

ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE
DEPARTMENT OF MARKETING MANAGEMENT
POST GRADUATE PROGRAM

**THE IMPACT OF SERVICE QUALITY AND
CUSTOMER VALUE ON CUSTOMER SATISFACTION:
(THE CASE OF AWASH INSURANCE COMPANY S.C.)**

BY

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**THESIS SUBMITTED TO THE SCHOOL OF COMMERCE DEPARTMENT OF
MARKETING MANAGEMENT IN PARTIAL FULFILLMENT OF THE
REQUIRMENTS FOR THE DEGREE OF MASTERS OF ART IN MARKETING
MANAGMENT**

May, 2015

Addis Ababa

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Declaration

I, the undersigned, declare that contents of this thesis constitute my own original work, which has not been previously presented to another institution, either in part or whole for the purpose of obtaining a degree. All references have, to the best of my knowledge, been appreciated at the end of the thesis. It is a thesis submitted for the award of Masters of Art in Marketing Management.

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Letter of Certification

I certify that:

This research entitled, “THE IMPACT OF SERVICE QUALITY AND CUSTOMER VALUE ON CUSTOMER SATISFACTION: THE CASE OF AWASH INSURANCE COMPANY S.C.”, submitted by Michias Mamo Milky for award of Masters of Arts in Marketing Management, was done under my supervision.

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Signature and Date

Dedication

I would like to dedicate this thesis to my beloved son, Barcon Michias, who has been by my side through all the process of me working on this study. Despite of his age, I truly think that he has helped me by being there all the time saying “Ameta Compi”, to make sure I was wide awake and doing what I needed to do. I love you so much my sweet boy. May God Bless You!

Acknowledgments

I would like to express my gratitude and thanks to those who have supported and encouraged me to complete this study. Firstly, I am greatly thankful to my advisor Dr. Raskshit Negi for his continuous instructions, precious advice, kindness, patience and encouragement during the whole research work. Secondly, I am grateful to Mr. Gudissa Legesse, Deputy General Manager, branch managers and staffs of Awash Insurance Company S.C for their assistance and cooperation. Lastly, I would like to express my sincere thanks to my wife, my family, and my friends for their love and encouragement.

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Acronyms

AIC - Awash Insurance Company S.C.

SQ - Service Quality

CV – Customer Value

CS – Customer Satisfaction

NGO – Non Governmental Organization

RO – Research Objective

ABSTRACT

The main objective of this study was to examine the impact of service quality and customer value on customer satisfaction in Awash Insurance Company S.C. In order to achieve this objective, judgment sampling technique was used to select four branches and respondents are selected through stratified proportional sampling from these four branches. Descriptive analysis had been carried out to evaluate overall service quality, corporate customers' perceived value and customer satisfaction. Pearson correlation analysis was also employed to see the relationship between service quality, customer value and customer satisfaction and regression analysis had been carried out to test the hypotheses of the research. Sample size of 261 obtained by Yamane's simplified formula of sample size determination was used in this research. The study showed similar results for service quality and customer value with respect to their relationships with customer satisfaction. It was found out that service quality has significant positive relationship with customer satisfaction. Similarly, the relationship between customer value and customer satisfaction is positive and significant. However, the study revealed that customer value is more significant to customer satisfaction than service quality. In addition, there exists significant positive relationship between service quality and customer value. The findings suggest that in order to satisfy customers, organizations in this kind of service sectors need to provide quality service and enhance customers' perceived value. Since customer value contributes more to customer satisfaction (i.e., more than service quality), this result could be useful to managers in insurance organizations for making decisions as to where to invest more in order to satisfy customers. This study also contributes to existing theories by confirming or adding value to the relationships that are involved in service quality, customer value and customer satisfaction.

Key Words: *Service Quality, Customer Value, Customer Satisfaction, Mediation, Relationship.*

CHAPTER ONE

Introduction

The first chapter consists of seven sections. The first section discusses the background of the study by providing overview/tips of the research variables; service quality, customer value and customer satisfaction in order to build the concept. The second section discusses the background of insurance in Ethiopia. Statement of the problem along with research questions is presented in section three. Objectives and scope of the study are presented in fourth and fifth sections respectively while the last two sections present significance of the study and organization of the paper.

1.1 Background of the Study

This section provides an overview of the variables; service quality, customer value and customer satisfaction to be used in this research.

