ST.MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

ASSESSMENT OF CUSTOMERS SATISFACTION PERTAINING OF SERVICE QUALITY IN NYALA INSURANCE S.C.

BY: GIULIANO ETTORE

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ADDIS ABABA, ETHIOPIA

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ACKNOWLEDGMENTS

LIST OF ACRONYMS

- **NISCO:** Nyala Insurance S.C.
- **SMU:** Saint Mary's University
- **SGS:** School of Graduate Studies
- **SERVQUAL:** Service Quality Model
- **SERVPERF:** Service Performance Model
- **BSQ:** Bank Service Quality Model
- **SPSS:** Statistical Package for Social Science

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ABSTRACT

Customer satisfaction is a vital part in service industry. Company's sustainability revolves around the satisfaction of customers. Thus, the aim of this research was to assess the satisfaction of Nyala Insurance S.C.'s customers pertaining to SERVQUAL dimensions. The parameters used to assess the satisfaction level of customer were the five conventional quality parameters: tangibles, reliability, responsiveness, assurance, and empathy. To attain this objective, the study utilized questionnaire survey. The survey questions were developed based on a five point likert scale and a sample of 200 customers were asked to rate their satisfaction across the parameters identified. This paper used descriptive research design in order to obtain pertinent and precise information about the satisfaction level of customers being studied and draw conclusion from the facts discovered. Quantitative methods were employed to show the phenomenon in numbers. After data collection, the collected data was analyzed using SPSS 20.0 and Microsoft Excel software packages. The data is then organized, analyzed and described in a way that is helpful to attain the objective of the study. Finally, the finding showed that customers are not satisfied with each parameter of the SERVQAUL model and with respect to the statement which assessed satisfaction regarding the overall service of the company. The findings and the recommendations of this study would help the management to get a valuable lesson so that possible insight would be gained and remedies would be given.

Key Terms: Customer Satisfaction, Service Quality, SERVQUAL Model, Empathy, Responsiveness, Assurance, Reliability, Tangibles. SERVPERF Model, BSQ Model.

CHAPTER ONE

INTRODUCTION

This chapter is dedicated to give a brief insight about the background of the study whereby a foundation is made. It has also covered the statement of the problem in which the rationale of doing the research is touched upon. In addition to these, the research objectives, research questions, definition of terms, significance, scope, and organization of the study has been covered.

1.1 Background of the study

Service is a critical driver of customer retention and profitable growth. A key to ensuring the loyalty of customers lies in creating a predictably positive experience for them. By delivering on their service promise successfully at every opportunity, effective organizations go beyond "customer satisfaction" and ultimately earn customer loyalty. This is particularly true for the insurance industry, where policies offered by insurers are relatively equivalent. Thus, quality of service is critical to insurers seeking to remain competitive since quality of service is arguably the single most important factor that differentiates one insurer from the next.

Satisfying a customer is the ultimate goal and objective of a company and this goes on to be a more vital phenomenon in the service giving and volatile profit making companies like insurance. More often, it can be quite an issue. This is perhaps because of that companies sometimes do not really understand what actually goes on in a customer's mind. As such, this dilemma has provided as a challenging task to most companies that places strong emphasis on customer relations and satisfaction. Although many researches and studies were conducted on the actual working of the customer's mind, until today it is a still a mystery.

For example, for customers who have filed claims with their insurers, more weight is given to the value of service they perceive. In particular, how fast their insurers handle their claims is much more important to these customers than to the general population

of policyholders. In contrast, for general consumers of insurance, their satisfaction is based on a number of factors. Specifically, the insurer's capacity to provide service, output advertising expenditures, and distribution system all affect the quality of service perceived by consumers.

Substantial empirical and theoretical evidence in the literature suggests that there is a direct link between service quality and behavioral intentions (Bitner, 1990; Bolton and Drew, 1991a). Among the various behavioral intentions, considerable emphasis has been placed on the impact of service quality in determining purchase and customer loyalty (Jones and Farquhar, 2003). As pointed out by Bolton (1998), service quality influences a customer's subsequent behavior, intentions, and preferences. When a customer chooses a provider that provides service quality that meets or exceeds his or her expectations, he or she is more likely to choose the same provider again. Besides, Cronin and Taylor (1994) also found that service quality has a significant effect on purchase intentions. Other studies which support that purchase intentions are positively influenced by service quality include Zeithaml, Berry and Parasuraman (1996), Cronin and Taylor (1992, 1994), and, Cronin,Brady and Hult (2000).

Extensive research examining service quality factors has been conducted in various industries, such as retail trade. However, only limited attention has been paid to impacts of service quality on customer satisfaction in the financial services and specifically to that of insurance. In addition, prior studies of service quality in the financial industry have been limited to a few states because of their utilization of complaint data (Carson, J., K. McCullough, and D. Russell 2005). Several studies have been carried out in the developed countries regarding customer satisfaction and prescriptions have been put forward (Parasuraman 1985; Cronin and Taylor 1992; Bitner 1990; McAlexander 1994). In addition, studies have been carried out regarding the relationship between service quality and customer satisfaction in the developed countries using the SERVQUAL model.

However, only few studies have been carried out in this area in the developing countries and specifically in the insurance sector. As it is illustrated in many researches, the national culture of a country has its own unique characteristics in determining what is important and not important. Accordingly, the aim of this study was to find out whether customers are satisfied with the selected service quality dimensions and within a developing country context (in particular that of Nyala insurance S.C).

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After making a survey on different sources and conducting a personal investigation of the company under consideration with the intent of finding any previous work pertaining to the issue, the researcher could not find any. Thus, this research will contribute in such a way by creating a professional and concrete framework for the real quality dimensions and their impacts based on the local company context. This will make it unique in many regards since it has tried to assess the level of customers satisfaction pertaining service quality under a different background or unlike the area where previous works has been done as sited above. In addition, it will help as a background for other researches.

1.2 Statement of the problem

Today globalization and liberalization are affecting economies of not only developing but also developed countries. The focus areas for organizations are also changing from profit maximization to maximizing profits through increased customer satisfaction. The pressures of competition are forcing the organizations to not only look on the processes but also on the way they are delivered.

It is believed that the perceived service quality contributes to positive business outcome as greater level of customer satisfaction, and by extension, favorable marketing behaviors, such as repurchases and positive word-of-mouth behaviors of customers.

Companies that give added service benefits are likely to be winners. They have a competitive advantage over rivals. Customers are requiring and demanding better services and the goal of an insurance company must be to make the customers feel special. This will lead to customer's perceptions exceeding their expectations and greater customer satisfaction. A personal, proactive approach, such as knowing guest history, issues and preferences is vital to impressing customers and increasing repeat business.

From these and other related facts, it can be said that a negative consequence with respect to quality has a side effect on the company's performance. As it is indicated by (Boshoff and Gray 2004) as attention to service quality can make an organization different from other organizations and gain a lasting competitive advantage. According to the data acquired from a review of the workshop resolutions of the company and

reports of the National Bank of Ethiopia, NISCO's share in the market has been in a declining trend when for the years after 2000/01 unlike the years before.

Year	1998/99	1999/00	2000/01	2001/02	2002/03	2010/11	2011/12	2012/13
M.Share	11.0	10.3	10.8	8.9	8.1	6.1	5.7	5.6

Table 1: Market share (indicative years): Nyala insurance S.C.

In addition, based on the year's long work related observations and the discussions made with certain employees, the researcher has already noted that there exists a flaw on the quality aspects of the service during both underwriting and claim. Last but not least, the average renewal retention rate has been declining from the baseline standard of the company which is 80%.

It can be seen from the facts that the company has faced a serious problem of market share decline and a decreased retention rate which must be addressed. As illustrated in various researches, a quality service has the ability to create a long lasting customer base. Hence, the issue of the service provided must be assessed in view of the commonly agreed service dimensions because it has a direct linkage with customers. Accordingly, this study can help to sort out the customer's satisfaction in relation with service quality and helps to fill the identified research gaps and provide benefits to the local insurance company under consideration or to others with related criteria hence the assessment is based on the local practical context.

1.3 Research questions

The study has attempted to answer the following questions:

1. Are customers satisfied with the overall quality of service in NISCO?
2. Are customers satisfied with the "tangibles" aspect of the service quality?
3. To what extent are customers satisfied with the "reliability" aspect of the service quality?
4. Are customers satisfied with "responsiveness" dimension of the service quality?
5. To what extent are customers satisfied with the "assurance" element of the service quality?
6. Are customers satisfied with the "empathy" aspect of the service quality?

1.4 Objectives of the study

The general and specific objectives of this particular research are as outlined hereunder:

1.4.1 General objective

The general objective of the study is to identify the satisfaction level of NISCO's customers in relation with selected service quality (SERVQUAL) dimensions.

