL Model to Assess Service Quality and Customer Satisfaction: An Empirical Study of Grocery Stores in Umea, pp. 38.
7. Cohen, L., Manion, L., & Morrison, K. (2007). *Research methods in education* (6th ed.). London: Routledge.
8. Cronin, J.J. & Taylor, S.A. (1992). Measuring Service Quality: a Re-examination and Extension. *Journal of Marketing*, Vol. 56, pp.55-68.
9. Chartered Institute of Marketing, *Definition of Marketing*.
<http://www/cim/co.uk/resources/understandingmarket/definitionmkting.aspx>.
10. Christopher Lovelock and Jochen Wirtz. (2011). *Services Marketing-People, Technology, Strategy*. 7th Ed. New Jersey: Prentice Hall.
11. Douglas, K., Hoffman & John E.G. Bateson. (2008). *Service Marketing Concepts, Strategies and Cases* 4th edition. USA: Cengage Learning.
12. Denzin, N. & Lincoln, Y. (2003), *The Discipline and Practice of Qualitative Business Research*, 4th Ed.
13. Fen, Y. & Lian, K. (2005). Service Quality and Customer Satisfaction: Antecedents of Customer's re-patronage. *Sunway Academic Journal*.Vol.4, pp.60-73.
14. Gultinan et al. (1996). *Marketing Management: Strategies and Programs*. Irwin: McgrawHill
15. Garvin D. A. (1987). Competing on the Eight Dimensions of Quality. *Harvard Business Review*, 87(6), 101-109.

16. Grönroos, C. (1984). A service Quality Model and its Marketing Implications. *European Journal of Marketing*, 18 (4), pp. 36-44.
17. Grönroos, C. (1990). Service Management and Marketing. *Managing the Moments of Truth in Service Competition*. Free Press/Lexington Books, Lexington, MA.
18. Harr, Ko King Lily, (2008). "Service Dimensions of Service Quality Impacting Customer Satisfaction of Fine Dining Restaurants in Singapore." Unpublished *UNLV Dissertations* Paper 686.
19. Ismail, S., Haron, H. Ibrahim, D.N., and Isa, S.M. (2006). Service Quality, Client Satisfaction and Loyalty towards Audit Firms, Perceptions of Malaysian Public Listed Companies. *Managerial Auditing Journal*, 21 (7), pp.738-756.
20. Juran J.M. (1988). *The Quality Function*. Juran's Quality Control Handbook. New York: McGraw-Hill.
21. Johns, N. (1999). What is the Thing Called Service. *European Journal of Marketing*, 33 (9/10), pp. 958-973.
22. Kotler, P. (2001) *Marketing Management Millennium edition*, 10th ed. United States of America: Prentice-Hall, Inc.
23. Kotler P. Armstrong. (2002). *Principle of Marketing* 3rd edition. Europe: Pretence Hall.
24. Lakhe, R. R., & Mohanty, R. P. (1995). Understanding TQM in Service System. *International Journal of Quality & Reliability Management*, 12(9), pp139-153.
25. Lee, H., Lee, Y. & Yoo, D. (2000). The Determinants of Perceived Service Quality and its Relationship with Satisfaction. *Journal of Service Marketing*, 14 (3), pp.217-231.
26. Lovelock, C. and Gummenson. (2004). *Whither Services Marketing: In Search of a New Paradigm and fresh Perspectives*.
27. Levitt T. (1981). Marketing Intangible Products and Product Intangibles. *Harvard Business Review*, 81, pp 94 - 102.
28. Lovelock, C and Wright, L. (1999). *Principles of Service Marketing and Management*. New Jersey: Prentice-Hall
29. Marelise Pitt, Johan Bruwer, Deon Nel, and Jean-Paul Berthon. (1999). A Framework for Research in Internal Marketing and the Study of Service Quality: Some Propositions. *Management Research News*, 22 (7).