In today's competitive environment delivering high quality service is the key for a sustainable competitive advantage. High quality service has become a major area of attention during the past few decades for managers, researchers, practitioners because of its huge impact on business performance of firms. According to Brown and Swartz (1989), think that customers prefer and value companies that provide high service quality. Thus, the attainment of quality in products and services has become a drive concern. Customers judge service quality relative to what they want by comparing their perceptions of service experiences with their expectations of what the service performance should be. Thus, service quality has become a key strategic factor for companies to differentiate their products and services from other competitors by using service quality as a process that customers evaluate. The importance of quality to firms and customers is obvious because of its benefits contributing to market share and return on investment (Parasurman et al., 1985).

Customer value is the heart of marketing (Kotler & Armstrong, 2004; Woodruff, 1997). Indeed the role of marketing is to assist the firm to create value for its customers that is superior to competition. In the customer-centered era, delivering superior customer value is the source of

competitive advantage. It is also a strategic weapon in attracting and retaining customers to achieve profitable growth. Thus, customer value is the core theme of marketing that enables the firm to achieve a positive advantage, which in turn leads to better outcomes of customer satisfaction.

Customer satisfaction has been a central concept in marketing literature and is an important goal of all business activities. Today, companies face their toughest competition, because they move from a product and sales philosophy to a marketing philosophy, which gives a company a better chance of outperforming competition (Kotler, 2000). Overall customer satisfaction translates to more profits for companies and market share increase. The importance of customers has been highlighted by many researchers and academicians. The principal concern of marketing is to connect with customers by building a strong customer relationship in order to meet their expectations. Customer satisfaction has a positive effect on an organization's profitability. The more customers are satisfied with products or services offered, the more are chances for any successful business as customer satisfaction leads to repeat purchase and positive word of mouth. That is why satisfied customers will probably talk to others about their good experiences.

The above three constructs, service quality, customer value, and customer satisfaction are key concepts in marketing and are very influential in determining the success of any business. Moreover, they are interrelated concepts that may affect one another. So far, many researches were made independently on each of them. The relationship between them was also researched by various scholars and researchers. In Ethiopian business context; however, study on the relationship between these constructs is limited. Particularly, it is very limited or none when it comes to the insurance industry in Ethiopia. Therefore, it is very essential to study on this area.

In the past, Ethiopian insurance companies have managed to avoid pressures regarding service quality and enhancing customer value mainly because only a handful could understand the concept. This situation however is changing in recent years because customers are becoming more aware of their expectations, and demand higher standards of services. Insurers are also trying to let know their customers that they are customer focused by writing it bold in their vision and mission statements. If customers perceive quality as unsatisfactory, they may be quick

to take their businesses elsewhere. Insurance companies therefore, need to be more responsive to the changing demands and expectations for more differentiated high quality services.

Also most of the researches in these areas were done on banks rather than on insurance business. Thus, this study attempted to explore the relationship between service quality, customer value and customer satisfaction in the context of insurance industry.

1.2 Background of Insurance in Ethiopia

In early twentieth century European entrepreneurs who came from Great Britain, Italy, France and others saw a significant interest in insurance industry and foreign investors owned the lion share of the investments (Hailu, 2007). Jointly owned by the Emperor, his supporters and foreign companies, the first domestic insurance company, namely, Imperial Insurance Company started issuing policies in fire, life and general accident since 1951. It also underscored a turning point in the history of insurance business that ended in the issuance of the Commercial Code of Ethiopia in 1960 (Hailu, 2007). The insurance sector during the command economic system was characterized by monopoly of the sector by the government and reliance on a couple of classes of insurance business (motor and marine) for much of gross premium income. The nationalization of private insurance companies and the restrictions imposed on private business ventures had significant adverse impact on the development and growth of Ethiopian insurance industry.

Later, Proclamation No. 86/1994 ushered a new era in the history of insurance business in which Ethiopian insurance market has become an arena where the public and private insurance companies contest to grab a large chunk of the market. The provisions in the legislation and the bold actions taken subsequently have certainly transformed the industry. Accordingly, following the proclamation Awash Insurance Company S.C. emerged as the first private insurance company and commenced operation in January, 1995.

Since then, Ethiopia's insurance industry has grown rapidly over the past few years. Ethiopia's insurance sector is skewed towards corporate clients who insure their assets (motor vehicle, fire), Business (aviation, engineering) and staff member (accident, health, workmen compensation).