1.4.2 Specific objectives

The specific objectives of the study are:

1. To assess the level of customers satisfaction in relation with insurance service "assurance"
2. To evaluate the level of customers satisfaction in relation with insurance service "reliability"
3. To determine customers satisfaction in response to "tangibles" parameter of service quality.
4. To identify customers satisfaction in response to "empathy" parameter of service quality.
5. To assess customers satisfaction in response to "responsiveness" parameter of service quality.
6. To evaluate customers satisfaction with respect to the overall quality of NISCO's service.

1.5 Definition of terms

Individual customer: A customer that transacts with the insurance company within his individual capacity and for its benefit.

Corporate customer: A customer that is an artificial person and is represented by natural persons.

Underwriting: It is the process of risk evaluation in order to determine the premium that needs to be paid and to decide whether to accept or reject the risk.

Claim: The action whereby an insured lodges an accident in order to be compensated.

1.6 Significance of the study

The study has a great significance to Nyala Insurance S.C. and even in the national context to the local insurance companies including those that are engaged or has a plan to engage in industry. In addition, it will also be of a benefit to service providers in other related sector as outlined below. As stated earlier, the researcher could not find any previous works pertaining to the service quality aspects and in particular to the globally accepted SERVQUAL dimensions. The deficiency even goes far for the financial institutions amongst which insurance is the one. Hence, this research work will serve as an icebreaker together with the associated benefits to stakeholder including NISCO as listed hereunder:

1. It will help the company to identify the level of satisfaction of its customers so that it may react based on a scientific finding.
2. It will help new entrant competitors to device their strategy using the result of this research to test themselves accordingly that in turn will aid in the overall industry standard growth.
3. It will help to encourage innovation and creativity.
4. Government and/or regulators can use the result to polish the prevailing laws related to customer's treatment if any so that the overall insurance service of the country be at the highest standard.
5. The research can be an input to further study in this sector and other related sectors hence it gives a taste of the local context.

1.7 Scope of the study

The study was conducted on the company's customers that are situated in Addis Ababa. Because, as per the data acquired from internal sources, the lion share of the company's transaction and business is secured or stems out in one or the other way from the customers that are in the capital. The researcher had also taken an assumption that they are a better representative of the overall customers in terms of behavior and other factors since Addis is the home of different nations and nationalities that are gathered from different parts of the country. The respondents were individuals representing a self-capacity and an organization or institution.

1.8 Organization of the study

This study has five chapters. The first chapter discussed about introductory aspects in which background of the study, statement of the problem, objective of the study, research questions, significance of the study, scope of the study, limitation of the study, definition of terms are incorporated.

The second chapter presented the review of related literature, which has served as a basis for understanding the subject matter. The third chapter has focused on the design and methodologies of the research. The fourth chapter covered the results and discussions. Finally, the last chapter, chapter five, has provided a concise conclusion along with possible recommendations.

CHAPTER TWO
REVIEW OF RELATED LITERATURE

This chapter presents a brief review of literatures related to the research topic. It covers previous works on quality, satisfaction, satisfaction measuring models and service related aspects in a concise manner.

2.1 Theoretical Literature

2.1.1 The Concept of Service

According to Gronroos (2000), service is defined as a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems.

2.1.1.1 Features of Service

The following are features of service as identified by (Mudie and Pirrie , 2006):

Intangibility: Intangibility is the main feature of service. Service cannot assure the quality because it cannot be counted, measured, tested, verified and inventoried in advance of sale. Most of the firms find it difficult to understand how customers consider their services and evaluate the quality of their services.

Inseparability: There is a marked distinction between physical goods and services in terms of the sequence of production and consumption. Services are sold, produced and consumed at the same time. Whereas goods are first produced, then stored and finally sold and consumed, services are first sold, then produced and consumed simultaneously.

Heterogeneity: An unavoidable consequence of simultaneous production and consumption is variability in performance of a service. The quality of the service may vary depending on who provides it, as well as when and how it is provided.

Perishability: Services cannot be stored for later sales or use. As services are performances they cannot be stored. If demand far exceeds supply it cannot be met, as in manufacturing, by taking goods from a warehouse. Similarly, if capacity far exceeds demand, the revenue and/or value of that service is lost.

2.1.2 Service Quality

The definition of quality may vary from person to person and from situation to situation. In Ethiopia, people usually prefer to refer it by the word "Tirat" though the specifications differ among individuals. The definitions of service quality vary only in wording but typically involve determining whether a perceived service delivery meets, exceeds, or fails to meet customer expectations (Cronin and Taylor 1992; Oliver 1993; Zeithaml, Berry and Parasuraman 1993). Service quality has also been defined by Czepiel (1990) as a customer perception of how well a service meets or exceeds preconceived expectations. Service quality is commonly noted as a critical prerequisite and determinant of competitiveness for establishing and sustaining a successful relationship with customers.

Previous studies suggest that service quality is an important indicator of customer satisfaction (Spreng and Machoy 1996). Attention to service quality can make an organization different from other organizations and helps it to gain a lasting competitive advantage (Boshoff and Gray 2004). Service quality can be considered as part of the offered package. According to (Turban, 2002), consumers prefer service quality when the price and other cost elements are held constant. The satisfaction a customer gets from quality of service offered is usually evaluated in terms of technical quality and functional quality (Gronroos 1984). According to Gronroos (1988), perceived quality of a given service is the result of an evaluation process since consumers often make comparison between the services they expect with perceptions of the services that they receive. He concluded that the quality of service is dependent on two variables that are expected service and perceived service. Furthermore, Sureshchandar (2002) identified five factors of service quality, which were core service

or service product, human element of service delivery, systematization of service delivery, tangibles of service, and social responsibility

Usually, customers do not have much information about the technical aspects of a service; therefore, functional quality becomes the major factor from which customers form perceptions of service quality (Donabedian 1982). Service quality can be measured in terms of customer perception, customer expectation, customer satisfaction, and customer attitude (Sachdev and Verma 2004). Ekinci (2003) indicates that the evaluation of service quality leads to customer satisfaction. In the competitive business world, service quality is considered as a competitive factor of an organization. Moreover, it is also considered as an essential determinant that allows an organization to differentiate from other organization. It helps an organization to gain sustainable competitive advantage.

2.1.3 Customer Satisfaction

Customer satisfaction is a term most widely used in the business industry. According to P.Kotler (1996), customer satisfaction is the level of a person's felt state resulting from comparing a product's perceived performance or outcome in violation to his/her own expectations. So it can be viewed as a comparative behavior between inputs beforehand and post obtainments It is a business term explaining about a measurement of the kind of products and services provided by a company to meet its customer's expectation. To some, this may be seen as the company's key performance indicator (KPI). Rust and Oliver (1994) define satisfaction as the "customer fulfillment response," which is an evaluation as well as an emotion-based response to a service. In a competitive marketplace 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 benefits of customer satisfaction for firms. It is well established that satisfied customers are key to long-term business success (Zeithaml 1996). It is also defined as a global issue that affects all organizations, regardless of size, whether profit or non-profit, local or multi-national. Companies that have a more satisfied customer base also experience higher economic returns (Bolton 1998). Consequently, higher customer satisfaction

leads to greater customer loyalty (Anderson and Sulivan 1993; Boulding 1993) which in turn leads to higher future revenue (Fornell 1992; Bolton 1998).

Many researchers conceptualize customer satisfaction as an individual's feeling of pleasure (or disappointment) resulting from comparing the perceived performance or outcome in relation to the expectation (Oliver 1981; Brady and Robertson 2001). According to (Boulding 1993; Jones and Suh 2000; Yi and La 2004), there are two general conceptualizations of satisfaction, namely, the transaction-specific satisfaction and the cumulative satisfaction. Transaction-specific satisfaction is the customer's very own evaluation of his or her experience and reaction towards a particular service encounter (Cronin and Taylor 1992; Boshoff and Gray 2004). A customer who experiences a product or service for the first time expresses this reaction. On the other hand, cumulative satisfaction refers to the customer's overall evaluation of the consumption experience to date. It is an own accumulation of contacts and the service delivered on a day-to-day basis. It is from this accumulation that customers establish a personal standard that is used to gauge service quality (Fornell, C., Johnson, M.D., Anderson, E.W., Cha, J., & Bryang, B.E.1996)

In his study Oliver (1981) has defined customer satisfaction as: the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under or over fulfillment. Besides the above definition, Oliver (1981) discussed the most widely accepted model, in which satisfaction is a function of disconfirmation, which in turn is a function of both expectations and performance. To enrich the idea, disconfirmation, also known as expectancy disconfirmation, is the result of a comparison between what was expected and what was observed. In current satisfaction parlance, it more commonly refers to an expectation-performance discrepancy. Consumers would describe this concept in terms of performance being better than or worse than expected with regard to a product or service. The first component of disconfirmation, expectation, is a predisposing prediction- sometimes stated as a probability or likelihood of an attribute or product performance. Performance itself is the perceived amount of product or service attribute outcomes received, usually reported on an objective scale bounded by good and bad levels of performance.

