CHAPTER - II

REVIEW OF LITERATURE

2.1. INSURANCE

Mark S. Dorfman et al., (2002), in his book on “Introduction to Risk Management and Insurance” reviews the salient features of the insurance industry and also the role played by the private enterprise. The different types of insurance intermediaries are also discussed at length with suitable illustrations incorporated wherever necessary.


Ajay Mahal et al., (2002), in his article on “Assessing Private Health Insurance in India–Potential Impacts and Regulatory Issues” asserts that the entry of private health insurance companies in India is likely to have an impact on the costs of health care, equity in the financing of care and the quality and cost-effectiveness of such care. However, he mentions that an informed consumer and a well-implemented insurance regulation regime in many cases eliminate some of the bad outcomes.
Wadikar Ashok Laxaman et al., (2001), in his thesis on “Innovativeness in the Insurance Industries”, Ph.D. Thesis submitted to the Department of Management, University of Pune, Pune, 2001, confirms a general opinion that innovativeness in every activity alone rules and dominates the industry. But, at the same time, the practicality and economic justification of that innovativeness are also to be analysed.

Balachand Wran, S. et al., (2001), in his book on “Customer Driven Services Management” concludes that the insurance industry is fast growing and mostly becoming a customer driven and customer centric one. He also advocates that when the insurance products are attractive to the customers, then only the insurance industry flourishes in the market and serves its purpose of profit earning and also income generation.

Srivastava, D.C. and Srivastava, S. (2001) in their book on “Indian Insurance Industry–Transition and Prospects” discuss analytically the financial significance of insurance industry, its contribution to Indian economy and also the transitory prospects and challenges of insurance industry due to liberalization and the opening up of the sector to private players.

Mishra, K.C. and Simita Mishra (2000), in their article on “Insurance Industry: Recipe for a Learning Organization” say that like any other industry,
insurance industry in India suffers from one challenge repeatable a hundred times, that is the constraints of infrastructure.

**Balasubramanian, T.S. and Gupta, S.P. (2000)**, in their book on “Insurance Business Environment” explain at length the global and Indian pictures of Insurance systems. The impact of globalization and also liberalization on Insurance business environment is also discussed analytically to have a clear understanding of the challenges faced by the insurance industry.

**Mitra Debabrata, et al., (2000)**, in the thesis entitled “Employees and the PSU: A Study of their Relationship with Special reference to Jalpaiguri Division of the Life Insurance Corporation of India” states that the State-owned Undertakings provide all sorts of facilities and amenities to employees along with usual emoluments. But, their productive rate is low when compared with the private sector undertakings. In the Jalpaiguri Division, the employee relationship with the LIC is clearly discussed and some suggestions are also given in the thesis.

Dan Segal Leonard N. Stern School of Business New York University in their work “An Economic Analysis of Life Insurance Company Expenses” analysed the expenses of the Life Insurance Companies
2.2. LIFE INSURANCE

Sharma Aparajita et al., (2011), in her study aims to develop the managerial competency framework for the middle level managers of the general insurance sector in India. Secondary research provides the overview of existing generic competency models. The need was observed for a competency based framework in the insurance sector in India. Survey was conducted among ninety eight middle level managers of the public and private sector general insurance companies. The results revealed the fourteen managerial competencies: analytical skills, communication skills, creativity, decision-making, ability to delegate, flexibility, initiative, interpersonal skills, job knowledge, leadership, managerial skills, ability to motivate, ability to plan and team management. Job knowledge, managerial skills, were the most important skills. Other important skills were communication skill, interpersonal skill and team management.

Gobi S. et al., (2011), in their paper suggested that India’s tryst with health insurance program goes back to the late 1940s and early 1950s when the civil servants (Central Government Health Scheme) and formal sector workers (Employees’ State Insurance Scheme) were enrolled into a contributory but heavily subsidized health insurance programs. As part of liberalization of the economy since the early 1990s, the government opened up the insurance
sector (including health insurance) to private sector participation in the year 1999.

C. Barathi et al., (2011), in the research paper titled “Innovative Strategies to Catalyse Growth of Indian Life Insurance Sector. An Analytical Review” have clearly discussed about the impact of global recession on the fastest growing Indian insurance market. They find the entry of many private companies has created a paradigm shift in insurance marketing in India in terms of products, tariffs; customer service etc. Krishnamurthy S, Mony S.V, Jhaveri. N, Bakhshi.S, Bhat.S and Dixit M.R (2005), in their paper clearly explained the status and growth of Indian Insurance Industry after liberalization and also present future challenges and opportunities linked with the Insurance.

Nandita Banerjee et al., (2004), Life itself and its inherent uncertainties have only served to underscore the importance of insurance. Today, all kinds of people and legal entities demand insurance both for business and professional requirements and also to cover personal risks. Farmers want crop insurance, travellers want travel insurance, whilst more and more people are availing of medical insurance. And as for film stars and their ilk: even parts of the anatomy become the subject matter of insurance.

Palande, P.S, et al., (2003), identify the key transformations that are going to exert a tremendous influence on the insurance industry. They point out that
non-life insurance is a barometer of industrial growth and life insurance is a barometer of the saving habit of the people. At present there is a wide variety of products in both life and non-life sectors. The LIC’s range includes around 60 products and general insurance companies have a range of 150 products. They envisaged that the liberalization scene would be marked by the following developments.

2.3. GENERAL INSURANCE:

Diacon et al., (2002) explored the efficiency of European specialist and composite insurers transacting long-term insurance business. An exploration of the value based measure of the insurance company inputs and outputs were utilized to measure technical efficiency of long-term insurers by comparing the performance of approximately 450 insurers licensed in fifteen European countries using data from Standard and Poor's Eurothesys database. The efficiency analysis used the variable returns to scale formulation of the well-known data envelopment model to compute the pure technical, scale and mix efficiencies of each insurer relative to an European efficiency frontier for each year between 1996 and 1999. The objective of this study was to identify the best practice companies operating in the European long-term insurance market, and then to benchmark all other insurers against these. The study used total operating expenses, capital, technical reserves and borrowings as the main inputs premiums and investment income as the main outputs. It is clear
from the analysis that there were wide variations in all types of efficiency. The more efficient insurance companies in technical terms are likely to be either very large or very small (specialist) companies. Mutuality and financial securities were also conducive to technical efficiency. It was found that insurers transacting long-term business in the UK, Spain, Sweden and Denmark were likely to have the highest average levels of technical efficiency. Secondly, UK insurers appear to have particularly low levels of scale and mix efficiency when compared to their European counterparts. It was also observed that average technical efficiency declined over the four years of the study.

**Diacon et al., (2001),** explored the efficiency of UK specialist and composite insurer transacting general insurance business. The concept of efficiency concerns as insurers' ability to produce a given set of outputs (such as premiums and investment income) via the use of inputs, such as administrative and sales staff and financial capital. The study uses the variable returns to scale Farrell efficiency scores formulation of the well-known data envelopment analysis (DEA) to identify the locally efficient and inefficient insurers within each country. A comparison is then undertaken for all insurers after adjusting the impact of their local efficiency. Traditionally the efficiency of insurance firms has often been measured by key ratios such as the expenses and claims ratios, the solvency margin and the return on invested assets. It is generally impossible to identify the best practice decision-making unit since it
is unlikely that all ratios will point to the same firm. An insurer is said to be technically efficient if it cannot reduce its resource usage without some corresponding reduction in outputs given the current state of production technology in the industry. This study uses four inputs namely, total operating expenses, total capital, total technical reserve, and total borrowing from credits and three outputs namely, general insurance net earned premium, long-term insurance net earned premium and total investment income. Estimates of Farrell efficiency and the projected values for inputs and outputs are obtained by using the input oriented variable returns to scale formulation of data envelopment analysis. The results indicate that UK general and composite insurance companies have the potential to be among the most efficient in Europe.