General insurance dominates the sector, with motor vehicle insurance forming the largest category of general insurance.

Definition of general insurance and the two major processes in an insurance organization:

- **General Insurance/Non-life insurance**

General insurance also known as non-life insurance typically comprises any insurance that is not determined to be life insurance and ranges from motor insurance, marine aviation and other transport insurance, fire and property insurance, insurance in international contract among others.

- **Underwriting**

Underwriting is the process of assessing the eligibility of a customer in receiving equity. An insurance underwriter evaluates the risk and exposures of potential clients. He/she decides of the risk of an applicant seeker on behalf of the insurance company; by determining if the particular insurance package would be of beneficial to the applicant as well as the insurance company. The role of an underwriter needs analytical and technical skills, a good communication skills and experience in research, not living out computer experience. Typically, underwriter takes analyzes of a financial statement and prepares a report using flowcharts and graphs in summarizing the company's financial gains, giving expert advice by submitting to management for a review before taken any action on an insurance application.

Claims

Claims are request made formally to an insurance company in returns for payment base on the terms of an insurance policy. They are carefully evaluated and given the needed attention, by claims staffs that examine the policy, interview the claimant and those involved in getting evidence to support claims. In arriving at an accurate decision, claims staff works with investigators and loss adjusters before making recommendations for payment. On the other hand, claims staffs are responsible in helping claimant files their claims in order.

1.3. Statement of the Problem

The Ethiopian insurance industry, both government and private owned insurances have been expanding from time to time. This growth in the number of insurance companies brought fierce competition among the insurance companies. AIC is currently facing competitive challenge ever more than before. Thus, acquiring new customers and maintaining the existing ones become tough.

Therefore, achieving customer satisfaction is a must for Awash in order to sustain in this intense competition in the industry. This is because satisfaction makes customers to be loyal to a firm. According to Negi (2009), customer satisfaction enormously influences company performance and survival. However, the question to be raised here is: How can AIC get its customers satisfied? In today's world of intense competition, a firm's ability to deliver high quality service those results in satisfied customers is the key to a sustainable competitive advantage (Shemwell et al., 1998). This means that service quality is one factor that influences the customers' satisfaction in insurance industry. Principally customers are concerned to the service quality provided in insurance industry. Accordingly, Parasuraman, Zeithaml and Berry (1988) stated that if an organization provides services that meet customers' needs, this will then lead to higher customer satisfaction level.

Besides that, customers perceive value also is a factor that will influence the customer satisfaction. Carr (1990), Voss, Parasuraman and Grewal (1998) and Woodruff (1997) stated that either the customer has high or low perceive value associated with the company's services, it will subsequently influence overall customer satisfaction. If the insurance company cannot meet the customers' desire, their perceived value tends to be lower.

Thus, AIC can get its customers satisfied by providing quality service and establishing high customer value. In line with the above scenario, it is necessary to assess the impact of service quality and customer perceived value on customer satisfaction.

This study, therefore, aimed to examine the impact of service quality and customer value on customer satisfaction. Accordingly, this research tried to find answers to the following research questions:

1. How do customers perceive AIC's service quality?
2. How do customers perceive the value associated with AIC's general insurance service?
3. What is the current/existing level of customer satisfaction with AIC's general insurance service?
4. What is the relationship between service quality, customer value and customer satisfaction?

1.4. Objectives

1.4.1 General Objective

The general objective of this study was to examine the relationship between service quality, customer value and customer satisfaction in Awash Insurance Company S.C.

1.4.2 Specific Objectives

The specific objectives of this research include:

1. To assess the overall level of quality of AIC's general insurance service.
2. To examine the corporate customers perceived value of the AIC's general insurance service.
3. To examine the overall satisfaction level of corporate customers of AIC.
4. To assess the impact of service quality and customer value on customer satisfaction.

1.5. Scope of the study

The scope of the study is limited in terms of its coverage. The research was conducted at four selected main branches within Addis Ababa. Respondents (customers) are corporate customers that hold general insurance policies for at least 2 years and selected from the four branches

1.6. Significance of the Study

As the purpose of this study was to examine the relationship between service quality, customer value and customer satisfaction in the case of awash Insurance Company S.C., the study can be helpful in:

- Creating awareness for the company about the relationship between service quality, customer value and customer satisfaction.
- Contributing to the literature by recognizing the issues that involve the relationship study of the constructs under discussion.
- Providing an opportunity for researchers to assess the subject matter.