Nevertheless, it is generally agreed that customer satisfaction measurement is a post-consumption assessment by the user about the products or services gained (Churchill and Surprenant 1982). There is lack of consensus among researchers on the subject matter of customer satisfaction. This is because several researchers have looked the concept from different perspectives. Rust and Oliver (1994) suggested that customer satisfaction or dissatisfaction is a "cognitive or affective reaction" that emerges as a response to a single or prolonged set of service encounters. In the words of Giese and Cote (2000), consumer satisfaction comprises three basic components including the type of response (cognitive, affective or conative); the centre of interest or the subject on which the response is focused; and the moment in time at which the evaluation is made.

On the other hand, Anderson and Fornell (1994) and Parasuraman 1985 are of the view that the literature is not very clear about the distinction between quality and satisfaction. Satisfaction is a "post consumption" experience, which compares perceived quality with expected quality, whereas service quality refers to a global evaluation of a firm's service delivery system. According to Besterfield (1994), Barsky (1995) and Kanji and Moura (2002), customer satisfaction is a complex construct as it has been approached differently.

Kotler and Keller (2012) define satisfaction as a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance (or outcome) to expectations. If the performance falls short of expectations, the customer is dissatisfied. If it matches expectations, the customer is satisfied. If it exceeds expectations, the customer is highly satisfied or delighted. Similarly, Tse and Wilton (1988) defined satisfaction as the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product as perceived after its consumption.

Levesque and McDougall (1996) has conceptualized satisfaction as an overall customer attitude towards a service provider. In addition, customer satisfaction has been described as an affective response, focused on product performance compared to some pre-purchase standard during or after consumption (Halstead 1994). Furthermore, Mano and Oliver (1993) established that satisfaction is an attitude or evaluative judgment varying along the hedonic continuum focused on the product, which is

evaluated after consumption. This was reiterated by Fornell (1992), when he identified satisfaction as an overall evaluation based on the total purchase and consumption experience focused on the perceived service performance compared with pre-purchase expectations over time.

Customer satisfaction is the degree to which a customer perceives that an individual, firm or organization has effectively provided a product or service that meets the customer's needs. It is seen as in the context in which the customer is aware of and/or using the product but is a socially constructed response to the relationship between a customer, the product and the product provider. This goes to the extent that a provider can influence the various dimensions of the relationship. The service provider can influence customer satisfaction (Reed, John, Hall, and Nicholas, 1997).

As many of the authors discussed above, expectation exerts significant influence on customer satisfaction. Thus, understanding what customers expect from a service giving organization is necessary to achieve customer satisfaction. An organization, that desires to keep its customers loyal, needs to perform a continuous expectation assessment and should narrow the gap between perceived experience and the expectation.

Parasuraman, Zeithaml and Berry (1988) found that customer satisfaction is thought to result from the comparison between predicted service and perceived service, whereas service quality refers to the comparison between desired service and perceived service. However, affective states and perceived performance have been shown to be strong and direct determinants of both customer satisfaction and service quality of the service encounter.

2.1.4 Benefits of customer satisfaction measurement

According to Kotler and Keller (2012) many companies are systematically measuring how well they treat customers, identifying the factors shaping satisfaction, and changing operations and marketing as a result. Wise firms measure customer satisfaction regularly, because it is one key to customer retention. A highly satisfied customer generally stays longer, buys more, serves as a reference to others, pays less attention to competing brands and is less sensitive to price, offers supportive ideas to

the company, and costs less to serve than new customers as a result of the minimal transaction costs. In addition to these, Kotler and Keller (2012) explained that periodic surveys can track customer satisfaction directly which in turn will help to measure repurchase intention and the likelihood of referral potential referral potential..

Cengiz (2010) discussed that customer satisfaction and measurement issues have vital roles for businesses in providing and maintaining a competitive advantage. It is recognized that the businesses forming components of marketing mix by acknowledging the customer's expectations, receives customer loyalty and profit in return. Through measuring customer satisfaction, organizations do not only have customer knowledge but also competitors' knowledge in the market.

Everyone within an organization should consider continuous improvement as something normal in order to realize customer satisfaction, It is important to define the product or service and the customer's needs, making an inventory of customer's data and complaints, and selecting processes which cause most of the complaints. A company should practice these questions to understand the customer better and if successfully implemented the product or service will be better in tune with the market demand (Mahdavinia, 2008).

A firm should monitor the customer satisfaction signals regarding product, service, and relationship to achieve long-term success in the market. Measuring customer satisfaction provides a comprehensive insight to the customer pre and post purchase behavior. Without this approach, understanding, improving and developing better customer services could not be possible. Customer satisfaction assessment is part of a process of understanding customers and their needs.

2.1.5 Customer Satisfaction Measurement Models

2.1.5.1 SERVPERF Model

Cronin and Taylor (1992) criticized conceptualization of service quality as SERVQUAUL claiming that it described service quality as similar in many ways to attitude and hence encouraged researchers and managers to construct their measurement to conform to an attitude-based conceptualization. However, Cronin and

Taylor (1992) suggested nullifying the expectation portion from the SERVQUAL. They argued that only the performance dimension could predict behavioral intensions so they termed their measurement model as SERVPERF, meaning Service Performance.

2.1.5.2 BSQ Model

Bahia and Nantel (2000) conducted a research to develop a valid measurement of perceived service quality in the retail banking sector in Canada. They argued that the SERVQUAL approach has not been free from criticism, therefore they developed a new measurement for perceived service quality in the retail banking sector. They proposed a scale that was called Bank Service Quality (BSQ). It comprises 31 items classified across six dimensions as follows; effectiveness and assurance, access, price, tangibles, range of services offered and accuracy and reliability. They proved that the dimensions of BSQ are more reliable than that of SERVQUAL. However, other researches such as Angur Nataraajan & Jahera (1999) have found that SERVQUAL is the best measure of service quality in the retail banking industry.

2.1.5.3 SERVQUAL Model

Parasuraman (1985) studied four different types of services that are the financial industry, credit card companies, motor repair shops, and long-distance telecommunication companies. Accordingly, the results showed that service quality had dimensions as reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/knowing the customer, and tangibility. Later in 1988, these ten dimensions were cut down to five ones, which are tangibility, reliability, responsiveness, assurance, and empathy. With the aim of having unified parameter, Parasuraman (1985; 1988) proposed the SERVQUAL scale for measuring a service quality.

SERVQUAL model has been widely acknowledged and applied in various service setting and industries. Buttle (1996) makes mentions of several researchers that have used the SERVQUAL model in various industries (retailing, restaurants, banking, telecommunication industry, airline catering, local government, hotels, hospitals, and education). He further suggested that service quality has become an important topic

because of its apparent relationship to costs, profitability, customer satisfaction, customer retention, and positive word of mouth. He has also said that it is widely considered as a driver of corporate marketing and financial performance.

The SERVQUAL measuring tool remains as one of the most complete attempt to conceptualize and measure service quality. It has quite a number of benefits. The SERVQUAL measuring tool's main benefit is its ability that allows researchers to examine numerous service industries. The five components are explained hereunder:

Tangibles: It is defined as the physical appearance of facilities, equipment, staff, and written materials. It involves the appearance of physical facilities, including the equipment, personnel, and communication materials. It translates to the interiors, the appearance, and condition of facilities, and uniform of the staff (Zeithamal 2009). According to (Zeithamal 2009) "Tangibles "are used by firms to convey image and signal quality.

Reliability: It is defined as the ability to perform the promised service dependably and accurately or delivering on its promises (Zeithaml 2009).This dimension is critical as all customers want to deal with firms that keep their promises and this is generally and implicitly communicated to the firm's customers (Zeithaml 2009)

Responsiveness: According to (Zeithaml 2009), "Responsiveness" is the willingness to help customers and provide prompt service. This dimension is concerned with dealing with the customer's requests, questions, and complaints promptly and attentively.

Assurance: involves the knowledge and courtesy of employees and their ability to convey trust and confidence. Thus, assurance includes competence, courtesy, credibility, and security. More specifically, it is defined by (Zeithaml 2009) as the employees' knowledge and courtesy and the service provider's ability to inspire trust and confidence. The trust and confidence may be represented in the personnel who links the customer to the organization (Zeithaml 2009).

