Chapter 3
REVIEW OF LITERATURE

The marketing concept originated in the western developed countries after the industrial revolution. Over a period of many decades the concept of marketing has changed, evolved and passed through two distinct stages, production and sales orientation. At the end of the 1940s, production efficiencies were regarded as essential for achieving and maintaining a successful and prosperous business activity but in the 1950s researchers began to argue that marketers should pay more attention to the customers’ needs and wants (Svensson, 2001). This fundamental principle is often referred to as the ‘marketing concept’, which replaces the product (emphasizing product quality), production (emphasizing product availability), and selling (emphasizing sales volume) oriented philosophies.

McKitterick (1957), asserted that the marketing concept is a business philosophy that challenges the previous concepts. According to him, marketing concept is a customer oriented, integrated and profit oriented philosophy of business. Consistent with McKitterick (1957) other authors identified three aspects of the marketing concept: (1) the customer as a focal point of business activities, (2) the necessity of integrating marketing activities across functions, and (3) the need for a profit orientation (Barksdale and Darden, 1971; McNamara, 1972).

According to McNamara (1972), marketing concept is a philosophy of business management; based upon a company-wide acceptance of the need for customer orientation, profit orientation, and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments. Kotler (1998) also supported the work of Barksdale and Darden (1971) and McNamara (1972) stating that, the key to achieving organisational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.

According to Kotler (1998), marketing concept rests on four pillars: (1) target market, (2) customer needs, (3) integrated marketing, and (4) profit through customer satisfaction. In this connection, Walker et al. (1992) also asserted that the marketing
concept is the most effective means of attaining and sustaining a competitive advantage and of accomplishing company objectives, that initiate the planning and coordinating all activities for satisfying customer needs and wants. That is under marketing concept a company should place a major emphasis on the analysis of target market’s needs and wants and deliver the desired satisfactions more efficiently and effectively than competitors in order to maximise its current profit.

Considering the above discussion, marketing concept can be defined as a consumer orientation represented by the ability to recognise targeted customers’ generic wants, needs, and preferences and satisfy them by continuously creating and delivering superior value backed by an organisation-wide integrated effort of all functional areas within the organisation in order to achieve long-term corporate goals and objectives.

Competitive advantage is an organization’s ability to perform in one or more ways that competitors will not and cannot match (Kotler, 2000) and is realized by the organization’s marketing strategy, the implementation of this strategy and the context in which competition unfolds. The target consumers will be the core and centre of the organization’s marketing strategy.

In the 1950s, framework such as the marketing mix was developed to make the most of market demand. The 4 Ps, product, price, place and promotion were use to describe the levers that if used appropriately could lead to an increase in company’s profitability.

The strategy to strengthen the relationship between the needs and wants of the user and the products and services offered by the organization is better known as the marketing mix. This mix incorporates four elements, namely, products, price, place and promotion. To put in another way, a typical marketing mix consists of product or service offering at a price, targeting a customer segment in certain place and a set of modalities to reach the target customer and promotion to tell the potential customer about the availability of the offering (McCarthy, 1978).

The 4 Ps represent the sellers’ view of the marketing mix variables available to influence buyers perspective, each marketing tool is designed to deliver customer benefits. Lauterborn (1990) suggested that the sellers 4 Ps corresponds to the customers 4Cs product corresponds with customer needs and wants, price responds with cost to
the customer, place responds with convenience and promotion corresponds with communication.

The insurance and the economic growth of the country mutually influence each other. As the economy grows, the standard of living of people improves and demand for insurance products emerges.

Pfeffer (1965), in this study makes an effort to measure the profit potential of the new life insurance companies. The five types of strategies available to new companies are: grandfather strategy; hit and run; captive; brokerage; and traditional strategy. Although the evaluation of profit potential in case of new companies is practically impossible due to various reasons such as paucity of useful published data about the actual performance.

Peterson et al (1972), study the effect of marketing innovations in life insurance sector. The results show that flow of innovation is a two-step flow i.e. it flows from innovator firms to large firms in the industry and then to others. The relative advantage of innovating firms is short lived when the offering in unprotect able. Therefore future research on diffusion of competitive innovation among sellers must consider industry characteristics such as "ability to protect innovations."

Meidan (1982), presents different marketing strategies for insurers, suggesting that the selection of an appropriate strategy should be based on the internal conditions and external forces facing the firm. The two broad categories of insurance marketing strategies exist: growth strategies; and competitive marketing strategies. Due attention should be given to the marketing organisational structure and its departmental responsibilities.

Browne and Kim (1993), identify the factors that lead to the variations in life insurance demand across nations. Important factors found to be dependency ratio, national income, social security provided by government, inflation, education level, average life expectancy, price of insurance and religion. The findings that life insurance is positively correlated with national income and negatively correlated with inflationary expectations, suggests that economic development and economic stability greatly increase life insurance consumption.
Outreville (1996), presents some empirical tests of the relationship between financial development and the development of the life insurance sector and provides empirical evidence of the negative effects of a monopolistic market on life insurance growth. Skilled human capital is a source of competitive advantage because industries in developing countries suffer from a major handicap of shortage of skilled personnel.

Zimmerman (1999), in this study concentrates on the insurance industry and on insurance firms’ actions designed to cope with barriers to international trade. They find out that there are 26 barriers to insurance trade, which are discriminatory against foreign insurers. Respondents feel that barriers can become a critical factor if they create prohibitive costs or difficulties for the firm’s entry. A new market entry decision model has been proposed based on the findings. Saibaba et al (2002) study the perception and attitude of women towards life insurance policies. Nowadays many insurance companies are trying hard to woo the female population. The study finds that women feel that their lives are not as valuable as their husbands, they perceive insurance as a tool for risk coverage and not as a tax saving device, there is also lack of knowledge about suitable insurance plans.

Sankaran M (1999), studied the measures that would help domestic players in financial services sector to improve their competitive efficiency, and thereby to reduce the transaction costs. The study found that the specific set of sources of sustainable competitive advantage relevant for Financial Service Industry are: product and process innovations, brand equity, positive influences of 'Communication Goods ', corporate culture, experience effects, scale effects, and information technology. Trevor Watkins (1989) while studying the current state of the financial services industry worldwide identified four major trends: the trend towards financial conglomeration, globalization, information technology in service marketing; and new approaches to financial services marketing. These trends, it was concluded, will affect the marketing of banks and other financial services in the 1990s.