30. Marla Royne Stafford, Thomas F. Stafford, and Brenda P. Wells. (1998). Determinants of Service Quality and Satisfaction in the Auto Casualty Claims Process. *Journal of Services Marketing*, 12(6), 426-440.
31. Nelson NO, & Chan KW. (2005). *Factorial and Discriminate Analysis of the Underpinnings of Relationship Marketing and Customer Satisfaction*. Inter. J. Bank Mark, 23(7), 542-557.
32. Oliver, R. L. (1981). Measurement and Evaluation of Satisfaction Process in Retail Setting. *Journal of Retailing*, 57(3), 18-48.
33. Parasuraman, A., Zeithaml, V.A., and Beny, L.L. (1988). SERVQUAL: A Multiple Scale for Measuring Consumer Perceptions of Service Quality. *Journal of Retailing*, 64(1), 12-40.
34. Parasuraman, A., Zeithaml, V.A., Berry, L.L., (1991). Refinement and Reassessment of the SERVQUAL scale. *Journal of Retailing*, 67 (4), pp. 420–450.
35. Parasuraman, A., Berry, L., and Zeithaml, V.A. (1985). A Conceptual Model of Service Quality and its Implication for Future Research. *Journal of Marketing*, 49 (4), 41-50.
36. Payne, A. (1995). *The Essence of Service Marketing*. London: Prentice-Hall International Ltd
37. Patrick Asubonteng, Karl J., McCleary, and John E. S. (1996). SERVQUAL Revisited: a Critical Review of Service Quality. *The Journal of Services Marketing*, 10 (6), 62-81.
38. Regan W.J. (1963). The Service Revolution”, *Journal of Marketing*, 47, 57 - 62.
39. Robson C. (2002). *Real World Research*, 2nd edition. USA: Blackwell Publishing.
40. Saravanan, R. and Rao, K. S. P. (2007). Measurement of Service Quality from the Customer’s Perspective – An Empirical Study, *Total Quality Management*, 18 (4), 435-449.
41. Sheetal B., Sachdev, and Harsh V. Verma. (April-September 2004). Relative Importance of Service Quality Dimensions: A Multi-Sectoral Study. *Journal of Services Research*, Volume 4, No. 1.
42. Sheppard, M. (2004). Appraising and Using Social Research in the Human Services: *An Introduction for Social Work and Health Professionals*. London and Philadelphia: Jessica Kingsley Publishers.
43. SPM, Awash Insurance Company. (2011/12-2015/2016).
44. Society of Insurance Professionals (SIP), January 2011, *Vision* 8th Volume, Issue No. 1.
45. Suzana Đukić and Velida Kijevčanin. (2012). Service Quality as Determinant of Customer Satisfaction. *Economics and Organization Series*, 9 (3), 311-325.

46. Ting, D. H. (2004). Service Quality and Satisfaction Perceptions: Curvilinear and Interaction Effect. *International Journal of Bank Marketing*, 2 (6/7), 407 – 416.
47. Tull Donald S. and Hawkins Del I. (1999). *Marketing Research*, 6th Ed: Macmillan Publishing co.
48. Uma Sekaren, (2010), *Research Method for Business: Skill Building Approach*, 4th Edition.
49. VilhoRainsanen. (2003). *Implementing Service Quality in IP Networks*. England: John Wiley & Sons Ltd.
50. Wolak, R., Kalafatis, S., and Harris, P. (1998). An Investigation into Four Characteristics of Services. *Journal of Empirical Generalizations in Marketing Science*, Vol 3, pp. 22-41.
51. Zeithaml, V. A. (1981). How Consumer Evaluation Processes Differ Between Goods and Services, in James H. Donnelly and Wiliam R. George eds. *Marketing of Services*. Chicago: American Marketing Association, pp186-190.
52. Zeithaml V.A., Parasuraman A. and Berry L.L. (1985). Problems and Strategies in Services Marketing. *Journal of Marketing*, 49, pp33 - 46.

APPENDICES

Appendix A: Questionnaire

St. Marry University

MBA Program

A QUESTIONNAIRE DESIGNED TO ASSESS THE IMPACT OF QUALITY SERVICE DELIVERY ON CUSTOMER SATISFACTION LEVEL

Dear respondent,

This research will examine the “Impact of Quality Service Delivery on Customer Satisfaction Level at Oromia Insurance (S.C)” as a partial fulfillment of the requirement for Master of Business Administration (MBA) Degree at St. Marry University. Your accurate response to the questionnaire is imperative for the successful accomplishment of the study. Please be assured that your response will be treated strictly confidential and the result will be used only for the purpose of this research.

Please take a few minutes to complete this questionnaire. Thank you in advance and remember your opinion counts.

- Please use ✓ to show your answer
- No need to write your name

Yours sincerely,

Lensa Kuma

Note: OIC – represents Oromia Insurance (S.C)

Part One

1. **Sex :** Male Female
2. **Age:** 25-35 years 36-45 years 46-55 years
 56 and above years
3. **Occupational status in your company**
Expert Manager Business Owner
 Any other _____
4. **Educational Qualification**
 High school graduate College Diploma
 BA/BSC Degree Masters Degree
 PHD Other (please state) _____
5. For how long you have been a customer of OIC?
Over 4years 1-4 years Less than 1 year
6. Which of the following services do you often use?
Motor Insurance Fire Insurance Bonds & Engineering
Marine Others All

Part Two

Instruction: The following questions are based on 5-Point Likert Scale where 1 = Strongly Disagree; 2 = Disagree; 3 = Somewhat agree; 4 = Agree; and 5 = Strongly Agree. Please put tick mark (✓) where appropriate.