Empathy: involves the provision of caring, individualized attention to customers. Empathy includes access, communication, and understanding the customer. Empathy is defined as the caring, individualized attention the firm provides its customer (Zeithaml 2009). Accordingly, the customer is treated as if he is unique and special. There are

several ways that empathy can be provided: knowing the customer's name, his preferences, and his needs. Many small companies use this ability to provide customized services as a competitive advantage over the larger firms (Zeithaml 2009). Thus, in the context of insurance, empathy is applicable where customers look for quick service for their request of customization related requests on standard policies offered by the company.

Table 2 shows the original SERVQUAL statements as developed by Parasuraman, Zeithaml and Berry (1988).

Table 2: The 22-item SERVQUAL instrument

TANGIBLES
SQ1 Having modern looking/up-to-date equipment
SQ2 Appearance of physical facilities
SQ3 Appearance of employees
SQ4 Visual appeal of the materials associated with the service (e.g., pamphlets)
RELIABILITY
SQ5 Keeping promises to do something by a certain time
SQ6 Interest shown in solving problems
SQ7 Performing the service right the first time
SQ8 Providing the services at the time promised
SQ9 Accuracy of records
RESPONSIVNESS
SQ10 Telling customers exactly when services will be performed
SQ11 Giving prompt service to customers
SQ12 Willingness of employees to help customers
SQ13 Responding to customer requests
ASSURANCE
SQ14 Trustworthiness of employees
SQ15 Safety in transactions
SQ16 Politeness of employees
SQ17 The knowledge of the personnel in answering customer questions
EMPATHY
SQ18 Individual attention I receive
SQ19 Having convenient operating hours
SQ20 Personal attention given to customers
SQ21 Having the customers best interest at heart
SQ22 Understanding the specific needs

Source: Parasuraman, Zeithaml and Berry (1988)

It should be noted that customer's overall satisfaction with the services of an organization is a function of all the experiences of the customers with that organization.

Hence, an organization should check the experience at every level of the interface. Customer satisfaction measurement helps an organization to focus on its customers while stimulating staff and the senior management with the aim of improving the overall experience. Thus, a company like Nyala insurance S.C. should also make the same measure to understand the satisfaction level of its customers.

2.2 Empirical Literature

2.2.1 Customer Satisfaction versus service quality

Customer satisfaction and service quality are inter-related. The higher the service quality, the higher is the customer satisfaction. Many agree that there are no recognized standard scales to measure the perceived quality of a service. Thus, competitive advantage through high quality service is an increasingly important weapon to survive. Measuring service quality seems to pose characteristics of services that are intangibility, heterogeneity, inseparability, and perishability. Because of these complexities, various measuring models have been developed for measuring perceptions of service quality (Gronroos 1984; Parasuraman 1985; 1988; Bahia and Nantel 2000).

According to K. DeRuyter,J.Bloemer and P.Pascal(1997), service quality has been found to be an antecedent of customer satisfaction based on their empirical test on health care service of chiropractic care. In addition, Brady and Robertson (2001) indicated that there is a certain relationship between service quality and customers satisfaction up on their test made on fast-food restaurants in America and Latin America. As suggested by the SERVQUAL model , the differences between customers' expectations about the performance of a general class of service providers and their assessment of the actual performance of a specific firm in that class results in perceptions of quality (Parasuraman, Ziethaml & Berry 1988). Accordingly, the first step in satisfying customers is to determine the level of customer service through service quality assessment. The work of Bitner (1990) proposed an alternative method and defined service quality as the customer's overall impression of the relative inferiority/superiority of a firm and its service offerings. Antreas (1997) found that service provider perceptions about customer satisfaction are a function of perceived

service quality. In addition to these, Sureshchandar (2002) found that service quality and customer satisfaction were highly related.

In addition, Mittal and Lassar (1998) found that there was a relationship between service quality and customer satisfaction. Elnan and Anderson (1999) proved a positive relationship between service quality and customer satisfaction in the bus industry in Norway. A recent study by Ojo (2010) in the telecommunication industry showed that a positive relationship exists between service quality and customer satisfaction. Oyeniyi and Abiodun (2008) demonstrated the same relationship. Fornell, C., Johnson, M.D., Anderson, E.W., Cha, J., & Bryang, B.E.1996 argued that perceived quality, which had been explained as the served market's evaluation of recent consumption experienced, would have a direct and positive impact on overall customer satisfaction.

In this study, thee researcher is more interested in service quality and customer satisfaction. It has tried to assess the level of customer's satisfaction using the SERVQUAL model in the local Insurance Company's (Nyala Insurance S.C.) context.

CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

This chapter gives a brief illustration about the basic framework of the research, study population, and sampling aspects. In addition, it gives a highlight as to the method used to analyze the data.

3.1 Research design

The framework of the research was based on the literatures reviewed and hence has tried to assess selected quality dimensions, that are reliability, empathy, responsiveness, tangibles, and assurance and the resultant satisfaction level of customers with respect to the dimensions. It has also assessed the level of satisfaction of customers in general with the service. According to most literatures on research methods Yin (2003), Strauss (1998), Fisher (2007) a researcher can choose between two methods; the quantitative and the qualitative. While the quantitative method has more to do with measurements and figures, the qualitative is more about descriptions and opinions.

This research has applied a descriptive research design in order to obtain pertinent and precise information status of phenomena and draw conclusions from the facts discovered. Both qualitative and quantitative methods were employed with the view of assessing NISCO's customer satisfaction. Qualitative methods were used to describe the categories of information while the quantitative method will help to show the phenomenon in numbers.

3.2 Population and sampling techniques

3.2.1 Study population

The overall population of the study was comprised of 1589 active customers (clients which have a yearly renewable insurance coverage or have a permanent business relationship as for example those who buy Motor insurance policy) of Nyala Insurance

S.C. As described under the scope earlier, the population refers to clients that are residing in Addis or run business centrally from Addis. The data was obtained from the planning department of the company.

3.2.2 Sample and sampling technique

The total population that was taken for this study includes customers that are in Addis Ababa which are 1589. The researcher has assumed that there is a difference in the characteristics of population units in relation to the measurement of customer satisfaction. Thus, a stratified sampling method was used to divide the population into subgroups based on the nature of customers as corporate (412) and individual (1177). Then a simple random sampling method was used to select representatives from the first stratum (corporate). In addition, a convenience method was used to select individuals from the second stratum (individuals), hence it was found difficult to address theme easily as that of the corporate ones. The researcher has adopted a mathematical formula for determining the sample size. Yamane (1967) cited in Meron (2007) has suggested the following mathematical formula for determining a sample size.

$$n = \frac{N}{1 + N(e)^2}$$

Where, N is the total number of customers within Addis Ababa, and e is the error or confidence level. It assumes a conventional confidence level of 95 percent to ensure an accurate result from the sample. Based on this, the error term is equal to 0.07. Using the total population of 1589 and an error term of 0.07, the sample size was determined as n = (1589)/ 1+1589(0.07)^2, which gives sample size of 181. However, the researcher has gone for an extra number in order to get a better response rate that would much with the sample size. Hence, out of the total population a sample size of 200 was taken. The allocation was made disproportionately as shown in table 3 below in order to give a high priority for the corporate respondents.

Table 3: Strata and Sample size

Type of Customer	Total Number	Percentage	Sample allocated (disproportionately)
Corporate	412	25.93	110
Individual	1177	74.07	90
Total	**1589**	**100**	**200**

3.3 Data source and collection method

The data was obtained from primary sources, specifically through that of a questionnaire as an instrument. Self-completion questionnaire is a useful way of collecting data (Bryman and Bell 2007).

The questionnaire was prepared based on the stated research questions using the SERVQUAL model as developed by Parasuraman (1988). The researcher has made minor adjustments on the original SERVQUAL instrument so as to make it suit the context relevant to the local Insurance Industry. In addition, certain additional questions were added in such a way that does not alter the model, to reflect the "insurance product" attributes.

The questions were prepared in a 5-point Likert scale. The scores were coded as 5 for strongly agree or strongly satisfied, 4 for agree or satisfied, 3 for neutral, 2 for disagree or dissatisfied, and 1 for strongly disagree or highly dissatisfied. The usual neutral part of the scale was used even though recent scholars suggests that it should be avoided since it will not give a purpose for this type of result oriented research. The other point of view stresses that a respondent, in this particular study, a customer, might be practically in undistinguishable sense of either dimensions.

As much as possible, the questionnaire was encouraged to be filled while the customer is in the office taking care of the service experience with the company. This has an advantage of making the customers participate in the usual exercise. The aim was to get an insight of their perspective about their satisfaction with the insurer's services.