Mansor and Radam (2000), measured the productivity of life insurance industry in Malaysia by employing the non-parametric malmquist index approach. The study employed data envelopment analysis (DEA) to measure technical efficiency, technical changes and factor productivity. The data of 12 Malaysian insurance companies over the period 1987 to 1997 were taken. Three variables were used as output, namely, new policy issued, premium and policy in force and five inputs were used namely claims, commission, salaries, expenses and other cost. The results indicated that despite the productivity growth in the insurance industry, it was relatively low compared to the real economic growth experienced by Malaysia. The study found that
like the manufacturing sector, the future growth of the insurance industry would depend on its ability to compete efficiently. Being able to provide service in an efficient way would be an important source of comparative advantage under the era of globalisation. The results also suggested that both technical efficiency and technical progress contribute to the overall productivity growth of the industry.

Brown et al., (2000) outlined the rationale for applying methodologies developed to estimate different kinds of efficiencies of insurers. The data of 100 largest General insurers of UK for the year 1998 was taken. The data envelopment analysis (DEA) were used to analyze the data. The study used five models of input and output, and started with the simplest-where there was one output-net written premium and one input-net operating expense. In the second model, financial capital was added as the second input. The third model included reinsurance as input and gross premium as outputs. The fourth model used output as the net written premium, investment income and input as net operating expenses, capital and technical provisions. In the fifth model, output was taken as the gross premium instead of net premium and also used reinsurance as input. The results suggested that there were increasing return to scale for the smaller companies and decreasing return to scale for the larger companies, for their risk bearing/ risk pooling services taken as a whole.
Ray et al. (1999), surveyed pre-1994 regulation in Germany and the UK, and the European Commission’s policy. They argued that it was unlikely that the policy would have a significant impact on direct international competition between European insurance markets until there was standardization of insurance law. The study found that the tightly regulated markets would become more like the loosely regulated UK market. The paper evaluated this outcome and concluded that the European Commission’s policy may thereby have improved the welfare of insurance buyers in the previously highly regulated countries such as Germany. The paper also used efficiency frontier estimation to compare the dispersion of firm efficiencies in the German and British life insurance market. The results supported the hypothesis that tighter solvency regulation allowed the survival of a larger proportion of higher-cost firms.

Cummins, et al. (1999), analysed the relative efficiency of alternative organisation forms in an industry. For this purpose, to estimate the evolution of efficiency and technical change in the industry, a complete panel of insurers with data continuously available over the sample period 1981-90 was taken. The decision making unit (DMUS) in the insurance industry consisted of all groups and un-affiliated insurers for which there were 206 stock insurers and 211 mutual insurers. To analyse production frontier, the study employed the input-oriented DEA. The malmquist index approach was used to measure technical efficiency change and technical change. The value
added approach was used to measure the insurers output. So, the present values of losses incurred were taken as insurance output and labour business services, debt capital and equity capital were taken as inputs. The results indicated that stocks and mutual insurers are operating on separate production and cost frontiers, and thus, represent distinct technologies. Consistent with the managerial discretion hypothesis, the stock technology dominates the mutual technology for producing stock outputs and the mutual technology dominates the stock technology for producing mutual outputs. However, consistent with the expense preference hypothesis, the stock insurers cost frontier dominates the mutual insurers cost frontier.

**McIntosh et al., (1998),** investigated the scale efficiency in the Canadian insurance industry. He used an interposal product differentiation oligopoly model, estimated on a panel of federally charted insurance companies for the period 1988 to 1991. Significant short run scale economies were found with respect to both the output of new policies and the stock of policies issued in previous periods. It provided some evidence that certain types of mergers might lead to lower premiums, and consequently to an increase in the welfare of both producers and consumers of insurance products.

**Donni and Fecher (1997),** measured the technical efficiency levels in 15 OECD insurance industries over the period 1983 and decomposed productivity changes into technical progress and efficiency variations. The
outputs were measured both by life and non-life net premiums at constant prices and in US dollars corresponding to 1985 purchasing power parity and input was labour including intermediaries who sell insurance without being employed by the companies. The paper showed that the growth in productivity observed in all countries is essentially imputable to improvements in technical progress. Reinsurance rates and market share in OECD both seem to favour efficiency levels. Cummins and Weiss (1998), in their paper titled, “Analyzing Firm Performance in the Insurance Industry using Frontier Efficiency Method,” explained modern frontier efficiency methodologies which were rapidly becoming the dominant approach for measuring a firm's performance. These methodologies estimate efficient technical, cost, revenue and profit frontiers by comparing each firm in the industry to a reference set consisting of all other firms. The frontiers can thus be considered "best practice" frontiers. The two primary methods for estimating efficient frontiers were the econometric approach and the mathematical programming approach. The econometric approach involved estimating a cost, revenue or profit function, while the mathematical programming approach is usually implemented using linear programming. The implementation that is used most frequently is Data Envelopment Analysis (DEA). An important step in efficiency analysis is the definition of inputs, outputs and prices. The authors concluded that frontier efficiency
methods dominate traditional techniques in terms of developing meaningful and reliable measures of insurance firm performance.

Cummins et al. (1996), examined technical efficiency and productivity growth in the Italian Insurance market. The study measured technical efficiency and productivity growth by estimating production frontier based on a sample of 94 Italian insurance companies for the period 1985. To analyse these input-oriented distance functions, DEA were used and productivity growth was measured using malmquist indices which were decomposed into technical efficiency change and technical change. The study used benefits plus changes in reserves as output in life insurance and incurred losses plus invested assets as output in non-life insurance. The inputs used were acquisition labour expense, administrative labour expense, fixed capital 21 and equity capital. The research concluded that technical efficiency in the Italian insurance industry ranged from 70 to 78 per cent during the study period. However, productivity declined significantly over the sample period, with a cumulative decline of about 25 per cent. It was implied that the insurers needed more inputs to produce their outputs at the end of the period than at the beginning. It was observed that in a dynamically changing environment, many insurers might be adopting new approaches to produce their outputs. This provides more opportunities for firms to make mistakes in the choice of technology, perhaps leading to excessive consumption of inputs even by the "best practice" firms. An increase in the complexity of insurance
products and markets could have a similar effect. The research concluded that
the firms that fail to improve are likely to be penalized by the market.

Rai et al., (1996) examined the cost efficiency of insurance firms located in
11 countries over a five year period from 1988 to 1992. The output used was
premium as consistent with other studies and three inputs, namely, labour,
capital benefits and claims were used. Two methods of measuring x-in
efficiency were used by the stochastic cost frontier model and the distribution
free model. The results showed that x- in efficiencies not only varied by
country but by size and specialization also. Firms in Finland and France have
the lowest x- in efficiency, while firms in the United Kingdom have the
highest. On an average, small firms were more cost efficient than large firms
worldwide. The results also indicated that x- in efficiency estimates derived
from the stochastic cost frontier model were more suitable for this sample of
data than those derived from the distribution free model.