Now you are required to express your “Expectations” about what OIC should have						What could be your “Perceptions” after obtaining the service from OIC?					
Tangibility	1	2	3	4	5	Tangibility	1	2	3	4	5
OIC should have modern/up-to-date physical facilities and equipment.						OIC has modern/up-to-date physical facilities and equipment.					
OIC’s employees’ appearance should be neat, clear and up-to-date.						OIC’s employees’ appearance is neat, clear and up-to-date.					
OIC should have a clean and adequate space where customers can rest during waiting time.						OIC has a clean and adequate space where customers can rest during waiting time.					
OIC must have welcome desk with brochures & forms that customers can get information from.						OIC has welcome desk with brochures & forms that customers can get information from.					
Reliability	1	2	3	4	5	Reliability	1	2	3	4	5
OIC should provide its Service as quality as promised initially.						OIC provides its Service as quality as promised initially.					
OIC’s Insurance Service quality ought to have a consistency of performance right the first time.						OIC’s Insurance Service quality has a consistency of performance right the first time.					
When OIC promises to do something, it should do so.						When OIC promises to do something, it does so.					

OIC should always show a sincere interest in solving customers' compliant effectively.						OIC shows a sincere interest in solving customers' compliant effectively.					
Responsiveness	1	2	3	4	5	Responsiveness	1	2	3	4	5
OIC's employees should always be willing and ready to serve the customers.						OIC's employees are always willing and ready to serve the customers.					
OIC is supposed to give prompt and quick response to its customer's compliant.						OIC gives prompt and quick response to its customer's compliant.					
OIC's employees must be willing to respond to customer's request timely.						OIC's employees are always willing to respond to customer's request timely.					
Employees of OIC should tell customers exactly when services will be performed.						Employees of OIC tell customers exactly when services will be performed.					
Assurance	1	2	3	4	5	Assurance	1	2	3	4	5
OIC's employees must have the required knowledge & skills in providing the service.						OIC's employees have the required knowledge & skills in providing the service.					
OIC's employees should be able to inspire trust and confidence on customers towards the Company.						OIC's employees have able to inspire trust and confidence on customers towards the Company.					
OIC must be trustworthy in its provision of quality Insurance Service at expected level.						OIC is trustworthy in its provision of quality Insurance Service at expected level.					

Customers of OIC should feel safe and secured in any transactions of services.						Customers of OIC feel safe and secured in any transactions of services.					
OIC should maintain error free records						OIC maintains error free records					
Empathy	1	2	3	4	5	Empathy	1	2	3	4	5
OIC must give caring attention to its customers.						OIC gives caring attention to its customers.					
OIC's employees should be committed to skillfully handle of conflicts of whatever nature.						OIC's employees are committed to skillfully handle of conflicts of whatever nature.					
OIC's employees must have enthusiasm in solving customers' problems.						OIC's employees have enthusiasm in solving customers' problems.					
OIC should have operating hours convenient to all its customers.						OIC has operating hours convenient to all its customers.					
Employees of OIC should understand your specific needs.						Employees of OIC understand your specific needs.					

Part Three

1. What is your overall customer satisfaction level of OIC?

- Very satisfied
- Somewhat satisfied
- On the fence
- Somewhat unsatisfied

- Very unsatisfied

2. Which area of OIC services you feel Dissatisfied?

Underwriting Claims Finance

Other

3. Which of the following reason do you think is a source for your dissatisfaction?

The Service Process Service inefficiency Employee's inefficiency (less competence)

Other.....

4. Will you continue to be customer with OIC for years to come?

- Very likely
- Somewhat likely
- Unsure
- Somewhat unlikely
- Very unlikely

5. How likely do you recommend OIC to others?

- Very likely
- Somewhat likely
- On the fence
- Somewhat un likely
- Very unlikely to recommend

6. What are the major challenges you have faced when using services provided by OIC?

.....
.....
.....
.....
.....