3.4 Method of data analysis

The collected data from the questionnaire was summarized using statistical package for social science (SPSS) version 20 and Microsoft excel by means of statistical methods such as tabulation, charts and frequency distributions, in a way that can show the level of customer satisfaction per each variable. The analysis was focused on descriptive statistics to summarize and simplify the understanding of the data. Next using Cronbach's alpha, scale reliability was checked for each variable that is identified to measure customer satisfaction. Then, the satisfaction level of customers with each variable has been discussed.

CHAPTER FOUR
RESULTS AND DISCUSSION

Once the data collection was completed it has gone through analysis using SPSS. The first part of the analysis focus on descriptive statistics to summarize and understand the data. Next using Cronbach's alpha, scale reliability was checked for each variable identified to measure customer satisfaction. Then the satisfaction level of customers with each variable is discussed. The outcome is presented and discussed by this chapter in the following manner.

4.1 Reliability Measurement and Analysis

Reliability measure helps to determine the extent to which the items in the questionnaire are related to each other, and get an overall index of the repeatability or internal consistency of the scale as a whole, and also to identify problem items that should be excluded from the scale. This analysis procedure calculates a number of commonly used measures of scale reliability and also provides information about the relationships between individual items in the scale. Cronbach's alpha was used to measure reliability among the scales.

4.1.1 Cronbach's Alpha

Cronbach's alpha is a tool for assessing reliability scale which normally ranges between 0 and 1. The closer Cronbach's alpha coefficient is to 1.00, the greater the internal consistency of the items in the scale. George & Mallery (2003) provides the following techniques of measuring reliability.

Table 4: Reliability Scale

Alpha Value	Reliability Scale
0.90	Excellent
0.80-0.89	Good
0.70-0.79	Acceptable
0.60-0.69	Questionable
0.50-0.59	Poor
<0.50	Unacceptable

Source: George, D., & Mallery, P. (2003).

Since surveys and tests are like any other measurement tool, first it needs assessment whether the data are reliable. From the survey questionnaire distributed and collected from the respondents, the following alpha values were generated for the whole parameters used to measure the customer satisfaction. Hence the below table shows the entire Cronbach's alpha value and measures the reliability of the questions entirely.

Table 5: Reliability Statistics

Description	Number of Items	Cronbach's alpha
Tangibles	4	.592
Assurance	4	.348
Responsiveness	5	.563
Reliability	5	.558
Empathy	8	.549
Overall Statements	**27**	**0.763**

Source: SPSS Output

The results above show that Cronbach's alpha is 0.763 and according to the benchmark discussed above, it can be concluded that all the twenty seven questions used in the questionnaire reliably assess customer satisfaction.

4.2 Demographic profile of the respondents

The study designed a questionnaire to obtain reliable data. From the total sample size, which is 200, 15 of the questionnaires were not returned (6&9 from corporate and individuals respectively). This makes 93% response rate (185 out of 200) having a valid response rate. The demographic characteristic of the respondents is illustrated as hereunder:

Table 6: Respondents Demographic profile

Variable and outcome		Frequency(n=185)	Percentage
Gender	Male	129	69.7
	Female	56	30.3
Age	<30	115	62.2
	30-40	36	19.5
	>40	34	18.4
Marital Status	Single	94	50.8
	Married	91	49.2
Education Level	Diploma or below	74	40
	First Degree	62	33.5
	Second Degree and Above	49	26.5

Source: SPSS Output

As shown in the summarized table, the majority of the respondents 69.7 %(n=129) constitutes males under both capacities and the remaining went to that of females 30.3 % (n=56). Among the whole respondents, 62.2% (n=115) were under the age of thirty. Whereas, 19.5% (n=36) were between the age of thirty to forty and the remaining 18.4 %(n=34) were found above forty years of age. The marital status of the whole respondents as single and married was 50.8% (n=94) and 49.2 %(n=91) respectively.

The summarized table above also shows the educational background of the respondents. Accordingly 40% (n=74) have achieved diploma or less. 33.5% (n=62) were first degree holders and the remaining 26.5% (n=49) of respondents were found to have master's degree and above. Having this variety of respondents among the

respondents has helped to identify the satisfaction level of different category of customers.

4.3 Measuring Customer Satisfaction

As discussed previously in the literature review part, customer satisfaction measurement involves the collection of data that provides information about how satisfied or dissatisfied customers are with respect to quality service dimensions. Thus, based on the collected data from the survey, we will see the satisfaction level of Nyala Insurance S.C.'s customers with regard to the five service dimensions, which were illustrated before.

4.3.1 Satisfaction Level regarding tangibles of service

Tangibles involve the appearance of physical facilities, including the equipment, personnel, and communication materials. It is defined as the physical appearance of facilities, equipment, staff, and written materials. It translates to the interiors, the appearance, and condition of facilities, and uniform of the staff (Zeithamal 2009). Tangibles are used by firms to convey image and signal quality (Zeithamal 2009). Taking the overall context of the tangible parameter of service provisioning, the standard questionnaire were developed and distributed to respondents to identify how much customers are satisfied with this aspect. Accordingly, the following results were found.

Table 7: Measurement of mean values: Satisfaction on Tangibles

Statement/Question	Mean
Nyala Insurance Office's have an Up-to-date equipments.	2.26
Physical facilities (like furniture, Policy attachments) are visually appealing.	1.97
Employees area well dressed and appear neat.	2.12
The physical premise of the offices is clean.	2.14

Source: SPSS Output

Table 8: Cumulative Average percentage response on Tangibles

Total Number of Statements	Response	Frequency	Percentage
Four	Strongly Agree	73	39.6
	Disagree	55	29.9
	Unclear	31	16.5
	Agree	13	6.9
	Strongly Agree	13	7.2
Total		**185**	**100**

Source: SPSS Output

According to table 4, customer's response shows a relatively low mean score of   2.26, 1.97, 2.12 & 2.14 for questions 1 to 4 respectively. In addition, as it is shown under table 8, the majority of the customers (69.5%) are dissatisfied regarding the statements that measure tangible aspect of the service. The result has revealed the company's weakness with respect to this particular issue. This finding has an implication that the company's management is poor in maintaining or improving the standards that customers expect with respect to all the physical and demonstrable aspects such as office layout and design, the machines, and overall properties that customers are in exposure while getting the service or simply as an image to the public.

4.3.2 Satisfaction Level regarding reliability

Reliability involves the ability to perform the promised service dependably and accurately. Reliability is defined as the ability to perform the promised service dependably and accurately or delivering on its promises (Zeithaml 2009).This dimension is critical as all customers want to deal with firms that keep their promises and this is generally implicitly communicated to the firm's customers.

Table 9: Measurement of mean values: Satisfaction on Reliability

Statement/Question	Mean
The company or staff, when they promise to do something by a certain time, they do it.	2.06
When a customer has a claim/or other problem, they show a sincere inters in solving it.	2.11
The company performs the required service right the first time.	2.23
The company provides the service at the time it promised to do so.	2.15
The company keeps its records accurately.	2.30

Source: SPSS Output

Table 10: Cumulative Average percentage response on Reliability

Total Number of Statements	Response	Frequency	Percentage
	Strongly Agree	62	33.6
	Disagree	63	34.2
Five	Unclear	37	19.9
	Agree	12	6.3
	Strongly Agree	11	6.1
Total		**185**	**100**

Source: SPSS Output

Table 9 portrays that customers mean result shows 2.23 in answering whether the company performs the required service right the first time, 2.30 with respect to whether it keeps records accurately, 2.15 in confirming whether the company performs the service at the time it promised to do so, and 2.11 with respect to whether the company shows a sincere interest in solving a claim or other problem. Regarding the question whether the company or staff does something as promised to do it by a certain time, the mean result shows 2.06. The overall result shows a low mean values. Moreover, the feedback result under table 10 shows that the majority of the customers (67.8%) are far from satisfaction with respect to the reliability aspect of the service. This finding has an

implication that the company is poor in maintaining the promised services that customers expect. This issue is very critical for insurance company since what is sold is a "promise" for future unfortunate incidences. As shown in the result, customers are inclined against the fact that the company is positively willing to solving problems related to claims, which is the vital core service of an insurance company. Accordingly, the data management aspect is also labeled as below satisfaction, which may relate with handling of customers information in a proper manner, documentation of files submitted from customers in a way that is easily identifiable.

4.3.3 Satisfaction Level regarding Responsiveness

Responsiveness involves the willingness to help customers. Responsiveness is the willingness to help customers and provide prompt service (Zeithaml 2009). This dimension is concerned with dealing with the customer's requests, questions and complaints promptly and attentively.