Weiss et al., (1991) examined the cost impact resulting from property liability
insurer in efficiency. The chief objective of this research was to measure the
economic efficiency of P/L insurers. The study consists of 100 largest P/L
insurers and the period covered is from 1980 to 1984. The output was
incurred losses and inputs were labour expenses, intermediate expenses and
capital. A generalized leontief profit function which allows for a locative and
scale efficiency was estimated. The results indicate that excessive costs of
$121.8 to $318 million occurred on the average. This cost represents 12.6 to 33 per cent of average net premiums and is roughly comparable to the increase in premium rates in sensitive liability lines (e.g., auto insurance). The study indicated that the excessive costs from non-optimal use of resources are estimated by this type of inefficiency.

Weiss et al., (1987), in his study, examined insurance output estimation on the national income accounts and proposed methodological changes in the computation of these estimates. The main objective of this study was to explore theoretical and practical output measurement principles for insurance at the national level. The time period of the study was 1972-82, and a sample of 63 insurers was taken. The research indicated that insurance output is understated by as much as 12 per cent in the national income accounts in recent years. Further, analysis of non-life and health insurance output shows that output in these sectors has been increasing at an average rate of 3 per cent each year from 1972 to 1982 and that output prices have increased at an average rate of 6.1 per cent over the same period. The study concluded that the Bureau of Economic Analysis (BEA) current and constant dollar insurance GPO estimates understate the real value added by the insurance sector.

Goran et al., (1982), in his research article, used cross-section regressions to evaluate the extent of economies of scale in the Swedish property-liability
insurance industry. The data was collected from all insurance companies in Sweden. This study used claim volume as a measure of output instead of premium. Several reasons exist for using claim paid instead of premium income as the measure of output of an insurance firm. The use of premium income as an output measure results in a simultaneity bias such that economies of scale are underestimated. For the sake of comparison, all regressions conducted with claim volume have also been duplicated using premium income. The results showed that the premium income is less prone to reveal returns to scale when such returns exist. The study brought out that the economy of scale does exist in property-liability insurance administration. However, no economies were detected for third party automobile insurance for recent years.

**Neil et al., (1981),** in his paper, discussed conceptual and econometric problems arising from the use of premium income as a proxy for outputs. The study suggested that this measure is appropriate if the product is homogeneous and competitive pressures compel all insurers to charge the same price. It has also been found that previous studies of the cost functions of property and liability insurers have revealed mixed evidence of any economies of scale. Almost all of these studies have used premium income as the output measure and this choice has been criticized as inappropriate in the face of market imperfections. Using Canadian data, it was shown that the choice of output measure can significantly affect the conclusions drawn
regarding scale economies. Since premium rates appear to be negatively related to firm size, the use of a premium based on output measure might fail to reveal or understate the extent of scale economies. This paper used a claim based on output measure. The data used taken from among a cross-section sample comprising insurers of Canada and the time period was taken from 1976-78. The use of claim based measure does involve some econometric problems; though these might be less severe than those arising with the use of premiums. The results are promising and suggest evidence of significant scale economies in Canadian property-liability insurance.

Hammond, et al. (1971) analyzed the extent to which economies of scale exist in the property and liability insurance industry. The sample for the study comprised 173 companies in all, which included 88 mutual insurers and 85 stock insurers in the year 1967. The analysis centers upon operating expenses and claim costs. The cost effects on principal non-size variables, such as the legal form of organisation, type of distribution system used, business mix, and the amount of insurance written in relation to policyholder surplus were also considered. The authors concluded that economies generally exist with operating expenses, and diseconomies exist with loss costs. No evidence of U-shaped cost curves was present. The trend showed that the average costs for operating expenses appear to decline with size and to level out as larger premium volumes are achieved.
2.4. HEALTH INSURANCE

Venkataramani. K, et al., (2015), in their article, “A study on the attitude of Consumers and Insurance Agents towards the proposed increase in Foreign Direct Investment (FDI) in Insurance sector in India” have conducted quantitative survey to gauge the attitude of public and the insurance agents who are doing the business on behalf of the insurance companies toward the decision of government of India to rise the cap in FDI in insurance sector from 26% to 49%. The study was conducted in Chennai city with a study sample of 200 which consist of insurance customers and insurance agents. And the study focused on four major factors like impact on economy, impact on service to customers, general benefits, impact on insurance business / market.

Meyr and Tennyson (2015), provide the first investigation of information markets as a reaction to deregulation of product forms in insurance markets. The article included the case of Germany, where insurance product ratings entered the market after relaxation of product regulation in 1994. The ratings’ potential for enhancing the performance of a deregulated insurance market is analyzed by considering both market structure and governance characteristics of the rating market. Results suggest that market governance and competition characteristics are favorable for the production of unbiased and informative ratings. Ratings for disability insurance support this interpretation, since the
characteristics of the ratings conform to theoretical predictions about ratings in well functioning rating markets.

C. Balaji (2015), in his paper- Customer awareness and satisfaction of life insurance policy holders with reference to Mayiladuthurai town tries to measure awareness among the urban and rural consumer about the insurance sector and also the various policies involving various premium rates. The study was conducted by examining around 100 sample respondents which revealed that 100% of respondents are aware of the life insurance policies; where as 87% of the respondents came to know about insurance policies through agents. But it also came to light that Most of the respondents are aware of government insurance company LIC and in the private sector HDFC Standard Life insurance. Finally the research concludes that the penetration level of insurance in India is only 2.3% when compared to 9-15% in the developed nations. So there is a huge market for the Insurance products in the future in India.

Tarjaq Zafar S. M, et al., (2013), in their article on — financial performance of Indian General Insurance Companies in pre-recession Period this particular paper analyze their qualitative and quantitative performance and comparatively analyze insurance companies efficiency and profitability position.
Sunayna Khurana et al., (2013), in her article, “Analysis of Service Quality Gap in Indian Life Insurance Industry” says that Life insurance companies in India offer similar kinds of plans and services, but they could provide differences in terms of service quality. In this context this research tried to find out the gap between Customer expectation & customer perception in the Life insurance industry by examining a Sample of 200 customers of 10 top performing Life insurance companies in Haryana state. The study found that there is highest gap in customer expectations and perceptions towards the competency dimension of service quality. That means customers are expecting high service quality and perceiving very less quality in case of services related to competency dimensions.

Soto and Butrica, (2013), Although simplified insurance might help consumers make better choices between policies, and perhaps better healthcare decisions given the policies they end up selecting, the overall impact of simplification is likely to be more subtle and complex because employers are unlikely to be a static part of the equation. Prior research on automatic enrollment in retirement plans found that it led workers to save more, but also led employers to cut back on the match rate so as to maintain the same approximate payout. Thus, the main net effect was to redistribute wealth from more affluent workers to poorer workers who hadn’t been saving previously or receiving the match (arguably a good thing), but decreasing the match, as well as the savings rates, for more affluent workers. The impact of
health insurance will therefore depend not only on the responses of different groups of workers, but also those of employers.

*Sachin Surana et al., (2013)*, in the research article *lapsation of policy; a threat or curse for life insurance industry*. This research has attempted to find out the cause and effects relationship of the Lapsation of policy. This study explains that Lapsation refers to the situation when the customer fails to pay the premium on his policy within the timeframe plus the grace period allowed by the company & it is often termed as persistency. The research has highlighted that wrong commitment by insurance agents, malpractices by the insurance distribution agencies, financial burden of the costumers & finally poor service quality are few reasons causing lapse of insurance policies. This lapsation will not only affect the costumers in terms of lack of benefits but also majorly effect insurance companies in terms of high initial cost, adverse effect on liquidity position and majorly decrease of public image all this totally hamper the overall growth of insurance company.