Marisa Maio Mackay (2001), examined whether differences exist between service and product markets, which warrant different marketing practices by applying ten existing consumer based measures of brand equity to a financial services market. The results found that most measures were convergent and correlated highly with market share in the predicted direction, where market share was used as an indicator of brand equity.
Brand recall and familiarity, however, were found to be the best estimators of brand equity in the financial services market. P. Kotler rightly states that a company's marketing strategy depends on many factors, one of which is its size and position in the market. From this assertion he suggests that one method of classifying marketing strategies is to place the firm in accordance with its competitive position; namely as to whether they are market leaders, challengers, followers, or niches. In effect these are behavioural strategies ordered in relation to the company's market share.

Reddy (2005), in this article studies the customer perception towards life insurance companies' policies. This study is limited to Bangalore city only. The results are that, majority of respondents feel that policies offered by private companies are up to their expectations but when compared with public companies' policies very few policies are better alternatives. Sharma and Agarwal (2005) discuss the insurance sector in India in the pre-nationalisation era, post nationalisation era, post liberalisation era and emerging scenario. To be more competitive and responsive to the needs of the societies, the insurance players would be required to concentrate on the various strategies viz. environmental analysis, restructuring organisations, human resource development, efficient marketing strategies, distribution channels and corporate governance.

The focus on customer-centric marketing philosophies has received considerable attention in the marketing literature by scholars and practitioners. Both practitioners and scholars are increasingly looking for ways to understand, attract, retain and build intimate long term relationship with profitable customers (Kotler, 2006; Gronroos, 1994). One of the key areas in the customer-centred marketing paradigm is ensuring that existing customers are satisfied.

As a result organisations have been studying and developing strategies to satisfy customers and achieve customer delight. According to research, a very satisfied customer is nearly six times more likely to be loyal and to re-purchase and recommend a product/service to family and friends than a customer who is just satisfied. It is again believed that satisfied customers tell five other people about their good treatment, and that five-percent increase in loyalty can increase profits by 25% - 85%. Conversely, the average customer with a problem eventually tells eight (8) to ten (10) other people (SPSS White paper, 1996; Limayem, 2007).
C. D. Daykin and D. Lewis (1998), in their paper, -A crisis of longer life: Reforming pension systems‖ submitted to the Institute of Actuaries, London elaborated the lessons relevant to life insurance industry as follows:

- The need to plan well in advance for the creation of the annuity market with appropriate deployment of actuarial expertise in Pricing, reserving and asset liability management.
- The need to control the marketing of personal pensions.
- The need to ensure that options and guarantees are not offered which cannot realistically be given, or whose true costs have not been properly assessed.

Daes Thomas (2003), in his article, 'India: significant Growth in Foreign Partnerships' published in Insurance Industry Contemporary Issues, writes that Indian insurance market is suddenly agog with activity. Several universally renowned players have entered into tie up with Indian companies for a fruitful alliance.

This has led to the emergence of a vibrant market with the hitherto monopolistic public sector players joining the race with renewed fervour. Whether all this is going to be translated into a victory for the customer is the million dollar question, especially in low thrust areas like rural insurance, pension product etc ... the new insurers variously need the government to:

- Liberalize distribution.
- Lift foreign ownership restrictions.
- Provide access to the attractive parts of the pensions market.
- Issue longer dated securities.
- Deregulate non life tariffs

Ramkumar D (2003), studied the role of relationship marketing in life insurance sector. In today’s impersonal marketplace, customer satisfaction, retention and loyalty are rapidly become the thing of the past. Relationship marketing brings them back to the forefront, providing easy-to-apply solutions and strategies for establishing meaningful bonds with customers and turning them into reliable, life-long partners. Relationship marketing can be defined as the process to “identify and establish, maintain and enhance and, when necessary, terminate relationships with customers and
other stakeholders at a profit so that the objective of all parties involved are met; and this is done by mutual exchange and fulfillment of promises”.

The important objectives relationship marketing are to acquire new customers, maintain and enhance existing relationships with existing customers, reactivation of ex-customers, and handling of customer terminations. The key objective of relationship marketing is to establish a one to one relationship with all the customers. This may sound like a daydream few years ago; but thanks to the technology breakthrough and technological solutions providers it is very much of reality.

Rajesham Ch (2004), revised that insurance sector has not only been playing a leading role within the financial system in India but also has significant socio-economical function, making inroads into the interiors of the economy and is being considered as one of the fast developing area in the Indian financial sector too. It has also been facilitating economic development with an objective to build an efficient, effective and a stable insurance business in India as well as a strong base to both the needs of the real economy and socio-economic objective of the country. It has been mobilizing long term saving through life- insurance to support economic growth and also facilitating economic development, insurance cover to a large segment of people, while then on life insurance and reinsurance firms in India are main providers of risk financing for manmade disasters and natural catastrophes. Thus, both life insurance and non-life insurance are found playing a significant role in avoiding or facing the risk of life and business enterprises and also aiding to certain extents for their smooth sailing.

Therefore, an attempt is made in this paper to highlight the developments of insurance sector in India in a phased manner and to examine the reasons for the entry of private and foreign insurance players into Indian insurance market and to present the changing scenario of insurance business in India. It is also attempted to examine the growth of Indian insurance sector during the period of pre and post liberalization and finally to suggest the strategies and challenges need to be adopted by Indian insurance sector in the light of global scenario so as to enhance its market share.

Shivaji Dam, in his paper (2004), Role of information technology in increasing penetration of life insurance in Indial observes that the key to increasing penetration of life insurance in India lies in improving the depth and width of the various distribution
channels. Information technology has a very important role to play here because it can help reduce the cost of distribution. We can improve the depth of the channel by equipping the agents with the latest technology and thus allowing them to contact more prospects. Adhak, H says that marketing of life insurance is not mere selling. It involves trust building, identification of financial knowledge gap and personalized service content strategy. The approach, the product and the distribution needs to have a different look than that followed for the urban market.

**Pooja Chauhan (2004)**, in her dissertation entitled, -A dissertation on comparative and competitive analysis of private life insurance companies in India since their entry says that LIC is an undoubted leader in the field of average number of policies per year in the last five years. It is seen that private insurance companies are gaining momentum and are trying to defeat LIC in case of new insurances. Main reason behind LIC for having such a large number of policies is the trust of the common man. LIC being a government agency has got a faith of Indian mass. People are not yet prepared to give their savings in the hands of private players.