1.7. Organization of the Paper

This thesis has five chapters. The first chapter contains the introduction part. Literature review is presented in the second chapter. Methodology is discussed in chapter three. The crucial part of the study, data analysis and findings took chapter four. Based on data analysis and findings, summary, conclusion and recommendations are discussed in chapter five.

CHAPTER TWO

Literature Review

This chapter consists of three sections. The first section provides concepts and theoretical framework which provides summary of review of literatures on the subject matter. The second section, empirical review, explains relationships among the variables of study and briefly discusses past researches made in the area of the study. Section three provides a conceptual framework and hypotheses development for this study based on the literature review.

2.1. Concepts and Theoretical Framework

2.1.1. Defining Service Quality

Service and service attributes

Now a days, service industry accounts for a big part in the national economy structure. In order for a company's offer to reach the customers there is a need for services. These services depend on the type of product and it differs in the various organizations. Service can be defined in many ways depending on which area the term is being used. Service is invisible operation, tools that bring benefits and make customers satisfied. It differs from physical products, which can be measured, tasted or counted. Different researches define service in different ways; the followings are some of popular definition:

- Zeithaml and Bitner (2000) defined service as an activity, a process, and method to conduct a work to create usage value to customers in response to their needs and expectations.
- “Any intangible act or performance that one party offers to another that does not result in the ownership of anything” (Kotler & Keller, 2009, p. 789).
- Kotler and Armstrong (2004) defined service as activities or benefits that providers can contribute to customers to establish, maintain, and expand long term cooperation with customers. In this research, service is understood as activities, benefits to customers to satisfy their needs and service is not a tangible product.

In all, service can also be defined as an intangible offer by one party to another in exchange of money for pleasure.

Service attributes: Service is intangible unlike material goods, so it has its unique attributes such as intangibility, non-homogeneity, unstorability. Nguyen et al., (2006) introduced the five basic attributes of service.

(1) Intangibility

Service is intangible with no shape, people cannot see nor feel it before using. Customers only feel about service quality when they use it, interact with it, and cannot know service quality in advance. In other words, service quality depends on subjective feelings of users, so it is difficult to measure service accurately by specific technical indices.

(2) Variability/Non-homogeneity

Service quality does not stay the same at different times of conducting the service; the quality depends on customers' personal feelings of the service. With the same process of providing service, but feelings of the service quality by different customers at different times might be different; feelings of a service by different customers might be different. Service can be evaluated from the weak level to perfect by different customers up to their expectations. Due to this characteristic, standardizing service seems to be more difficult than standardized specification of other visible products.

(3) Inseparability

It is difficult to distinguish service delivery and service usage; they are two separate activities. A service cannot be separated into service creation and service usage; they are at the same time. This is the basic difference between service and other tangible commodity, which are produced and then distributed to customers. Service is the process of delivery and usage at the same time, customers and service provider participate during the time of service creation.

(4) Perishability/ Unstorability

As services have the delivery and usage at the same time; they cannot be stored like other tangible commodity. In other words, services cannot be stored before distribution or usage.

(5) Simultaneity

Service creation happens at the same time as service usage. We cannot separate those two behaviors.

In order to understand service quality, it is equally important to define what quality can be defined as “the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs” (Kotler et al., 2002, p. 831). It is evident that quality is also related to the value of an offer, which could evoke satisfaction or dissatisfaction on the part of the user.

Service quality

Service quality is one of the most important elements to create the difference enhancing competitiveness. Businesses are trying to provide higher quality services than competitors and especially positioning products and services in comparison with competitors (Ries & Ries, 2004). Therefore, an understanding of the nature of service quality and how it is achieved in organizations has become a priority for research (Zeithaml et al., 1988).

Based on previous studies, Parasuraman et al., (1985) proposed three themes on service quality:

- 1) Difficult and complicated to evaluate as compared to tangible goods quality.
- 2) Service quality perception results from actual service performance vs consumer expectations
- 3) Quality evaluation not solely focuses on outcome of service. But also involves the evaluation of service delivery process.

Many services are personnel intensive, customized to suit heterogeneous needs and preferences. These are jointly produced by both producer and customer(s) and are intangible and heterogeneous (Anderson et al., 1997) This idea is commonly accepted that services are evaluated both by production, outcome and delivery process (Siddiqui & Sherma, 2010).