*Srivastava, Samir K. and Ray, Avishek (2012)*, in their paper determines a set of marketing, financial and operational variables to predict benchmark financial strength of general insurance firms in India. It incorporates qualitative inputs from practicing managers and industry experts before carrying out quantitative modeling and analysis. We collect, compile and analyze the key financial, operational and business data of eight Indian
insurance firms. The NAIC IRIS ratios method was used to obtain an initial risk classification. Linear regression and log it techniques were thereafter applied to estimate the significant factors (direction-wise and magnitude-wise) which influence insurer solvency.

**Arnika Srivastava et al., (2012),** in their research paper titled Indian Life Insurance Challenging trends conclude that the insurance industry is backed by government guidelines and IRDA. IRDA in its IC 33 syllabus states that—the main role of government is to recommend to clients the right products that address the client’s needs and the clients need should be evaluated with specific technique of evaluation

**Berkman et al., (2011),** Despite frequent lamentations about Americans’ poor understanding of health insurance, there is only limited empirical research addressing the issue. A recent posting on the website of Consumers Union lamented that “the field of health literacy, while quite robust in other ways, does not precisely measure consumers’ ability to understand and use health insurance. The same posting notes that a comprehensive survey of health literacy research includes not a single study that investigates consumers’ ability to understand and use health insurance

**Abaluck and Gruber, (2011),** Drawing on actual plan choices from individuals several years into the program, another study found that many Medicare beneficiaries made suboptimal decisions, putting too much weight
on monthly premiums and too little on out-of-pocket drug costs the average insured individual in this study could have saved 31% of their total Part D spending by choosing an alternative plan. Acknowledging the problem, the Centers for Medicare and Medicaid Services (CMS) introduced an online total cost calculator designed to enable beneficiaries to compare the total out-of-pocket costs of different plans for consumers with different patterns of healthcare utilization.

**Sydnor, (2010),** in his research at the individual level, consumers’ limited understanding of health insurance has several likely consequences. First, limited understanding is likely to lead to suboptimal decisions. Prior research has found that individuals often stick with the status quo, maintaining the same coverage they had in the past even when superior options are available, seek advice from family or friends who may also have low levels of health literacy, and commonly enroll in highly advertised plans or those with a well-known brand name.

**Frank and Lamiraud, et al., (2009),** If simplifying insurance reduced these tendencies, it could potentially improve the quality of choices. Moreover, offering plans with copayments but no deductibles could help to remove one major source of suboptimality generally observed in choices among insurance plans – the tendency for consumers to choose plans with lower than optimal deductibles.
**Bettinger et al., (2009),** If people understand their own health insurance, they should be more likely to make the types of cost-effective choices that are encouraged by plan design, such as visiting an urgent care center rather than the emergency room when the former is more appropriate. The latter issue is especially important given the increasing prominence of value-based insurance design (VBID), which increases reimbursement of high value services and/or lowers it on low value services, in an attempt to drive consumers to make more value-responsive decisions when it comes to consuming medical services.

**Hastings and Weinstein, (2008),** consumers don’t understand their own health insurance policies, it is unlikely that they will respond to the incentives embedded in those policies. Field experiments on simplifying either the information gathering or decision making process have documented positive impacts on outcomes in a variety of health and non-health domains: parents’ choices of schools for their children (senior citizens’ Medicare Part D plan choices (Kling et al., 2012), employees’ rates of 401k enrollment (Choi et al., 2009), take-up of the Earned Income Tax Credit by low income families (Bhargava and Manoli, 2012), and college financial aid applications and subsequent college attendance

**Heiss et al., (2006),** A second line of research relevant to consumers’ understanding of health insurance has examined whether people choose health
insurance policies that minimize their costs. The “Consumers’ Checkbook Guide” to health plans for Federal employees, for example, reports that “hundreds of thousands of employees and annuitants are enrolled in plans that are much more expensive than average, but provide no valued benefits” (Consumers’ Checkbook). One study conducted shortly after the introduction of Medicare part D presented Medicare-eligible individuals with hypothetical choices and found that 71% made appropriate decisions about whether to enroll but only 36% chose the plan that would minimize their total costs while cost minimization is not necessarily equivalent to utility maximization, it is a useful benchmark.

2.5. CUSTOMER

Dash et. al., 2007, The humane aspects are very important drivers of service performance in Indian banks. Customers develop personal relationships with service personnel through the process of service encountering In classical marketing literature there are four components of marketing strategy: product, price, place and promotion. The production of quality service is crucial, because of the strong presence of human factor in the bank (Selvaraju and Vasanthi, 2009).

Sureshchandar, Rajendran and Anantharaman., (2003), Customers in developing economies seem to keep the "technological factors" of services such as core service and systematization of the service delivery as the
yardstick in differentiating good and bad service while the "human factors" seem to play a lesser role in discriminating the three groups of banks (In this context, Nainta (2005) viewed that, with the rise in the banking business, there has been an uptrend in the number of frauds and even the fraudsters become more sophisticated and ingenious. The author opined that the banking fraud mainly occurs due to the ignorance of staff or clientele about system or procedure and sometimes because of delivery irregular functioning of bank employees. With the growing use of technology, there has been spurring in the technological crime.

Rangarajan et al., (1996), articulated that the future ability of banks to execute their strategy and achieve their business goals will critically depend on the manner in which they are able to organize their human resources. People in banks have to be organized effectively, the staffing levels and skill-mix to be optimized right skills and work culture built up and individual and unit performance closely monitored in order to help achieve institutional goals. An organization which is devoid of a proper structure will be unable to execute its mission and strategy, meet its financial and developmental goals and survive in a competitive environment. Dedicated in building the right skills and work culture is fundamental to the success of banking industry in India.
2.6. CUSTOMER SERVICE

Bhat et al., (2003), analysed the service quality of public sector banks with a view to offer guidelines/suggestions to make overall service quality of banks more effective and efficient. The data were taken from 400 bank customers regarding the quality of services they were receiving from their respective banks. The research found that the service quality of public sector banks under study was very poor as is clear from the high negative mean scores. The results also indicated that the service quality between two public sector banks did not differ significantly except on tangibility where PNB has taken a lead. The main reason for this empirical evidence was uniform work culture in public sector banks. Apart from uniform culture, public sector banks also have uniform control/direction, uniform services, uniform HRD policies etc.

Jain and Gupta (2004) assessed the diagnostic power of the two service quality scales, namely, SERVQUAL and SERVPERF scales. The paper also probed the validity and methodological soundness of these scales in the Indian context' an aspect which has so far remained neglected due to the preoccupation of past studies with service industries in the developed world. The data has been collected from 300 students and lecturers of different colleges and departments of the University of Delhi spread all over the city of Delhi. The study found SERVPERF scale to be providing a more convergent and discriminant valid explanation of the service quality construct. However, the scale was found deficient in its diagnostic power. It is the 46 SERVQUAL
scale by virtue of possessing higher diagnostic power to pinpoint areas of managerial interventions in the event of service quality shortfalls.

**Stott et al., (2001),** investigated the issues related to achieving service delivery excellence in an active and developing insurance company. In his paper, the author discussed service quality issues and the emphasis placed on alignment of factors to achieve the company goal. It focused on making up a complete service quality master plan. The master plan must include service awareness, measuring customer satisfaction, internal service programmes, business processes, external improvements, service quality control, emphasis on five quality dimensions such as responsiveness, assurance, tangibles, empathy and reliability, service quality culture, aligning people, product and service quality to achieve profitable customer satisfaction. The paper concludes that if a company cannot deliver both quality products and services successfully, it will eventually be overtaken by the competition.