**Dr. Vinayagara Murthy (2005)**, in his research article, -Indian Insurance: Modern Marketing Approach says, Marketing strategies or insurance in the emerging scenario could be understood in terms of the following steps:

R >>>>>> STP >>>>>> MM >>>> I >>>> C.

Here, R = Market Research

STP = Segmentation, targeting and positioning.

MM = Marketing Mix

I = Implementation

C = Control

Having done market research and finalizing on segmentation, targeting and positioning the strategy would focus on the marketing mix. While determining the implementation methodology, the four characteristics viz., intangibility, inseparability, perish ability and variability give rise to certain unique requirements that deserve careful attention while formulating the marketing strategy for insurance. After implementation, the insurers should concentrate on the effective control that would enhance their business. The agents, by using various strategies sell the product by convincing the customers. Moreover, they push policies with highest premium to pocket a higher commission.
The consultative approach to selling is the modern approach, which helps customers to buy. The four step process includes:

1. Need discovery,
2. Selection of product
3. Need satisfaction presentation, and
4. Servicing the sale.

Banumathy & Manickan (2005), in their research article conclude that agents offer good services before the policy is issued and while it is in operation don’t offer good services at the stage of maturity when a customer approaches them for settlement of claims. It, therefore, makes sense to look at well-balanced, alternate channels of distribution.

Mehra J. (2005), studied that economic growth in the emerging markets has time and again outpaced the developed and industrialized countries. Alongside the rising importance of emerging economics, their life insurance sectors are also drawing more attention. It’s been four years since the life insurance sector was opened up for private players in India. The reasons that prompted the government to bring in reform in this sector are well known. While the public sector life insurance companies made enormous contribution in the spread of awareness about insurance, and expanded the market, it was recognized that their reach was still limited, the range of product offered restricted to the services to the consumer inadequate. It was also felt that the rapid economic growth witnessed in the 90s couldn’t be sustained without a thriving insurance sector. Today, the private accounts for nearly 20% of the market. The market share of the private players has to be seen in the context of this enlarged market. Emerging markets-such as China, India, Mexico, and Russia- are home to some 86% of the world’s population. Collectively, they account for 23% of world economic output. Yet, insurance business is underdeveloped in these markets. In fact, India as a country is under-insured. Only 35% of the 250 million insurable populations are insured. Exploiting the growth potential of emerging insurance market- India and China are in the spotlight. Both the countries currently attract a lot of attention due to their size, strong growth performance and favourable regulatory changes. To begin with, India and China are the most populous countries and both have sustained impressive
economic growth in the last decade. Between 1993 and 2003, annual real GDP growth averaged 8.9% in China and 5.9% in India.

Interestingly, both markets have gone through a similar period of nationalization of their insurance business, although China revoked state monopoly earlier than India.

Calandro J, J Flynn R (2005), studied that many insurance companies vigorously pursue top-line growth, even though it has the potential to develop unprofitably over time. The time lag (or tail) between when insurance is sold and when claims are paid generates risks unique to insurance companies. Furthermore, the insurance market is both mature and efficient (i.e. its level of completion is very high), which means that profitable opportunities are both rare and untenable unless protected by competitive advantage. There currently no practical measure available (of which the authors are aware) at the business unit level to evaluate insurance premium growth in the face of the industry’s risk, impairing executives’ ability to assess segment opportunities (and hazards), thus hampering strategies decision making. The purpose of this paper is to introduce a practical measure developed by the authors called Underwriting Return (UWR) which aims at helping to alleviate this situation. The paper introduces UWR which was developed during the course and scope of the authors’ work in the insurance industry, and their research into applying value-based management to that industry. The paper finds that UWR is a practical measure that property and casualty executives can use at the business unit level to help quantify market segments to grow, hold, harvest and abandon. A variety of strategies analysis tools, such as the popular Boston Consulting Group matrix, are utilized today. In general, the application of such tools is hampered by an imprecision of measurement but each can add a level of insight to executive’ resource allocation options. UWR can further aid insurance executive in strategic analysis by helping to quantify in which segments to compete, and which ones to abandon. The paper demonstrates the utility of the measure in an example based on an actual analysis.

Kumar (2005), highlighted that private insurance players introduced a wider range of insurance products and set up brand promotion as part of their new strategy. These new covers had flexibility and added benefits to suit the needs of customers who were unsatisfied with the traditional and rigid plans.
Anon (2005), studied all the aspects of the Indian insurance industry along with an outlook for potential developments. The report examines the trends in industry, besides the competitive landscape offers a brief analysis on the main players in the industry. It contains an assessment based on PEST analysis, covering the relevant political, economic, social and technological factors that have implications for the development of the industry. The report also evaluates the industry within the Michael porter framework. It goes on to describe the competitive landscape and provides a comparative financial study of the major players in the industry. Insurance constitutes an important and increasing proportion of the gross financial savings of the household sector in India. The factors that have driven change include: > Increasing Gross Financial Household Savings. Deregulation in the Indian Insurance Market. > Increasing dependency ratio However, dearth of new products represents a major implication.

Kannan K.V (2006), reviewed in their study that the market potential for private insurance companies is found to be greater in the long run as most of the Indians are of the opinion that, private insurance companies would be able to perform well in the future. The private and foreign insurance companies have too immediate steps in appointing more number of agents and/or advisors in addition to the employees as it has found that agents are the best channel to reach the customers. They can also focus on an insurance amount of Rs. 1-2 lakh with ‘money back policies’. Hence, the market has potential. The private and foreign insurance companies that are taking immediate steps can tap it.

Athma Prashanta (2007), insurance company faces a dynamic global business environment. The existing insurers are facing challenges from non-traditional competitors who are entering into the retail market with new approaches and through new channels.