Table 11: Measurement of mean values: Satisfaction on Responsiveness

Statement/Question	Mean
Employees make information easily obtainable by the customers.	2.08
Employees give prompt service to customers.	2.11
Employees are always willing to help customers in purchasing insurance.	1.86
Employees are willing to help customers at the time of claim.	1.95
Employees are never too busy to respond to customers requests.	1.94

Source: SPSS Output

Table 12: Cumulative Average percentage response on Responsiveness

Total Number of Statements	Response	Frequency	Percentage
Five	Strongly Agree	68	36.5
	Disagree	76	41.2
	Unclear	24	13.2
	Agree	9	5.1
	Strongly Agree	7	4.0
Total		185	100

Source: SPSS Output

Table 11 shows that the mean rating for whether employees make information easily obtainable for the customer and regarding the employee's willingness to help customers at the time of claim is 2.08 and 1.95 respectively. Customers rate the question regarding prompt service with a mean value of 2.11 and 1.94 with respect to whether employees are never too busy to respond to customer's request. In addition, the response mean rate regarding the statement whether employees are always willing to help customers in purchasing insurance is 1.86. The overall mean result is low. Moreover, the respondent's feedback with respect to the responsiveness dimension shows dissatisfaction for the majority (77.7%). This implies that customers are not being served as promptly as they expected to be served. In addition, the customers are dissatisfied about the "busyness" of employees, which might show that they are not pre- informed about the service time standards of the company. The result also implies that the selling aspect of the company is poor hence employees are not always willing to help customers in purchasing insurance products.

4.3.4 Satisfaction Level regarding Assurance

Assurance involves the knowledge and courtesy of employees and their ability to convey trust and confidence. This assurance includes competence, courtesy, credibility, and security. Assurance is defined as the employees' knowledge and courtesy and the service provider's ability to inspire trust and confidence (Zeithaml 2009).The trust and confidence may be represented in the personnel who link the customer to the organization (Zeithaml 2009).

Table 13: Measurement of mean values: Satisfaction on Assurance

Statement/Question	Mean
The behavior of employees instills confidence in customers.	1.91
Customers feel safe in their transactions with employees of the company.	2.05
Employees are polite with the customer.	2.15
Employees have the knowledge to answer customer's questions.	2.08

Source: SPSS Output

Table 14: Cumulative Average percentage response on Assurance

Total Number of Statements	Response	Frequency	Percentage
Four	Strongly Agree	69	37.4
	Disagree	65	34.9
	Unclear	32	17.3
	Agree	11	6.1
	Strongly Agree	8	4.3
Total		**185**	**100**

Source: SPSS Output

As indicated in table 13, the mean rating for whether employee's behavior initiates confidence in customers is 1.91.With regards to the questions whether employees knowledge and feeling of safe transaction with employees ,the mean result shows 2.08 and 2.05. In a similar fashion, the mean rating of employees' politeness is 2.15.The whole mean results are relatively low. The respondent's assessment result under Table 14 shows that the majority of the customers (72.3%) are not satisfied. This implies that the overall staff quality that delivers the service is below the expectation of the customers. This includes product knowledge and the ability to convey the same to the customers. The other possible indication of the finding is that the communication skill of the employees might be low and has contributed to the ratings.

4.3.5 Satisfaction Level regarding Empathy

Empathy involves the provision of caring, individualized attention to customers. This empathy includes access, communication, and understanding the customer. Empathy is defined as the caring, individualized attention the firm provides its customer (Zeithaml 2009). The customer is treated as if he is unique and special. There are several ways that empathy can be provided: knowing the customer's name, his preferences, and his needs. Many small companies use this ability to provide customized services as a competitive advantage over the larger firms (Zeithaml 2009).Thus, in the context of insurance, empathy may be applicable where customers look for quick service.

Table 15: Measurement of mean Values: Satisfaction on Empathy

Statement/Question	Result
Nyala Insurance gives each customer individual attention and treatment.	2.08
Nyala Insurance's operating /working hours are convenient to its customers.	1.74
Employees give customers personal service.	1.89
The company accommodates customer's request of coverage other than the readymade existing insurance policies.	1.80
The company has its customer's best interest at heart.	1.91
The employees understand the specific need of their customer.	1.70
The company has enough variety of insurance products.	2.14
The insurance products give the required coverage.	2.21

Source: SPSS Output

Table 16: Cumulative Average percentage response on Empathy

Total Number of Statements	Response	Frequency	Percentage
Eight	Strongly Agree	73	39.2
	Disagree	71	38.1
	Unclear	30	16.2
	Agree	7	3.8
	Strongly Agree	5	2.7
Total		185	100

Source: SPSS Output

As indicated in table 15, the mean values for all the statements are below average. The sensitive case is attributable to the statements whether there exists individualistic/customized service provision and the company meets customer's best interest which shows a mean rating of 1.80 and 1.91 respectively. Working hours is

also rated lower. This might result from the un-fulfillment of the usual off- hour claim related service needs of the customers. In addition, the assessment results under table 16 indicate that the majority of customers (77.3%) are not satisfied with respect to the empathy dimension. This implies that there exists a problem in entertaining specific needs of customers in a way that is stipulated. The issue is highly sensitive since customers need is what a service is meant to meet.

4.3.6 Overall Satisfaction level

Overall satisfaction rate was measured using a single generalized statement and the feedback on a five-scale likert scale was used.

Table 17: Measurement of mean value: overall satisfaction

Statement/Question	Result
In general, Nyala insurance S.C. is meeting my expectations.	1.98

Source: SPSS Output

Table 18: Cumulative Average percentage response on Overall Satisfaction

Total Number of Statements	Response	Frequency	Percentage
One	Strongly Agree	55	29.7
	Disagree	84	45.4
	Unclear	43	23.2
	Agree	1	.5
	Strongly Agree	2	1.1
Total		**185**	**100**

Source: SPSS Output

Accordingly, the mean rate was found to be 1.98. In addition, as shown under table 18, a highly significant proportion of them (75.1%) were totally dissatisfied with respect to the overall service of the company. This implies that the company has a lot to do so as to divert the scenario.

4.4 Discussion

Customer satisfaction is considered as a key differentiator and increasingly has become a key element of business strategy where businesses compete for customers. There is a substantial body of empirical literature that establishes the benefits of customer satisfaction. It is well established that satisfied customers are key to long-term business success (Zeithaml 1996; McColl-Kennedy and Scheider 2000). It is also described as a global issue that affects all organizations, regardless of its size, whether profit or non-profit, local or multi-national.

The findings showed that customers are not satisfied with the company's service quality as the response rate shows 69.5%,67.8%,77.7%.72.3% and 77.3% for the major quality parameters that are Tangibility, Reliability, Responsiveness, Assurance ,and Empathy respectively. The overall general assessment of customer satisfaction shows also a scenario in which the majority of customers (75.1%) are totally inclined to a total dissatisfaction.

Satisfaction is a complex result that is brought about by a composition of many factors in addition to the core quality dimensions. Thus, it should be noted accordingly that the findings of this study suggest issues related with the five basic quality dimensions contributes for the overall dissatisfaction that is exhibited or witnessed by customers.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

This chapter presents conclusions made and possible recommendation based on the finding. In the previous chapter a discussion has been made regarding the main SERVQUAL parameters that are assurance, empathy, reliability, responsiveness, and tangibles and their perceived value by customers of Nyala Insurance S.C. Accordingly, this chapter is dedicated to the overall conclusion of the findings and on the way forwards.

5.1 Conclusions

This paper represents a study to assess customer's satisfaction in relation with certain service quality parameters that are indicated before. As it was discussed before, there is a positive relationship between service quality and customer satisfaction. Obtaining customer satisfaction depends largely on ensuring that the firm maintains high service quality standards. Putting in place quality mechanisms has significant effect on the level of customer satisfaction

The results provide valuable insight into customers' satisfaction with overall insurance company services. Based on the assessment, it is found that the satisfaction level of customers with respect to each SERVQUAL dimensions namely responsiveness, tangibles, assurance, reliability and empathy is on the negative side. In addition, the assessment result regarding the overall satisfaction level with respect to Nyala Insurance S.C.'s service delivery to the customers has been found to be bad.

In general, the findings revealed that the customers are not achieving satisfaction with respect to the specific quality dimensions and in general with respect to the overall service. Accordingly, this has an implication that there is a lot to be worked out by the company to address this vital issue.

5.2 Limitations of the study

The study was solely focused on customers of one company, which in turn made it insufficient for further studies that may focus to generalize about customers of all insurance companies.

5.3 Recommendation

Customer satisfaction, as a core part of the service industry, can be taken as the measure of success for every organization. A company's sustainable existence highly depends on the level of the customer's satisfaction. Being part of the insurance service industry, it is pertinent that all the components in a service quality be strictly followed and implemented effectively. Assurance, Reliability, Empathy, Tangibles, and Responsiveness are all important. Any company should not only focus on the objective of profits and gains, but must also look into the needs of the customers as well since the source of all sustainable transactions is a satisfied customer.