**Forbes et al., (2000),** emphasized delivering excellent customer service in the insurance industry. It has been described that the outstanding customer service although conceptually simple, is difficult to achieve. It takes quite a long time and requires energy and staying power. It has to be part of the fundamental philosophy of the organization - understood and embraced by everyone. It has to be built into products and processes; and systems have to be set up to deliver it. Above all, the people who make up the organisation
need to have the skills, passion and commitment to make it work. Brady, et al. (2002) evaluated the two service quality measurement models of the performance only index (SERVPERF) and the gap-based SERVQUAL scale. The study was carried out with the objective to examine the ability of the performance of only measurement approach to capture the variance in the consumers overall perceptions of the service quality across three studies. For the first study, the original Cronin and Taylor data was obtained from 660 persons through personal interviews in a medium-sized city in the southeastern US. The data for second and third studies were collected from service industry, namely, spectator sports, entertainment, healthcare, long distance carriers and fast food. The results of first study indicated that the replication successfully duplicated their finding as to the superiority of the 'performance only' measurement of service quality. The results from the other two studies also lent storing support again for the superiority of the 'performance only' approach 'to the measurement of service quality'.

2.7. CUSTOMER SATISFACTION

Grigoroudis, E and Siskos, Y (2009) discuss the customer satisfaction evaluation problem. The authors provide three classifications of customers: (1) “Selfunit customers – individuals of self unit customers with self inspection, disciplined attitude, and a desire to excellence, (2) Internal Customers – who are personnel within an organization, and (3) External
customers – represented by the buyers or users of the final products and services of the business organization”. The authors present an overview of the existing methodologies and also the development and implementation of an original method dubbed MUSA (Multicriteria Satisfaction Analysis). This method, the author claims, aims to provide an integrated set of results capable of analyzing customer needs and expectations and to justify their satisfaction level. The book also deals with customer satisfaction problem, presenting the various quantitative and related consumer behavioural models; quality-based approaches; the MUSA method and its extensions and advanced topics; customer satisfaction surveys and barometers; applications of the MUSA method in real-world customer satisfaction surveys; and different information technology approaches related to customer satisfaction. Finally, the book examines the development of a decision support tool to help understand and apply results and methods of measuring and implementing service quality is intended for researchers and practitioners in marketing, quality management, and service management.

Sutanto et al., (2009), at the International Seminar on Industrial Engineering and Management built the model of customer satisfaction on the basis of survey and choice data collection by interviews. The outcome of the study reveals that full service hotel owners and managers should focus on the following three major elements of service quality: technical or outcome dimension, functional or process related dimension, and corporate image. The
result highlights that the variable technical or outcome dimension of service quality was most important to customers. The author argues that the model used for assessing customer satisfaction in the full service hotel industry is a useful one. The study suggests that “hotel owners, who truly want to gain a competitive edge, must continually strive to increase the levels of customer satisfaction by emphasizing the three significant factors discerned in this study (mentioned above) as suggested by the transactionspecific model” (p. A.112).

Rooma et al., (2007), enlightens that customer satisfaction evaluation is vital for all service firms for better performance in the present world of competition. The paper analyses whether SERVQUAL dimensions would be applicable to hotel industry and put forward some additional dimensions pertinent to hotel sector. The tourists visiting the tourist villages at different parts of the island were taken as sample for their study through open-ended questions on their expectations of service quality available at their hotels. The findings show that the most important attribute represented in the SERVQUAL instrument was the core service. Other attributes identified were: hotel room décor and cleanliness; Internet access in hotels; quality of food and recreational facilities; and modern technologies, particularly in communication facility. The study suggests that “Ways of achieving quality service could include the administration of hotel customers satisfaction surveys using the service quality dimensions involved; the improvement of
the level 50 of service performance where needed by filling the gaps and the management of expectations regarding quality of service” (p.23).

**Miguel Ignacio Gomez, et al. (2003)**, conducted a study to measure the links between store attribute perceptions and customer satisfaction, and between customer satisfaction and sales performance in food and retail sector. The study includes the measurement of complexities of the satisfaction-sales performance links based on empirical model of first differences. The study expounds that customer satisfaction is vital to the creation of a successful business strategy. The study cites that Anderson and Sullivan (1993) addressed the simultaneous estimation of antecedents to and consequences of customer satisfaction. Their model identifies factors that determine customer satisfaction, which in turn have a positive association with financial performance.

**Malthouse, E.C. et al (2003)** examined customer satisfaction across organizational units in their working paper. The research paper discusses various customer satisfaction models for assessing the relationship of overall satisfaction with a product or service and satisfaction with specific aspects of the product or service for organizations having multiple units or subunits. The study critically examines whether the drivers of overall satisfaction vary across such units and if so, proposes how additional variables can be included in a model to account for the variation. The research examines the hypotheses
that different subunits within an organization or industry may show different relationship between specific aspects of satisfaction and overall satisfaction; in other words, there may be different utilities for the specific aspects of satisfaction. The authors argue that variation in the specific-general satisfaction relationship across organizational subunits also has important theoretical implications for satisfaction research and stress the importance of explaining the variation effects across units or subunits. i.e. for one subunit, some specific type of satisfaction may be strong predictor of overall satisfaction, while for another subunit the same specific type of satisfaction may have little or no relationship to overall satisfaction. The study assumes pre-defined subunits. Further the study illuminates that the attributes can have different satisfaction implications for different customer and market segments. The study concentrates on newspaper and healthcare industries. For each of the industries, extensive case studies had been developed through measures of overall satisfaction and satisfaction with specific attributes. The study indicates the need for richer theoretical hypotheses including more variables and also the utility of methodology used for studying the variation in effects across subunits. The authors expound with appropriate illustrations to highlight the situations where there is no significant variation across subunits as well as situations where such variation exists.

Parker and Mathews, (2001), There was an increase in conducting customer satisfaction surveys by many service industries (Danaher and Haddrell, 1996).
Increased research into customer satisfaction has been influenced dramatically by the variety of measurement scales used in customer satisfaction instruments tests (Devlin, et al., 1993). Customer satisfaction is defined generally as the feelings or judgments of the customer towards products or services after they have been used (Jamal and Naser, 2003). Customer satisfaction in service industries has been approached differently by equity theory, attribution theory, the confirmation and disconfirmation paradigm, and satisfaction as a function of perception.

Holjevac, I.A, et al. (2000), argue that one of the biggest contemporary challenges of management in service industries is providing and maintaining customer satisfaction. The study examines hotel Guest Comment Cards (GCCs) and customer satisfaction management schemes in 25 hotels in Opatija’s, through the ‘Applied content analysis’ approach proposed by Horsnell (1988). The authors argue that though several tools are available for measuring customer satisfaction in hotels, one of the most popular is Guest Comment Card. They substantiate that this method has the advantages of small size, easy distribution, and simplicity. The GCC checklist consisted of 32 categories which were grouped under five general areas of analysis viz. (1) focus and management value of GCC attributes, (2) GCC attribute measurement techniques, (3) GCC measure of overall customer satisfaction and loyalty, (4) GCC marketing measures, and (5) effective layout of questions. The study combines an analysis of customer satisfaction
management schemes and GCCs content analysis in the selected hotels. The authors conclude that efficiency of customer satisfaction measurement with GCCs depends on the measurement methodology and valuable information for management decisions regarding a hotel’s offering can be obtained only through reliable and valid data.