While quality of service is the main influencing factor in the finance market, in the insurance market, product attributes are the main factors that influence the success of insurance companies. Though, there has been growth in life insurance industry over the past few years, comparatively, insurance penetration in India has not increased in spite of the considerable growth potential of Indian life insurance market. With liberalization, many insurance players have entered this field from the year 2000, and
the task before them now is to identify what factors influence in decision-making. In this context, this study assumes importance. The main objective of the paper is to identify the factors which the consumers take into consideration before selecting life insurance products and determine the extent to what these factors are taken into consideration for choosing the life insurance products. This research is carried out by collecting primary data from 200 policyholders of Life Insurance Corporation on India through self-structured questionnaires. The sample consists of 100 policyholders from urban area and 100 policyholders from rural area. C2 test is employed to test if there is any association is used to find out which factor has more influence. Both, product and non-product attributes have been found to be important in selecting a policy but they have been rated differently. Rating is different in urban and rural areas.

**Sabera (2007),** indicated, “Government of India liberalized the insurance sector in March 2000, which lifted the entry restrictions for private insurance players, allowing foreign players to enter into the market and start their operations in India. The entry of private players helps in spreading and keeping the operation in the Indian insurance sector which in turn results in restructuring and revitalizing of public sector companies”.

**Krishnamurthy (2007a, 2007b),** pointed out that, the country is witnessing growing insurance awareness with such new generation products making entry, even in Tier 2 and Tier 3 cities. Private insurers have already made an impressive beginning. Liberalization has led to a new distribution channel, ‘Banc assurance’, a concept that is already firmly rooted in European countries. Sheela (2007) studied that the Indian market—both the urban and the rural offers tremendous growth opportunities for insurance companies, the need of the hour is to understand the changing needs of customers and their occupational structure. Chakraborty (2007) examined that the Indian insurance industry underwent a drastic transformation with the entry of private players who captured a significant market share (26.6%) during 2005-06.

**Andreassen Tor (2008),** studied the impact of customers’ perception of customer service (bad/good) on variables that are known to drive revenue, i.e. customer satisfaction, perceived relative attractiveness, and commitment. Data were collected through a survey among bank customers. Two groups were sampled: customers who have experienced good or bad customer service.
The hypotheses were tested by applying structural equation modelling and running two group analysis using the PLS and LISREL software’s. Customers that experience bad customer service do take into account the same variables in their evaluation as do customers that experience good customer service. They do however, put different weights on every factor in the valuation process. Also the strength of the relationship between the variables seems to differ. Typically, analyses showed that customers experiencing bad customer service tend to consider more thoroughly all aspects of the service; the relationships between the variables were stronger and the explained variance of each construct higher, than in the group of customers experiencing good customer service. However, the paths are not different across the groups. The paper has only tested the model and hypothesis in one industry. Future research should test the same model using different industries reflecting different customer involvement levels.

Practical Implications from this study, service managers can learn that investing in customer service in ongoing customer relations is “the right thing to do” as it is linked to customer equity through customers’ commitment to the firm. Second, as customer service in such relationships drives perceived relative attractiveness, saving the bottom line by cutting back on the human side of the customer interaction, may harm the firm’s competitive position in the marketplace.

**Dr. M. Dhanabhakyam & M. Kavitha (2011),** in his study concluded that the private life insurance company should have a clear vision and mission that should be known to all the stakeholders like employees, agents, customers and business associates. To achieve greater insurance penetration, they should create a more vibrant and a competitive industry, with greater efficiency, choice of products and value of customers.

**Dr. M. Dhanabhakyam & K. Vimala devi (2011),** advanced the understanding of performance- increasing market share as an organizational outcome based on relationship marketing research by investigating structural relationships among relational benefits, internal marketing, direct marketing and relationship quality criteria, and organizational outcomes in Indian Insurance companies.

**Customer Satisfaction (CS) is a term that has received considerable attention and interest among scholars and practitioners perhaps because of its importance as a key**
element of business strategy, and goal for all business activities especially in today’s competitive market (Anderson, Fornell, and Lehmann, 1994; Groˇnroos, 1984; Lovelock & Wirtz, 2007). The concept has been variously defined by many authors. “Satisfaction is a person’s feeling of pleasure or disappointment resulting from comparing a product’s performance (outcome) in relation to his or her expectation” (Kotler & Keller, 2006 p. 144). Satisfaction is a “psychological concept that involves the feeling of well-being and pleasure that results from obtaining what one hopes for and expects from an appealing product and/or service” (WTO,1985). CS is “as an attitude-like judgement following a purchase act or a series of consumer product interactions” Youjae Yi (1990 cited in Lovelock & Wirtz 2007).

The process perspective presupposes that customer satisfaction is a feeling of satisfaction that results from the process of comparing perceived performance and one or more predictive standards, such as expectations or desires (Khalifa & Liu, 2002). This perspective is grounded in the expectancy disconfirmation theory proposed by Richard Oliver (Oliver, 1980). The customer is satisfied if the performance of product/service is equal to his/her expectations (positive disconfirmation) and he/she is dissatisfied if the product/service performance is perceived to be below his/her expectation (negative disconfirmation). If expectation exceeds perceived performance, the customer is highly satisfied. By taking satisfaction as a process these definitions do not focus on satisfaction itself but things that cause satisfaction, the antecedents to satisfaction, which occur primarily during the service delivery process (Vavra, 1997). More recent studies view satisfaction as an outcome or end result during the process of the consumption of a service; it is viewed as a post-purchase experience (Vavra, 1997). This view has its roots in motivation theories that postulate that people are driven by the desire to satisfy their needs (Maslow, 1954) or that their behaviour is directed at the achievement of relevant goals (Vroom, 1964).
Richard L. Oliver (1980), proposed a model which expresses consumer satisfaction as a function of expectation and expectancy disconfirmation. Satisfaction, in turn, is believed to influence attitude change and purchase intention. Results from a two-stage field study support the scheme for consumers and non consumers of a flu inoculation. Again, customer satisfaction is driven by perceived price or value. Though the concept of value is relative and has several dimensions to it, Zeithaml (1988) considers customers value as the overall assessment of the utility of a product based on perception of what is received and what is given.

Dodds et al. (1991), controverts that customers perceptions of value represent a trade-off between the quality or benefit they receive in the product relative to the sacrifice they perceived by paying the price. The perceived value process involves a trade-off between what the customer gives such as price/money, sacrifices, perceived risk, opportunity cost, and learning cost in exchange for what he/she gets such as quality, benefits, utilities (Yonggui Wang & Hing-Po Lo, 2002; Ravald & Gronroos 1996; Zeithaml 1988).