Based on the study made and the findings the researcher would like to put the following recommendations:

1. The company should have to implement a face-lifting program to update the physical evidences. The equipments and machines that are installed in each service unit should be evaluated in the view of customer's orientation. The office arrangement and set up should also be restructured based on the ultimate objective of customer convenience. In addition to this, there should be regular inspection to the service units so as to ensure office neatness. The company should also assess the need for a standard and attractive uniform where customer's attitude would be improved. The overall issue of strengthening the physical evidence could also go beyond the office and extend to evaluating and updating the overall company related tangibles like that of building, vehicles, and the like.

2. The company would have to set a framework with respect to the delivery of agreed promises. It should address the service enquiries at the right time and place. In order

to do so, there should be a mechanism like that of an arrangement of a central customer service representative especially in the customer's claim service department, where claims are administered centrally. The duty of such a representative would be like extending a helping hand and initiating a sense of belongingness inside the customer. The record keeping mechanism of the company should also be upgraded to a more reliable and easy to use method than the existing manual based system. Thus, a computerized system should be initiated both during underwriting and at the time of claim. In addition to these, the overall staff should be stressed towards the importance of a sincere and polite service. This can be done by an arrangement of extensive customer service trainings.

3. In order to bit competitors and retain its customers, the company should upgrade the current speed at which customers are getting the required service. This extends to both the contract formation or policy purchase and the basic contract discharge or claim service. In order to do so, there should be a predetermined period for each basic activity under the two main categories. The company should develop a habit of clearly informing the customer in advance about the period that is required to get the service together with a clearly articulated description of steps. This will help to avoid any undesired reservations from the customer's side. Conducting an analysis on the existing service procedures with the aim of eliminating non value adding ones is also vital so us to upgrade the overall promptness. It should also assess the effectiveness and the actual practice being implemented with respect to its already established feedback and responsiveness mechanism for customer's enquiries, which are made in any medium like telephone, letter, email, and personal.

4. It is evident that the knowledge and personality of an employee that interacts with a customer has an effect towards the overall satisfaction. Thus, the company as being part of the insurance industry where the task of awareness creation is vital should dwell much of its effort in equipping the employees with respect to the subject matter of their duty and the overall service provisioning mechanisms. Insurance is by itself a complex and dynamic subject. Accordingly, Nyala Insurance S.C. should be in a position to arrange a regular training and capacity-building program to its entire staff while giving much emphasis to those that are on the front line. In addition to this, an investment should be made on the awareness creation of the public whether solely or with other competitors while implementing the concept of

mutual benefit. The company should also strengthen its effort of ensuring that customers have a safe transaction free of any undesired loophole.

5. Service is a complex concept and a certain type of arrangement may not equally fit to every customer. This would be much complex especially in services like that of insurance. Therefore, NISCO should develop the capacity to entertain varying customer's needs with respect to insurance products and types. The coverage requested might be of a broader or a narrower one. The company should create a mechanism to alter its readymade policies based on customers need. This in fact does not mean altering based on each individual's request but it means that there should be at least a sort of choices available as a package from which a customer would pick. It would have been better to do for each individual request but it is obvious that the risk analysis and rating made it costly to do accordingly. The company should also develop a habit of proactively assessing the potential requirements of major corporate customers so that a customized policy would be delivered that may create a sense of belongingness and mutual benefit together with the expected satisfaction of that particular customer.

By addressing the above and other related issues, the company can fortify its core competency in overall customer satisfaction. The result of this study has proven that SERVQUAL model is still the effective model to measure customer satisfaction and address various issues. The company should continuously measure and improve the level of customer satisfaction using this model in order to maintain competitiveness in the market place. Market perception and customer expectation can change rapidly from time to time so the company should act accordingly in line with the new trends of the future.

Finally, the researcher assumes that this study would be a vital input for future researches. In addition, further exhaustive research should be conducted in order to identify other factors of customer satisfaction by broadening the scope of the study on a wider level.

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

Dear respondents,

First of all, I would like to thank in advance for the time you are willing to devote to fill out this questionnaire. The information that you provide will be used to undertake a research entitled **"*Assessment of Customers Satisfaction pertaining service quality in Nyala Insurance S.C.".***

The study is part of the requirements for Master's degree in Business Administration (MBA). The information provided will be very confidential. Hence, you are encouraged to freely express your views and concerns. I do believe that the findings of the study will contribute a lot for the study subject under consideration and the overall industry besides serving the academic purpose. If you have any quires, I am delighted to be at your disposal.

I would like to thank in advance for your keen cooperation.
Thank you!

Giuliano Ettore,

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>
> **Mobile:** +251-912-611477
>
> **Addis Ababa**

PART I.   PROFILE OF RESPONDENTS

1.   Sex

        Male☐   Female ☐

2.   Age

        Below 30 ☐   30-40☐   Above 40 ☐

3.   Marital status

        Single☐

        Married☐

4. What is your highest formal education attended?

        Diploma or Below ☐

        First Degree☐

        Second Degree and above☐

PART II.

Direction

Please choose the one that you believe is appropriate based on the service experience you have with Nyala Insurance S.C. and put ''X'' mark in the box in front of your choice of preference.

Choice Description

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
5	4	3	2	1

SN	Statement Description	Scores				
		5	4	3	2	1
	TANGIBLES					
1	Nyala Insurance Offices have up-to-date equipments.					
2	Physical facilities (like Office Buildings, Wreck yard facilities, furniture, Insurance policy documents, Giveaway materials, Brochures, etc) are visually appealing and convenient.					
3	Employees are well dressed and appear neat.					

#						
4	The physical environment of the office is clean.					
	RELIABILITY					
5	The company or staff, when they promise to do something by a certain time, they do it.					
6	When a customer has a claim/or other problem, they show a sincere inters in solving it.					
7	The company performs the required service right the first time.					
8	The company provides the service at the time it promised to do so.					
9	The company keeps its records accurately.					
	RESPONSIVNESS					
10	Employees make information easily obtainable by the customers.					
11	Employees give prompt service to customers.					
12	Employees are always willing to help customers in purchasing insurance.					
13	Employees are willing to help customers at the time of claim.					
14	Employees are never too busy to respond to customers requests.					
	ASSURANCE					
15	The behavior of employees instills confidence in customers.					
16	Customers feel safe in their transactions with employees of the company.					
17	Employees are polite with the customer.					
18	Employees have the knowledge to answer customer's questions.					
	EMPATHY					
19	Nyala Insurance gives each customer individual attention and treatment.					
20	Nyala Insurance's operating /working hours are convenient to its customers.					
21	Employees give customers personal service.					
22	The company accommodates customer's request of coverage other than the readymade existing insurance policies.					
23	The company has its customer's best interest at heart.					
24	The employees understand the specific need of their customer.					
25	The company has enough variety of insurance products.					
26	The insurance products give the required coverage.					
	OVERALL SERVICE					
27	In general, Nyala insurance S.C. is meeting my expectations.					

APPENDIX B: SPSS OUTPUT

Frequency Table

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	129	69.7	69.7	69.7
	Female	56	30.3	30.3	100.0
	Total	185	100.0	100.0	

Age of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 30	115	62.2	62.2	62.2
	30-40	36	19.5	19.5	81.6
	Above 40	34	18.4	18.4	100.0
	Total	185	100.0	100.0	

Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	94	50.8	50.8	50.8
	Married	91	49.2	49.2	100.0
	Total	185	100.0	100.0	

Education level of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma or Below	74	40.0	40.0	40.0
	First Degree	62	33.5	33.5	73.5
	Second Degree and above	49	26.5	26.5	100.0
	Total	185	100.0	100.0	

Frequencies Statistics

		Q1 of 27	Q2 of 27	Q3 of 27	Q4 of 27	Q5 of 27	Q6 of 27	Q7 of 27
N	Valid	185	185	185	185	185	185	185
	Missing	0	0	0	0	0	0	0
Mean		2.26	1.97	2.12	2.14	2.06	2.11	2.23

		Q8 of 27	Q9 of 27	Q10 of 27	Q11 of 27	Q12 of 27	Q13 of 27	Q14 of 27
N	Valid	185	185	185	185	185	185	185
	Missing	0	0	0	0	0	0	0
Mean		2.15	2.30	2.08	2.11	1.86	1.95	1.94

		Q15 of 27	Q16 of 27	Q17 of 27	Q18 of 27	Q19 of 27	Q20 of 27	Q21 of 27
N	Valid	185	185	185	185	185	185	185
	Missing	0	0	0	0	0	0	0
Mean		1.91	2.05	2.15	2.08	2.08	1.74	1.89