**Smith, A.K., et al (1999)**, used a mixed-design experiment using a survey method. The concept of the research is based on the notion that ‘customers often react strongly to service failures, so it is critical that an organization’s recovery efforts be equally strong and effective’. The first objective of the study is to develop a comprehensive model of customer satisfaction with service failure/recovery encounters. The second objective is to determine the effects of specific failure/recovery antecedents on customers’ evaluations. And the third objective was to provide managerial guidelines for effectively responding to customers by establishing the proper fit between a service failure and the recovery effort. The study used a model of customer satisfaction, developed by the authors, with service failure/recovery encounters based on an exchange framework. For this the authors have preferred two different service settings viz. ‘restaurants’ and ‘hotels’. The authors argue that “when a service failure occurs, the organization’s response has the potential either to restore customer satisfaction and reinforce loyalty or to exacerbate the situation and drive the customer to a competing firm” (p.356). The authors view that economic and social interaction between the
customer and the organization can be triggered by a service failure/recovery encounter. The findings of the research provide organizations with guidelines for developing service recovery procedures that improve customer service and enhance customer relationships.

Atkinson et al., (1988), found out that cleanliness, security, value for money and courtesy of staff determine customer satisfaction. Knutson (1988) revealed that room cleanliness and comfort, convenience of location, prompt service, safety and security, and friendliness of employees are important. A study conducted by Akan (1995) claimed that the vital factors are the behaviour of employees, cleanliness and timeliness. On the other hand the study by Choi and Chu (2001) concluded that staff quality, room qualities, and value are the top three hotel factors that determine travellers’ satisfaction.

2.8. CUSTOMER MOTIVATION

Bashir et al., (2012), conducted a study on the Impact of Corporate Social Responsibility Activities over the Employees of the Organizations. The study was based on the data collected from different organizations in Karachi, Pakistan. Their study was aimed at identifying internal impact of the corporate social responsibility activities - an impact on the employees of the organizations engaged in these activities. It explores as how the organizations' engagement in these activities positively affects the employees' feelings
towards the organizations reshaping their level of motivation, performance and intention of remaining with the organizations for longer time.

**Balakrishnan et al., (2012)**, Show that due to price difference in Gasoline and Diesel, about one third of the car owners were having diesel vehicles. The research results showed that about one seventh of car for the city drive for family usage, while using the second car for office and business usage. Foreign brand cars show clear preference in the Kerala car market. Also it was observed that in the information gathering and consumer purchase initiation stage, TV commercials on car models and brands, search on internet website of the manufacturer and visit to dealers / distributors are the prime sources where customers gather information on car models.

**According to Kotler & Keller (2009)**, a buyer goes through five stages while making a decision to purchase. These stages are best explainable when a buyer goes for buying costly items, such as a house, a car, diamond jewellery, etc. However, in day- to- day purchase, consumers may not go through all these stages, since some commodities do not need information, and based on buyer’s previous experience, they visit a store for the purchase. These stages are (Figure 1): “problem recognition, information search, evaluation of alternatives, purchase decision, and purchase behaviour”.

**P. L. et al. (2007)**, The learning from their study is that CSR activities add on to the value of the organization. To, validate that consumers of online
shopping have both utilitarian and hedonic shopping motivations. Utilitarian motivation influence the purchase product online (Pearce and Coughlin). Utilitarian shopper shop online based on their rational decision and efficient and deliberate (wolfinbarger and Gilly, 2001; Monsume et al., 2004) which is related to specific goal (Kim and Shim, 2002). Online shopping is defined as: “the ability for consumers to order from home electronically (i.e., Internet) and have it delivered at their own preferred location” (Burke, 1997).

Furthermore et al. (2007), Yun and Good (2007), Lee and Lin (2005), Rajamma et al. (2007), Kim and Kim (2004), Ramus and Nielsen (2005), Ladson and Fraunholz (2005), Kramarae and Kramer (1995), Welch (1995), Rathmell et al. (1998), Johnstone (1999), Singh (2004), Smith & Chaffey (2002), and Canavan et al. (2007) state that consumer satisfaction and purchase decision on online shopping depends on few more issues. These are: e-store image, delivery and customer services, service quality and purchase behaviour, personalisation, motivations for online purchase, trust, reliability, privacy, transaction and cost, incentive programmes, web-site design, online interactivity, merchandise motivation, assurance, convenience (or Hassle Reduction), pragmatic motivation, responsiveness, consumer risk assessment etc. Following from the above consideration, this research will find out the answers to the following specific question within a sample in Wrexham township, that are likely to formulate the findings of the research and from where attempts will be made to draw generalizations.
Besides, Jayawardhena, et al. (2007), considered the purchasing orientation of potential buyers and assessed its impact on purchase behaviour, but found that individual orientation is independent of purchasing decision, which reinforces views of Liu, et al. (2008) and Sorce, et al. (2005) that every stage of the purchasing decision making cycle may have impact on a potential buyers decision to buy online or not. Demangeot and Broderick (2007) reported that “information search experiences affect the attitudes towards the site and its brands”. In the Koo, et al. (2008) study, which was conducted on 279 online customers in Korea, it was found that “32.5 per cent use the internet for news and information, 32.5 per cent for communication, 7.5 per cent use it for entertainment while 7.1 percent for online shopping”.

Gay, et al. (2007), Furthermore, in consistent, Yun and Good (2007), Lee and Lin (2005), Rajamma et al. (2007), Kim and Kim (2004), Ramus and Nielsen (2005), Ladson and Fraunholz (2005), Kramarae and Kramer (1995), Welch (1995), Rathmell et al. (1998), Johnstone (1999), Singh (2004), Smith & Chaffey (2002), and Canavan et al. (2007) state that consumer satisfaction and purchase decision on online shopping depends on few more issues. These are: e-store image, delivery and customer services, service quality and purchase behaviour, personalisation, motivations for online purchase, trust, reliability, privacy, transaction and cost, incentive programmes, web-site design, online interactivity, merchandise motivation, assurance, convenience (or Hassle Reduction), pragmatic motivation,
responsiveness, consumer risk assessment etc. Following from the above consideration, this research will find out the answers to the following specific question within a sample in Wrexham township, that are likely to formulate the findings of the research and from where attempts will be made to draw generalizations.

Bashir, Hassan, Farooq-E-Azam Cheema in the year 2012 conducted a study on the Impact of Corporate Social Responsibility Activities over the Employees of the Organizations. The study was based on the data collected from different organizations in Karachi, Pakistan. Their study was aimed at identifying internal impact of the corporate social responsibility activities - an impact on the employees of the organizations engaged in these activities. It explores as how the organizations' engagement in these activities positively affects the employees' feelings towards the organizations reshaping their level of motivation, performance and intention of remaining with the organizations for longer time. The Philosophy used in their research was interpretive because they interpreted the data collected from 30 different employees of various organizations of Karachi comprising 14 female and 16 male employees. The participants were between 24 and 50 years of age. Their findings from the study were that employees feel motivated when they are linked to corporate social responsibility activities. They feel connected with the ethics and social values of the organization. This in turn increases their motivation level and also the organizations, performance. The learning from
their study is that CSR activities have positive impact on the motivation of the employee.