In this way satisfaction is perceived as a goal to be achieved and can be described as consumer fulfilment response (Rust & Oliver, 1994). In the context of Ghana Insurance Industry, we believe that customers, through the promotional activities of the Insurance Services in Ghana, have developed certain expectations and set of desired services of the Industry. These are important in determining their satisfaction of the services received/given. Therefore our conceptual framework treats satisfaction as a process not just an outcome that customers strive to achieve.

Gilbert A. Churchill, Jr. & Carol Surprenant (1982), suggested the effects are different for the two products. For the nondurable goods, the relationships are as typically hypothesized. The results for the durable goods are different in important respects. First, neither the disconfirmation experience nor subjects' initial expectations affected subjects' satisfaction with it. Rather, their satisfaction was determined solely by the performance of the durable goods. Expectations did combine with performance to affect disconfirmation, though the magnitude of the disconfirmation experience did not translate into an impact on satisfaction. Finally, the direct performance-satisfaction link accounts for most of the variation in satisfaction.
Anderson & Sullivan (1993), found that customer’s satisfaction affects the customer in building their will to repurchase any item. Provision of quick complaint handling and effective customer service help the management to prevent building of any negative impressions by the customer. Although some company can have very good quality and product but still they suffer because element of interaction with customer is missing and they don’t get the exact information about customer’s need.

Muffato and Panizzolo (1995), suggested that customer satisfaction was considered to be one of the most important competitive factors for the future, and could be the best indicator of a firm’s profitability. They further suggested that customer satisfaction could drive firms to improve their reputation and image, to reduce customer turnover, and to increase attention to customer needs. Such actions could help firms to create barriers to switching, and improve business relationships with their customers.

According to Iacobucci, Ostrom, Grayson (1995) a firm may fail to achieve better customer satisfaction despite providing high quality service, because the properties improved are not important from the customer’s point of view. In many cases company are not directly interact with customers but they get information about their product (that how much customers are satisfied with their products) from their distributors and other market intelligence. Retailers and distributors are indirectly representatives of the company.

Anderson (1997) & Ittner and Larcker (1998), studied the financial impact of customer satisfaction and concluded that it varied across industries and firms. They found that the impact for performance depended on many factors and situations.

Ittner (1997); Ittner and Larcker (1998); Behn and Riley (1999); Banker (2000); Smith and Wright (2004), concluded that customer satisfaction was one of the most important and most widely used nonfinancial performance measures. If the customers are satisfied then it means that the company is doing well in terms of growth and performance.

According to Bolton (1998), Customers who have longer relationship with the firm have higher prior cumulative satisfaction ratings and few/ smaller subsequent perceived losses associated with subsequent service encounters. Although some firms have monopoly to satisfy its customers, but in other sectors where huge competition is there,
it’s difficult to satisfy customer. Innovation in every sector brings customer satisfaction because companies bring new changes to make customers more satisfy and fulfill their needs.

**Larcker (1998); Behn and Riley (1999); Banker (2000); Smith and Wright (2004),** provided mixed evidence on the relation between customer satisfaction and future financial performance. They concluded that the industry could grow if the customers had faith in the services and they buy it for their satisfaction. Analysis of customer satisfaction helps managers to target the right customer segments (Krishnan, Ramaswamy, Meyer & Damien, 1999). Companies have to make strategies and development to give better satisfaction to their customers. These strategies are a tool for satisfaction and to increase market share which is a very needy thing for a company because if anyone of these strategies works it can bring a massive change in customer’s satisfaction and market share. It also brings loyalty of the customer towards your product.

**Bhave Ashis (2002),** in his study revealed that to keep existing customer is costly than to win new ones. According to him the major attributes of customer satisfaction are product quality, product packaging, keeping delivery commitments, price, responsiveness and ability to resolve complaints and reject report, and overall communication, accessibility and attitude.

**Yusuf et al. (2009),** found that the attitudes of Nigerians towards Insurance institution and services were mostly negative Because of their poor quality services rendered to the customers.

**Thorsten Hennig Thurau and Alexander Klee (1997),** made a study on the impact of customer satisfaction and relationship quality on customer retention. The major finding was that the relationship quality and customer retention is influenced by intra-psychological, contextual and situational factors as well.

**Ciavolino & Dahlgaard (2007),** contend that service quality is the measure of service levels based on the attributes of the core product. Such attributes include; Facility layout- display of products, clean environment, clear labeling. Other attributes can be Location, Process - queue management, waiting time, express checkouts, supermarket operation hours, delivery time, additional services like parking, parent & baby
facilities, and loyalty/membership cards, Product-variety of groceries, durability, merchandise quality and Merchandising.

**Jianbo Fu (2008).** showed that the scale possesses better reliability and validity level, and the basic content of customer service recovery expectation includes recovery attributes, failure attribution and empowering employees for problem solutions, and in these three factors, the dimension of failure attribution has the largest influences to the satisfaction after customer service recovery.

One of the most recent researches in the work of **Hume & Mort (2008)** confirms that value or price quality is a positive predictor of satisfaction. This is consistent with the findings of Rust and Oliver (1994) who suggested that value had a direct and encounter-specific input to satisfaction. In many studies, customer satisfaction is positively correlated with customer re-purchase, likelihood to recommend, positive word-of-mouth, customer loyal and retention. But, CS is negatively correlated, to a large extent, with customer complaints and switching intention (**Yonggui Wang & Hing-Po Lo, 2002**).

**Dr Doongar Singh Khichee (2011).** found that customer satisfaction is basis of building the quality services of the insurance system operating in any society. A satisfied customer is the basis for building good sustainable models to operate in the society. They found that impact of technology has changed the landscape of serving the clients in the insurance sector where the competition has become intense and retaining the clients was important for the survival of the insurance business companies.

**Ravi Kant Sharma (2012),** concluded that though Life products are seen in India primarily as a means of improving financial health. India lacks any system of social security, and life insurance products offer tax benefits, and income protection. Endowment or whole-life policies provide good saving options, and are more popular in India than simple term-life plans that offer pure risk protection but in delivery of services China has been lagging behind from India because of professional skills, trust of agent and better products and policies.