7. What do you suggest to overcome these challenges?

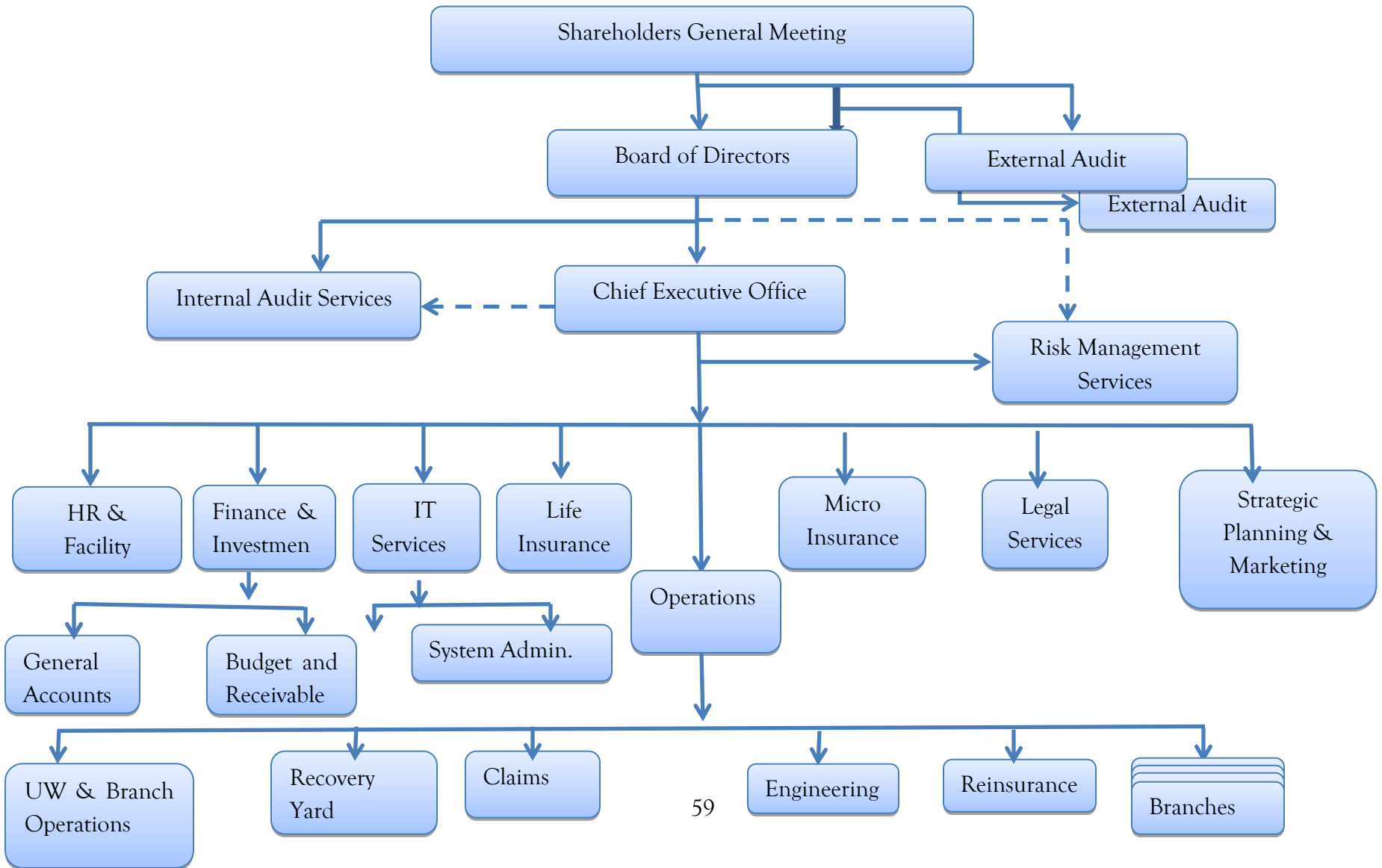
.....
.....
.....
.....
.....

8. Please provide any comment, feedback or suggestion to the company regarding services you receive.

.....
.....
.....
.....
.....

Thank You Again!!

Appendix B: Organization Structure
Oromia Insurance S.C Organization Structure



DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Tilaye Kassahun. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for earning any degree.

Researcher: Lensa Kuma Jebessa

Date: _____

ENDORSEMENT

This is to certify that Miss Lensa Kuma has carried out her research on the topic entitled, The Impact of Quality Service Delivery on Customer Satisfaction Level at Oromia Insurance S.C with my advice and follow up. I also approve that no portion of the work referred in the thesis has been submitted in support of an application for another degree or qualification of this or any other University. Her work is appropriate enough to be submitted as a partial fulfillment of the degree of Masters of Business Administration (MBA).

Research Advisor: Tilaye Kassahun (PHD)

Date: _____