Servaes and Tamayo in the year 2012 conducted a study on the Impact of Corporate Social Responsibility on Firm Value: The Role of Customer Awareness. In their research they analyzed the KLD Stats database over the period 1991–2005, which covers CSR activities of a large subset of U.S. companies, and combine it with financial statement data obtained from Compstat. They studied the data and correlated it with the performance of the organization. The finding from their study was that corporate social responsibility (CSR) and firms value are positively related for firms with high customer awareness rather than by advertising expenditures. For firms with low customer awareness, the relation is either negative or insignificant. Hence, they concluded that CSR activities can add value to the firms but only under certain conditions. The learning from their study is that CSR activities add on to the value of the organization. To, P. L. et al. (2007) validate that consumers of online shopping have both utilitarian and hedonic shopping motivations. Utilitarian motivation influence the purchase product online (Pearce and Coughlan). Utilitarian shopper shop online based on their rational decision and efficient and deliberate (wolfinbarger and Gilly, 2001; Monsume et al., 2004) which is related to specific goal (Kim and Shim, 2002). Online shopping is defined as: “the ability for consumers to order from home
electronically (i.e., Internet) and have it delivered at their own preferred location” (Burke, 1997).

Bharatwaj, et al. (1993), mentioned that the organizations should start taking customer loyalty as a source of competitive advantage. Reichheld and Sasser (1990), Sheth and Parvatiyar (1995) stated that customer relationship management has got the concepts of customer loyalty and business performance for grounded in its framework. As put by Oliver (1999), and Reichheld (2001), customer loyalty has been drawing attention from both the business and academic worlds. Majumdar (2005) stated that “Customer loyalty is a complex, multidimensional concept”. Thus, it becomes imperative to explore the conceptual domain of customer loyalty as offered by the literature for a precise idea of its concept, classification and antecedents in order to develop a sound pedestal for further research.

In addition, many marketing activities (e.g. relationship marketing, marketing research, data mining, promotion/communications, supply chain management, sales and purchasing and after sales support) are now technology enabled due to the increasing expansion of online marketing via the Internet (O’Connor & Galvin, 2001). Companies are now using the Internet to build closer relationships with consumers and marketing partners. Besides competing in traditional marketplaces,
they now have access to exciting new market spaces. Moreover, through the Internet, consumers can learn about design, order, and pay for products and services, without ever leaving home and then, through the wonders of express delivery, they can receive their purchases in short time. From virtual reality displays that test new products to online virtual stores that sell them, the technology explosion is affecting every aspect of marketing. The Internet has now become a truly global phenomenon (Srisuwan & Barnes, 2008; Teng et al., 2007).

2.9. BASIC SERVICE EXPECTATION

**Vargo et al., (2008),** To increase competitiveness and margins, industry is moving from a goods dominant logic towards a service dominant logic, increasing the role of services to provide added value in the value proposition to customers. Thus many offers consist of a combination of both services and goods. As services are made up of a number of different processes carried out between a supplier and a customer where the production and the consumption are carried out simultaneously, the service quality concept is and will be quite complex to manage for organizations.

**Gronroos et al., (2008),** Implicit expectations are by the customer considered obvious, and concerns quality at a "no need to mention" level. These types of expectations are developed either for services of a very well known nature, where a standard quality level has emerged, or in a relationship where the two
parties get to know each other at a level where certain needs do not need to be expressed. These implicit expectations most often become an issue when the customer has previous experience from other service providers or when the service provider changes the employees that interact with the customer. When entering a new relationship, it's therefore important to make all implicit expectations explicit by being clear when discussing requirements. Furthermore, while doing employee changes it requires an extensive knowledge transfer between employees to avoid missing implicit expectations.

**Lusch et al., (2004),** Discussing services and goods requires a distinction and definition regarding what defines a service. In this study the definition is given by Vargo and Lusch (2004); "We define services as the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself.". To determine the quality of a service, and an offer with a service dominated logic, one then has to look towards more underlying components than simply the quality of the end result (Gronroos 2001).

**Sunder et al., (2002),** the customer's expectations are unrealistic regarding the service process; steps should be taken to lower them. On the other hand if the expectations are too high in relation to the current process, but not unrealistic to the industry as such, taking measures to increasing the
performance of the process would be a more favorable path to take (Robledo 2001)

**Ojasalo et al., (2001),** Managing the customer's expectations therefore involve prying out the true issue in these fuzzy expectations. Since the customer will be dissatisfied unless its fuzzy expectations are fulfilled, it is important for the supplier to create a sense of clarity to the issue, even though the customer cannot. To get a successful problem solving phase it must hence be preceded by a successful problem formulation stage.

**Ojasalo et al., (2001),** A customers have more insight and clarity their expectations become clearer. As such, they are able to clearly explain what it is they expect from the service supplier. Ojasalo (2001) and Gronroos (2008) explain that these now explicit expectations can be either realistic or unrealistic. Unrealistic expectations concern a level of service quality that cannot be matched by the supplier, either in technical or functional service quality.

**Ojasalo et al., (2001),** The dynamic of expectations is important to understand in order to manage the expectations into becoming achievable to obtain a high level of customer satisfaction. When a customer has little prior experience of the service, the expectations are often fuzzy. This means that the customer has a need for change but cannot state precisely what it is. Further, the customer might not precisely know what type of solution it is
looking for or even what problem it has, just that it has one. As such, even though the customer cannot state what it is looking for, it still expects to receive it.

Gronroos et al., (1998), As a service is produced through a deed, process, or performance the customer comes in contact with the production process and the production process itself becomes an important part of the service offering. Thus, when evaluating the service quality the customer considers both the final characteristics of the outcome of the process, the technical quality, as well as the quality of the conception of the production process itself, the functional quality. The technical quality component consists of the final outcome of the service. It is evaluated based on the technical characteristics and performances of the end product and customers can often evaluate the technical quality level objectively. (Gronroos 1984) Adding to the technical quality is the functional quality. As the customer is in contact with the production process, the customer's interaction with the process also becomes a determinant of the service quality. The functional quality thus includes aspects on how the customer receives the outcome of the process, or the technical quality. As the functional quality is dependent on the Both quality components are important to consider for a service provider as they add up to constitute the total service quality experience of the customer (Gronroos 2008, pp. 81-83).
Gronroos et al., (1984), continue the discussion regarding the different components effect on the perceived service quality where the functional quality's importance increases with the amount of suppliers that are able to supply the prerequisite technical quality. He also argues that the functional quality can compensate for a lack of technical quality. (Gronroos 1984)

Swan et al., (1976), argue that the impact on the total service quality experience is not the same. The technical quality is argued to be seen as a prerequisite for customers to be able to feel satisfactory about the service. As such the technical quality needs to meet a certain level, determined by the customer's needs, where the outcome of the service is considered good enough. As such, it does not matter the level of functional quality, unless the technical quality standards are met, in order for the customer to feel satisfactory. After obtaining this level however, increasing the technical quality further is argued to do little to increase the customer's satisfaction of the service quality. Instead it is within the functional quality component where the perceived service quality could increase.

2.10. CUSTOMER NEEDS & EMOTION (SUBJECTIVE FACTOR)

Kotler and Armstrong (2001), have the studied that fully comprehends customer purchase behavior requires viewing a customer as a human being first and a customer second. Maintain that "the most basic concept underlying marketing is that of human needs." Researchers Schneider and Bowen suggest
that failing to meet basic needs for security and justice leads to customer dissatisfaction or outrage, while exceeding the need for self-esteem leads to customer delight. Meeting customer needs is vital, so need-based segmentation holds the key to building and sustaining more effective customer relationships.

Schneider and Bowen (1999), have briefed that purchase decisions are driven by two kinds of needs namely functional those satisfied by product functions; and emotional deeper needs associated with the psychological aspects of product ownership. As he put it, when a man buys a Ralph Lauren polo shirt that costs twice as much as a similar shirt from L.L. Bean (and is of lesser quality, according to Consumer Reports), his functional needs are not paramount in decision-making. He pays extra for the polo logo to fulfill his need for self-esteem.