**Gap Model**
In order to comprehend the service quality better, Parasuraman, Zeithaml and Berry developed Gap model of service quality. The model was first introduced in 1985
(Parasuraman et al, 1985). Its purpose was to analyse the source of problems in quality and to give support to management to simply understand the ways of improving the service quality. Key features of this model are recognized in emphasizing the errors in quality. The errors emerge between the guest and the service provider, regarding the perceptions and expectations. This model primarily demonstrates the process of the emergence of service quality (Ljubojeviš, 2004).

The basic gap is the Consumer gap, which emerges as the discrepancy between customer expectation regarding service and customers perception of the service delivery in the hotel. Customer gap is the outcome of one of 4 gaps of a service company, which emerge as certain discrepancies within the design and delivery phases of service to the consumers. Five key discrepancies were identified (Parasuraman et al, 1985):

**Gap 1** - the gap between customer expectations and management's perceptions of those expectations;

**Gap 2** - the gap between management's perception of what the customer wants and specifications of service quality;

**Gap 3** - the gap between service managerial quality specifications (quality, standards, forms of delivery) and the actual delivery of the service;

**Gap 4** - the gap between service delivery and what the company promises to the customer through external communication.

All four influence the total perception of service quality and customer satisfaction;

**Gap 5** - Represents difference between customers’ expectations regarding the service and their perception about the specific service. The last gap is the result of all the previous gaps. According to the fact that service is less tangible than a product, the major portion of service quality is found within the delivery. However, customers’ expectations play an important role, since the expectations concerning service significantly differ from those referring to products. Moreover, customers’ expectations vary according to the service type. The importance of customers’ expectations highlights the fact that product quality represents its ranking according to established standards. When consumers access product or service quality, it is performed according to internal standards, actually the expected quality of service. Therefore, the
expectations are internal standards upon which the consumer ranks the quality of delivered service (Ljubojeviš, 2004).

The American model defines service quality as the discrepancy between expected and perceived service through five core components:

Reliability – performing the promised service dependably and accurately;
Responsiveness – helping customers and providing prompt service;
Assurance – inspiring trust and confidence;
Empathy – providing caring, individualized attention to customers; and
Tangibles – the tangible elements of service (Parasuraman et al., 1988).

Although the American model dominates the literature there is no unanimity between researchers on which of the two, or some other, better reflects perceived service quality (Brady and Cronin, 2001).

Grönroos (1983), argues that when the service producer and the service consumer are in direct contact there are many factors that affect the level of satisfaction. In service production there is an extensive involvement of people which creates some level of non-standardization that do not exist in production of service. For example, it is difficult for a security brokerage to keep the service quality at the same level when they have thousands of entrepreneurs working out there. There are also a number of communication gaps that can occur between a service company and its customers.

Schneider and Bowen (1985) and Tornow and Wiley (1991), found a positive correlation the between attitude of employees, the attitude of customers and employee and customer perceptions of service quality. They also found that customer satisfaction is directly related to the attitude and perceptions of employees, in turn, the attitude and perceptions of employees relate to the organization and its management practices. They also said that customer satisfaction is not just relating to the values and attitudes of employees, which means that the overall effectiveness of the organization has direct impact on values and attitudes.
Garvin (1987), in his paper ‘Competing on the Eight Dimensions of Quality’ proposes eight critical dimensions or categories of quality that can serve as a framework for strategic analysis:

**Performance**- refers to a product primary operating characteristics. As this dimension of quality involves measurable attributes, brands can usually be ranked objectively on individual aspects of performance.

**Features**- it is usually the secondary aspects of performance, the “bells and whistles” of products and services, those characteristics that supplement their basic functioning.

**Reliability**- it reflects the probability of a product malfunctioning or failing within a specified time period. They are more relevant to durable goods than to products or services that are consumed instantly.

**Conformance**- the degree to which a product’s design and operating characteristics meet established standards.

**Durability**- a measure of product life, durability has both economic and technical dimensions. Technically, durability can be defined as the amount of use one gets from a product before it deteriorates. Alternatively, it may be defined as the amount of use one gets from a product before it breaks down and replacement is preferable to continued repair.

**Serviceability**- is the speed, courtesy, competence and case of repair. Consumers are concerned about the time before service is restored, the timeliness with which service appointments are kept, the nature of dealings with service personnel, and the frequency with which service calls or repairs fail to correct outstanding problems.

**Aesthetics**- is a subjective dimension of quality. How a product looks, feels, sounds, tastes, or smells is a matter of personal judgment and a reflection of individual preference, and

**Perceived Quality**- Consumers do not always have complete information about a product’s or service’s attributes; indirect measures may be their only basis for comparing brands.
Gronroos (1988), identifies six criteria of good perceived service quality.

i) **Professionalism and Skill**- customers see the service provider as knowledgeable and able to solve their problems in a professional way.

ii) **Attitudes and Behaviour**- customers perceive a genuine, friendly concern for them and their problems.

iii) **Access and Flexibility**- customers feel that they have easy, timely access and that the service provider is prepared to adjust to their needs.

iv) **Reliability and Trustworthiness**- customers can trust the service provider to keep promises and act in their best interests.

v) **Recovery**- customers know that immediate corrective action will be taken if anything goes wrong.

vi) **Reputation and Credibility**- customers believe that the brand image stands for good performance and accepted values.

Gronroos (1990), in his book *Service Management and Marketing* describes the quality of service as having three dimensions- Technical or outcome dimension-what customers receive is clearly important to them and to their overall evaluation of quality? Functional or process-related dimension-the interactions between the customer and the service provider-constitute the ‘how’ of the service provision. This functional quality will have a major influence on the way the customer perceives the technical quality of the services the organization offers, plus the effects of traditional marketing activities such as advertising, pricing and public relations.

The dimensions proposed by Gronroos are well supported by Lehtinen and Lehtinen. Lehtinen and Lehtinen (1991) in their study ‘Two Approaches to Service Quality Dimensions’ proposed the similar quality dimensions as:

**Table 2.1: Service Dimension (Gronroos, 1990)**

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Aspects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical Quality</td>
<td>General services, teaching and learning facilities, accommodation</td>
</tr>
<tr>
<td>Interactive Quality</td>
<td>Academic instruction, guidance interaction with staff and student</td>
</tr>
<tr>
<td>Corporate Image</td>
<td>Recognition, reputation, value for money</td>
</tr>
</tbody>
</table>

Source: Self compiled
Cottle (1990), argues that in service encounters there are differences in tangibility and human interactions which make them complicated and it also makes them difficult to control. There are several reasons for difficulties connected to service control, service is about performance so there is no production process where you can put in quality (it is only possible through training), there are also big variations in services and therefore they are difficult to standardize. The reason for this is that the human factor always will make it impossible to create a totally customized product.