	Q22 of 27	Q23 of 27	Q24 of 27	Q25 of 27	Q26 of 27	Q27 of 27
N Valid	185	185	185	185	185	185
Missing	0	0	0	0	0	0
Mean	1.80	1.91	1.70	2.14	2.21	1.98

Reliability Statistics

Cronbach's Alpha	N of Items
.763	27

Frequencies
Q1 of 27

		Frequency	Percent
Valid	Strongly Disagree	72	38.9
	Disagree	47	25.4
	Unclear	32	17.3
	Agree	14	7.6
	Strongly Agree	20	10.8
	Total	185	100.0

Q2 of 27

		Frequency	Percent
Valid	Strongly Disagree	79	42.7
	Disagree	54	29.2
	Unclear	34	18.4
	Agree	14	7.6
	Strongly Agree	4	2.2
	Total	185	100.0

Q3 of 27

		Frequency	Percent
Valid	Strongly Disagree	74	40.0
	Disagree	59	31.9
	Unclear	23	12.4
	Agree	14	7.6
	Strongly Agree	15	8.1
	Total	185	100.0

Q4 of 27

		Frequency	Percent
Valid	Strongly Disagree	68	36.8
	Disagree	61	33.0
	Unclear	33	17.8
	Agree	9	4.9
	Strongly Agree	14	7.6
	Total	185	100.0

TOTAL FOR TANGIBLES			
		Frequency	Percent
Valid	Strongly Disagree	73	39.6
	Disagree	55	29.9
	Unclear	31	16.5
	Agree	13	6.9
	Strongly Agree	13	7.2
	Total	185	100.0

Q5 of 27

		Frequency	Percent
Valid	Strongly Disagree	71	38.4
	Disagree	62	33.5
	Unclear	31	16.8
	Agree	12	6.5
	Strongly Agree	9	4.9
	Total	185	100.0

Q6 of 27

		Frequency	Percent
Valid	Strongly Disagree	62	33.5
	Disagree	66	35.7
	Unclear	39	21.1
	Agree	10	5.4
	Strongly Agree	8	4.3
	Total	185	100.0

Q7 of 27

		Frequency	Percent
Valid	Strongly Disagree	63	34.1
	Disagree	66	35.7
	Unclear	25	13.5

		Frequency	Percent
	Agree	13	7.0
	Strongly Agree	18	9.7
	Total	185	100.0

Q8 of 27

		Frequency	Percent
Valid	Strongly Disagree	67	36.2
	Disagree	59	31.9
	Unclear	35	18.9
	Agree	13	7.0
	Strongly Agree	11	5.9
	Total	185	100.0

Q9 of 27

		Frequency	Percent
Valid	Strongly Disagree	48	25.9
	Disagree	63	34.1
	Unclear	54	29.2
	Agree	10	5.4
	Strongly Agree	10	5.4
	Total	185	100.0

TOTAL FOR RELIABILITY			
		Frequency	Percent
Valid	Strongly Disagree	62	33.6
	Disagree	63	34.2
	Unclear	37	19.9
	Agree	12	6.3
	Strongly Agree	11	6.1
	Total	185	100.0

Q10 of 27

		Frequency	Percent
Valid	Strongly Disagree	72	38.9
	Disagree	65	35.1
	Unclear	22	11.9
	Agree	13	7.0
	Strongly Agree	13	7.0
	Total	185	100.0

Q11 of 27

		Frequency	Percent
Valid	Strongly Disagree	65	35.1
	Disagree	67	36.2
	Unclear	32	17.3
	Agree	9	4.9
	Strongly Agree	12	6.5
	Total	185	100.0

Q12 of 27

		Frequency	Percent
Valid	Strongly Disagree	67	36.2
	Disagree	88	47.6
	Unclear	22	11.9
	Agree	5	2.7
	Strongly Agree	3	1.6
	Total	185	100.0

Q13 of 27

		Frequency	Percent
Valid	Strongly Disagree	63	34.1
	Disagree	84	45.4
	Unclear	26	14.1
	Agree	8	4.3
	Strongly Agree	4	2.2
	Total	185	100.0

Q14 of 27

		Frequency	Percent
Valid	Strongly Disagree	71	38.4
	Disagree	77	41.6
	Unclear	20	10.8
	Agree	12	6.5
	Strongly Agree	5	2.7
	Total	185	100.0

TOTAL FOR RESPONSIVNESS			
		Frequency	Percent
Valid	Strongly Disagree	68	36.5
	Disagree	76	41.2
	Unclear	24	13.2
	Agree	9	5.1
	Strongly Agree	7	4.0
	Total	185	100

Q15 of 27

		Frequency	Percent
Valid	Strongly Disagree	79	42.7

		Frequency	Percent
	Disagree	65	35.1
	Unclear	26	14.1
	Agree	8	4.3
	Strongly Agree	7	3.8
	Total	185	100.0

Q16 of 27

		Frequency	Percent
Valid	Strongly Disagree	77	41.6
	Disagree	53	28.6
	Unclear	30	16.2
	Agree	18	9.7
	Strongly Agree	7	3.8
	Total	185	100.0

Q17 of 27

		Frequency	Percent
Valid	Strongly Disagree	62	33.5
	Disagree	65	35.1
	Unclear	36	19.5
	Agree	12	6.5
	Strongly Agree	10	5.4
	Total	185	100.0

Q18 of 27

		Frequency	Percent
Valid	Strongly Disagree	59	31.9
	Disagree	75	40.5
	Unclear	36	19.5
	Agree	7	3.8
	Strongly Agree	8	4.3
	Total	185	100.0

TOTAL FOR ASSURANCE

		Frequency	Percent
Valid	Strongly Disagree	69	37.4
	Disagree	65	34.9
	Unclear	32	17.3
	Agree	11	6.1
	Strongly Agree	8	4.3
	Total	185	100

Q19 of 27

		Frequency	Percent
Valid	Strongly Disagree	65	35.1
	Disagree	62	33.5
	Unclear	43	23.2
	Agree	9	4.9
	Strongly Agree	6	3.2
	Total	185	100.0

Q20 of 27

		Frequency	Percent
Valid	Strongly Disagree	90	48.6
	Disagree	67	36.2
	Unclear	18	9.7
	Agree	6	3.2
	Strongly Agree	4	2.2
	Total	185	100.0

Q21 of 27

		Frequency	Percent
Valid	Strongly Disagree	75	40.5
	Disagree	69	37.3
	Unclear	32	17.3
	Agree	4	2.2
	Strongly Agree	5	2.7
	Total	185	100.0

Q22 of 27

		Frequency	Percent
Valid	Strongly Disagree	81	43.8
	Disagree	75	40.5
	Unclear	23	12.4
	Agree	4	2.2
	Strongly Agree	1	.5
	12	1	.5
	Total	185	100.0

Q23 of 27

		Frequency	Percent
Valid	Strongly Disagree	67	36.2
	Disagree	77	41.6
	Unclear	33	17.8
	Agree	6	3.2
	Strongly Agree	2	1.1
	Total	185	100.0

Q24 of 27

Valid		Frequency	Percent
	Strongly Disagree	93	50.3
	Disagree	69	37.3
	Unclear	14	7.6
	Agree	4	2.2
	Strongly Agree	5	2.7
	Total	185	100.0

Q25 of 27

Valid		Frequency	Percent
	Strongly Disagree	55	29.7
	Disagree	73	39.5
	Unclear	40	21.6
	Agree	11	5.9
	Strongly Agree	6	3.2
	Total	185	100.0

Q26 of 27

Valid		Frequency	Percent
	Strongly Disagree	54	29.2
	Disagree	72	38.9
	Unclear	36	19.5
	Agree	12	6.5
	Strongly Agree	11	5.9
	Total	185	100.0

TOTAL FOR EMPATHY

Valid		Frequency	Percent
	Strongly Disagree	73	39.2
	Disagree	71	38.1
	Unclear	30	16.2
	Agree	7	3.8
	Strongly Agree	5	2.7
	Total	185	100

Q27 of 27

RESPONSE ON OVERALL SATISAFCTION

Valid		Frequency	Percent
	Strongly Disagree	55	29.7
	Disagree	84	45.4
	Unclear	43	23.2
	Agree	1	.5
	Strongly Agree	2	1.1
	Total	185	100.0

DECLARATION

I, the undersigned, declare that this thesis is my original work which is prepared under the guidance of Ato Tiruneh Legesse (Asst. Prof.). All sources of materials used are duly acknowledged. I confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

_____   _____

Giuliano Ettore   Signature and date

ENDORSEMENT

This thesis has been submitted to St.Mary's University, School of Graduate Studies, for examination with my approval as a University advisor.

_____   _____

Tiruneh Legesse (Asst. Prof.)   Signature and date