Godin et al., (1999), have reported that only by understanding such deeper needs are firms able to offer true value to the customer. As he suggests in the subtitle of his book on building customer relationships, firms need to "turn strangers into friends and friends into customers" by learning more about them and then using the detailed information gained to give them what they need.
2.11. OBJECTIVE FACTOR (Product)

Zamazalová et al., (2008) also mentions the key factors that affect customer satisfaction and which can be used to measure customer satisfaction. These factors are product (in terms of its quality, availability etc.); price (convenient payment conditions and others); services; distribution; and image of a product. In cases where the determination of customer satisfaction is through product quality, with that satisfaction simultaneously affecting quality, a situation arises, where that certain factor affects quality, and is itself affected by it.

Cooil et al., (2007), but we have focused on the product and its impact on customer satisfaction, and consequently the profit of the company of course, we also understand the relationship of product quality and customer satisfaction over the long term, i.e. that should a satisfied customer influence profitability positively (through the purchase of a quality product), he or she must be attracted and held, which is consistent with findings of Anderson and Mittal or Cooil.

Homburg et al., (2005), Customer satisfaction can be defined in different ways - as a comparison of previously held expectations with perceived product or service performance (Anderson et al., 1994). Alternatively, customer satisfaction can be defined and measured as consumer ratings of specific attributes (Gomez et al., 2004). With respect to the focus of the paper
on company’s product quality, we have defined customer satisfaction as a reflection of this quality.

Amy Wong et al., (2004), empirically examined the role of emotional satisfaction in service encounters. Specifically, this study seeks to: investigate the relationship between emotional satisfaction and key concepts, such as service quality, customer loyalty, and relationship quality, and clarify the role of emotional satisfaction in predicting customer loyalty and relationship quality. In doing so, this study used the relationship between emotional satisfaction, service quality, customer loyalty, and relationship quality as a context.

Stephen Diacon et al., (2004), presents the results of a detailed comparison of the perceptions by individual consumers and expert financial advisers of the investment risk involved in various UK personal financial services’ products. Factor similarity tests show that there are significant differences between expert and lay investors in the way financial risks are perceived. Financial experts are likely to be less loss averse than lay investors, but are prone to affiliation bias (trusting providers and salesmen more than lay investors do), believe that the products are less complex, and are less cynical and distrustful about the protection provided by the regulators. The traditional response to the finding that experts and non-experts have different perceptions and understandings about risk is to institute risk communication programmes
designed to re-educate consumers. However, this approach is unlikely to be successful in an environment where individual consumers distrust regulators and other experts.

Zeithaml, et al., (2000), It is an easier view of satisfaction because sales policy, company’s marketing and price policy were omitted, although they can be considered as factors affecting customer satisfaction and business profit. So we did not proceed in accordance with satisfaction - profit chain.

Evan Mills, et al., (1999), Studied the insurance industry is rarely thought of as having much concern about energy issues. However, the historical involvement by insurers and allied industries in the development and deployment of familiar technologies such as automobile air bags, fire prevention / suppression systems, and anti-theft devices, shows that this industry has a long history of utilizing technology to improve safety and otherwise reduce the likelihood of losses for which they would otherwise have to pay. We have identified nearly 80 examples of energy-efficient and renewable energy technologies that offer “loss-prevention” benefits, and have mapped these opportunities onto the appropriate segments of the very diverse insurance sector (life, health, property, liability, business interruption, etc.).

Kirchler et al., (1999), found that the present study aims at describing spouses’ relative dominance in decisions concerning different forms of investment. As determinants of spouses’ dominance, partnership
characteristics, such as partnership role attitudes, marital satisfaction and individual expertise in relation to different investments, were considered. A questionnaire on spouses’ dominance in making decisions on various investments, on the characteristics of particular investments and on partnership characteristics was completed by 142 Austrian couples. Basically, wives appeared to adapt to the dominance exerted by their husbands in savings and investment decisions. Wives’ dominance was highest in egalitarian partnerships, where autonomic and wife-dominated decisions were reported more frequently than in traditional partnerships. Additionally, spouses’ relative expertise in relation to the investments in question showed strong effects on dominance distribution: Spouses with higher expertise than their partners exerted more dominance in decision-making processes.

Michael L. Walden et al., (1985) told that the option's package view of the whole life insurance policy suggests that a whole life policy is a package of options, each of which has value and is expected to influence the price of the policy. This viewpoint implies the general hypothesis that price differences between whole life policies can be explained by differences in policy contract provisions and differences in selected company characteristics. The option's package theory was empirically investigated using regression analysis on data from a sample of policies marketed in North Carolina. The results suggest support for the options package theory.
Michael L. Smith et al., (1982), said that a typical life insurance contract provides a package of options or rights to the policy owner that is not precisely duplicated by any other combination of commonly available contracts. Viewed from this perspective, life insurance enjoys a unique position in the field of investments and should be judged in this light. The paper shows that an options viewpoint provides a more complete explanation of policy owner behavior towards life insurance than the conventional savings-and-protection view.

Formisano A. et al., (1981), examined, via consumer interviews, the impact of the National Association of Insurance Commissioner's Model Life Insurance Solicitation Regulation as implemented in New Jersey. A substantial portion of the insurance buyers sampled did not become aware of the provisions of the regulation aimed to improve their buying ability. Further, many life insurance buyers were not well informed concerning the nature and operation of life insurance contracts, and in particular, the life insurance policies that they had purchased.

2.12. ADVANCED SERVICE EXPECTATION

Mozaheb et al., (2015), Today’s, the necessity of continuing activities and maintaining the competitive advantage is attention to customers Customer satisfaction is one of the most important variables for long-term business success. Particularly, a review from these studies, interrelationship among
service evaluation, loyalty and other related topics with culture (Vesel and Zabkar, 2010). It is stated by Bitner and Zeithaml (2003) that “satisfaction is estimation of customers of a service or product either those fulfill their hopes and requirements. For instance, CS has been found to reduce the costs for attracting new customers and dealing with poor quality, defects and complaints (Michel, Bowen and Johnston, 2009).

Williams et al., (2011), Enhance firm’s market value (Kanning and Bergmann, 2009) and relationship with culture (Rajendran and Lokachari, 2010; Chan and Wan, 2008, Ivan et al. 2013). From the translation of many researchers it was observed that satisfaction is a sense of feeling which comes from a procedure of interpreting and judging what is received as a result of expectation as an inclusion of wishes and requirements coupled with the purchase and purchase choice (Armstrong & Kotler, 1996).

Giese, Cote et al., (2000), It is discussed by as an evaluative concept that satisfaction is the Current studies and practices in marketing have rekindled interest in and understanding of the role of CS in several ways, and many academicians have studied the relationship CS and SQ (Ladhari, 2009) in the context of retailing, as a result of the studies CS may be explained within these critical approaches: First, CS is not only the pre-dominant objective for the marketing function in the retail outlets, it is also the summary measure for evaluating the performance of different constructs of the overall satisfaction,
such as, pricing or product assortment (Qin & Prybutok, 2009). Second, CS is a critical predictor for customer loyalty; profitability of the retailer’s marketing activities, purchasing and re-purchasing behavior and the retailer’s performance (Kuo, Wu & Deng, 2009). Third, CS provides a common constructs for comparing the impacts of constructs on marketing performance across diverse industries and geographical locations (Kuo, Wu & Deng, 2009).