According to Eskildsson (1994), over the past decades, many attempts have been made in both private and public sectors in the hope of making improvements in processes and services from the perspective of the customer. Many initiatives have been aiming for targeting the satisfaction of external customers. Often research has shown that these programs have failed to satisfy the first expectations. Consequently, consultants and experts have aimed for a broader focus within organizations in order to include the perspective of employees and their interrelationships with both managers and customers (Tornow and Wiley, 1991)

Another service quality model which was used by Sureshchandar et al. (2001) has stated that the customer’s perceived quality depends upon five factors:

1. Core service.
2. Human elements of service delivery.
4. Tangibles of services.
5. Social responsibility.

The core service refers to the essence of a service. In a service sector the service features offered are as important as how they are delivered. Human element of service delivery refers to all aspects (reliability, responsiveness, assurance, empathy, moments of truth, critical incident and recovery) that will fall under the domain of the human element in the service delivery. The non-human element in the service delivery is in contrast to the human element. Service delivery processes should be perfectly standardized, streamlined, and simplified so that customers can receive the service without any hassles.
The tangible of the service facility refers to the equipment, machinery, employee appearance, etc., or the man-made physical environment, popularly known as the “services capes”.

The social responsibility is the obligation of organization management to make decision and take actions that will enhance the welfare and interests of society as well as the organization. When an organization shows enough evidence on its Social responsibility it is natural to attract more customers.

Andreassen T W (2001), mentions that customer satisfaction can be viewed as an evaluation where expectations and actual experience is compared. A service failure is when the service delivery does not manage to meet customer expectations. Often service recovery begins with a customer complaint. The aim with service delivery is to move customers from a state of dissatisfaction to a state of satisfaction.

Butcher and Heffernan (2006), discuss the relationship between customer and employees and that social regard plays an important role in service delivery, for example in a situation where a customer has to wait. A number of studies have shown the importance of friendly behaviour from the staff in order to improve service delivery and create long term relationships.

Price and profit margin is one aspect of service firms. According to Gonzalez and Garzia (2008) many service delivery errors and problems can occur and that is not beneficial for the reputation of the organization. Ha and Jang (2009) argues that service failure occurs when customer perceptions do not meet customer expectations. The problem with service failure is that it may lead to a destroyed relationship between the customer and the organization.

To avoid communication gaps and other service failures Gonzalez & Garzia (2008) argues that it is important for the organization to know what the customers are thinking about their service so that failures can be avoided and improvements can be made. They need to know which attributes to measure and which factors that can be taken from different tools to identify customer satisfaction. Time and costs also effects customer satisfaction, a quick response can be crucial for satisfying the customer. Maxham (2001) discusses that if problems in the service delivery occur the result can be that customers have to wait.
Gonzales and Garzia (2008), discusses that organizations have many problems to solve: How should the organization find out which expectations the customers have? How should the organization find out which expectations the customers have? How should the company implement a service recovery system? Is it good to combine different techniques to get best result in identifying customer satisfaction? Is it correct to combine different tools to improve service quality?

Customers’ Expectations

Kandampully (2000), argues that the management of these customer expectations is also an imperative concept in tourism companies for further products and services designed to match and exceed those expectations.

Ekinci (2002), argues that the term expectation in service quality literature has different meanings for different authors. According to Tam (2005), it is important for success in influencing customer satisfaction to understand how customer expectations develops and update even if the term expectation is vague and difficult to interpret in surveys.

Grönroos (2007), suggested that in order to increase long term quality, the customer expectations should be focused, revealed, and calibrated and he also developed the dynamic model of expectation that describes that the quality of professional services develops in a Customer Relationship over time. It classifies the expectations into three distinguishable types and can be characterized in the following:

a. Fuzzy expectations exist when customers expect a service provider to solve a problem but do not have a clear understanding of what should be done.

b. Explicit expectations are clear in the customer's minds in advance of the service process. They can be divided into realistic and unrealistic expectations.

c. Implicit expectations refer to element of a service which are so obvious to customers that they do not consciously think about them but take them for granted” (Grönroos, 2007, P. 100)

Grönroos (2007), mentions that customers normally presume that explicit expectations will be met and unrealistic expectations might be exited. Service providers have to help customers adjust these unrealistic expectations into more realistic ones to ensure that a
service delivery will meet customer expectations. In this stage, service providers should be aware of the more vague promise or “implied –in-fact” promise because it can form unrealistic explicit expectations that lead customers to believe that services offered will include features that in fact are not included. Beside explicit expectations, implicit expectations also have to be fulfilled because they are apparent that customers are clearly expressed. Such implicit services will become explicit if they are not fulfilled understanding that when customers evaluate service they compare their expectations with what they think they received from the supplier and if the expectations are met or even exceeded customers believe that the service have high quality. Customer expectations vary depending on what kind of business the service is connected to. Expectations also vary depending on different positioning strategies of different service providers. Thirdly the expectations are influenced by previous experiences of the service provider, competing services in the same industry or related services in different industries. If the customer don’t have any previous experience they are more likely to base their expectations on word of mouth, news stories or the marketing efforts of the company. One more things to consider is that customer expectations vary over time because they are influenced by advertising, new technologies, service innovation, social trends and so on. A successful company is able to meet expectations in every step.

Perceived Service Quality

Baker et al. (2002), Bitner (1990); Minor et al (2004), also put forward that the environment influences customer satisfaction. For example, the environment in a hotel will affect customer satisfaction. Lovelock and Wirtz (2007) discusses how confirmation or disconfirmation of expectations relates to satisfaction and delight: The terms “quality “and “satisfaction” are sometimes used interchangeably. Some researchers believe, however, that perceived service quality is just one component of customer satisfaction, which also reflects price/ quality trade-offs, and personal and situation factors.

Baker et al. (2002), also describes three components that influence the service encounter elements. The first component is physical environment and includes for example music, lightning and external and internal environmental design, the second one is customer interactions with intangible and tangible elements in the service
environment and the periods when customers interact with physical facilities and other tangible elements in the service environment. Andaleeb and Conway, 2006; Wu and Liang, 2005) mentions the second component that is connected to the relationship between the service employee and the customer. Behaviour is a key determinant of how the service will be appreciated.

**Bitner (1992); Baker et al., (2002),** is describing the third component that is about how customers are influenced from the appearance, perceptions and behaviour of other customers. **Baker and Cameron (1996),** discusses that it is shown that the behaviour of other customers affect perceptions and that makes it important for service providers to be careful about the interaction between customers.

**Fiore and Kim (2007),** present a conceptual framework that concerns the influences on the consumption experience by environmental variables such as physical elements of the service environment, individual variables, individual attributes and person–environment variables or situations. The physical environment has the possibility to provide ideas about the influence of customer perceptions on the brand image. **Zeithaml and Bitner (2000),** argue that customers do perceive quality in more than one way and they also have perceptions about multiple factors when quality is assessed.

**According to Lovelock and Wirtz (2007),** a service encounter is a period of time during which the customer interact directly with the service provider. Some of these encounters are very brief and consist of just a few steps. If you use a service that requires the customer to make a reservation this first step might have been taken days or even weeks before the customer arrives at the service facility.

**Tamzid Ahmed et al. (2007),** studied the perceptions of the customers towards insurance companies in Bangladesh with the help of SERVQUAL model. The researcher concluded that the demographic trends suggest that as private insurance companies (both local and multinational) have proliferated in Dhaka City.

**Graham K. Rand et al. (2007),** investigated the cultural influences on service quality and customer satisfaction: evidence from Greek insurance: The purpose of this study is twofold. First, the study aims to determine whether culture is related to service quality and whether the importance of service quality dimensions is connected to the dimensions of culture. Secondly, to examine whether the importance of service quality
dimensions determines the strength of their relationship with customer satisfaction and, hence, whether culture is a determinant of the latter.

**Maira Babri et al. (2007)**, studied customer’s preferences of insurance services. In this study, the researcher examines how insurance companies could enhance their ability of meeting the constant changes in customers’ preferences in an increasingly competitive environment. Ponreka Maria et al. (2007) investigated a customer satisfaction with service quality with special reference to Life Insurance Corporation in Maduari District. In this study, insurance is the best form of fortification against risk that has been formulated by man. Since its emergence, insurance has become unavoidable to every aspect of human life from health disorders to building properties, from household articles to multimillion-dollar projects.

**Praveen Sahu (2009)**, assessed buying behaviour of consumers towards Life Insurance Policies. The researcher identified the consumer’s perception towards Life Insurance Policies is positive. It developed a positive mind sets for their investment pattern, in insurance policies. **Montserrat Guillen et al. (2008)** empirically investigated the need to monitor customer loyalty and business risk in the European Insurance Industry. This study describes the reasons why insurance companies should perform customer loyalty and business risk monitoring and develop guidelines for the implementation of this procedure.

**The Relationship between Customer Expectations, Perceptions and Satisfaction**

In an earlier article **Oliver (1980)** discusses that satisfaction can be understood as the discrepancy between expectations and perceptions. Differences are to be expected between importance attributes but also segments. **Pizam and Ellis (1999)** explain that customer satisfaction can be described as a comparison between performance and expectations.

**Parasuraman, (1988)**, says that in service and retail business, SERVQUAL is a multi-item scale which is developed to assess customer perceptions of service quality but originally it is developed form GAP model. The author also argues that SERVQUAL must be reliably assessed and measured in order to improve services quality. He mentions that SERVQUAL is an important model to identify the gaps between
customer expectations of the service and their perceptions of the actual performance of the service.

**Oliver and Swan (1989),** expand the definition and mention that customer satisfaction is an affective term and they identify five different types of satisfaction which are pleasure, relief, novelty and surprise. There are many definitions but according to **White and Yu (2005)** one consensus that can be found is that the construct includes either cognitive or affective responses and customer satisfaction can be either product or service focused.

**Oliver (1997),** mentions that customer satisfaction has a big research tradition of more than three decades. He also gives a definition about customer satisfaction: “a judgement that a product or service feature, or the product or service itself, provides pleasurable consumption related fulfillment. On other definition from **Oliver (1997)** is that customer satisfaction is as an overall emotional response to an entire service experience for a specific service encounter after purchasing consumption.

**Gibson (2005),** found in his studies that satisfied customers become repeat purchasers of a product or service and provide positive word of mouth. That means that it is important to understand what factors that influences customer satisfaction in order to create good products or services. **Zeithmal and Bitner (2003) expands this discussion and describes that there is an overwhelming interest in service quality and the reason for that is that both practitioners and researchers believe that quality is crucial for the success of any business organization. The construct has great impact on customer satisfaction, repeat purchase behaviour and in the long run also the profitability of the organization. **Bitner (1990)** also mentions that if the service is affective it has a direct and immediate effect on the customer satisfaction.

**Zeithaml and Bitner (2003),** argue that customer satisfaction has become a major contributor for enhancing a service company such as long term profitability, customer loyalty, and customer retention. That means for example that it is important to encourage the staff to deliver the right service to the right people in reasonable time and showing good manner. Satisfied customers may also give positive word of mouth and for that reason attract new customers and create long term business profit. **Lovelock and Wirtz (2007, P. 420)** discusses that to measure customer satisfaction with various
aspects of service quality, Valarie Zeithaml and her colleagues developed a service research instrument called “SERVQUAL”, this model is based on the premises by which customers can evaluate a firm's service quality through comparing their perception of its service and with their own expectations. SERVQUAL is seen as a generic measurement tool that can be applied across a broad spectrum of service industries. There are 22 perception items and expectation items that are reflecting the five dimensions of service quality.

Respondents complete a series of scales that measure their expectation of companies in a particular industry in a wide area of service characteristics. They also discuss that when perceived performance ratings are lower than expectations, it is a sign of poor quality and reverse indicate good quality.

According to Hansemann & Albinsson (2004), cited in Singh (2006:1), “satisfaction is an overall attitude towards a product provider or an emotional reaction to the difference between what customers expect and what they actually receive regarding the fulfillment of a need”. Kotler (2000) also define satisfaction as a person’s feelings of pleasure, excitement, delight or disappointment which results from comparing a products perceived performance to his or her expectations.