For that, companies need to develop an environment inside the organization that is more prone towards meeting service quality standards according to the customer requirements. There are number of organizations actively using some form of customer satisfaction measurement in developing, monitoring, and/or evaluating product and service offerings, as well as for evaluating, motivating, and/or compensating employees (Anderson et al., 1994). Success could be achieved only if the internal environment is strong enough to meet the challenges of external requirements.

Therefore, service quality can be defined as:

- Service quality in the management and marketing literature is the extent to which customers' perceptions of service meet and/or exceed their expectations for example as defined by Zeithaml et al., (1990), cited in (Bowen and David, 2005, p. 340). Thus service quality can intend to be the way in which customers are served in an organization which could be good or poor.
- Parasuraman defines service quality as the differences between customer expectations and perceptions of service (Parasuraman, 1988). They argued that measuring service quality as the difference between perceived and expected service was a valid way and could make management to identify gaps to what they offer as services.
- According to Anderson and Fornell (1994), service quality is the degree to which a product or service provides customer requirement and how these requirements are met.

2.1.2. Measuring Service Quality

The aim of providing quality services is to satisfy customers. Measuring service quality is a better way to dictate whether the services are good or bad and whether the customers will or are satisfied with it.

One of the most useful measurements of service quality is the dimensions from the SERVQUAL model. In the creation of this model for the very first time, Parasuraman et al., (1985) identified 97 attributes which were condensed into ten dimensions; they were found to have an impact on

service quality and were regarded as the criteria that were important to access customer's expectations and perceptions on delivered service (Kumar et al., 2009).

The SERVQUAL scale which is also known as the gap model by Parasuraman et al., (1988) has been proven to be one of the best ways to measure the quality of services provided to customers. This service evaluation method has been proven consistent and reliable by some authors (Brown et al., 1993). They held that, "when perceived or experienced service is less than the expected service; it implies less than satisfactory service quality; and when perceived service is more than expected service, the obvious inference is that service quality is more than satisfactory" (Jain et al., 2004, p. 27). From the way this theory is presented, it seems the idea of SERVQUAL best fits the evaluation of service quality from the customer perspective. This is because when it is stated "perceived" and "expected" service, it is very clear that this goes to the person, who is going to or is consuming the service; who definitely is the consumer/customer.

The original study by Parasuraman et al., (1988) presented ten dimensions of service quality.

- Tangibles: the appearance of physical artifacts and staff members connected with the service (accommodation, equipment, staff uniforms, and so on).
- Reliability: the ability to deliver the promised service.
- Responsiveness: the readiness of staff members to help in a pleasant and effective way.
- Competence: the capability of staff members in executing the service.
- Courtesy: the respect, thoughtfulness, and politeness exhibited by staff members who are in contact with the customer.
- Credibility: the trustworthiness and honesty of the service provider.
- Security: the absence of doubt, economic risk, and physical danger.
- Access: the accessibility of the service provider.
- Communication: an understandable manner and use of language by the service provider.

- Understanding the customer: efforts by the service provider to know and understand the customer.

Service quality consists of five main dimensions which derive from 10 overlapping dimensions. There are reliability, assurance, tangibles, empathy and responsiveness. SERVQUAL model is used for measuring the gap between customer expectations and experience. The data was collected using a structured questionnaire (the SERVQUAL scale).

- Reliability: ability to perform the promised service dependably and accurately
- Assurance: knowledge and courtesy of employees and their ability to inspire trust and confidence
- Tangibles: physical facilities, equipment and appearance of personnel
- Empathy: Caring, individualized attention the firm provides for its customers
- Responsiveness: willingness to help customers and provide prompt service

Satisfaction is actually the customer's reply to the assessment of the distinction between initial expectations and actual performance (Gorji & Sargolzaee, 2011). Customer satisfaction is important because it will affect the company making the policy for customer-oriented and market-oriented in the future.

2.1.3. Defining Customer Value

Customer perceived value is the customer's overall assessment of the utility of a product based on perception of what is received and what is given (Sweeney et al., 1999; Ulaga & Chacour, 2001). It is the value that a customer perceived to gain by purchasing a product. In another word, perceived value is the total perceived benefits minus total perceived costs. Thus, customers will repeat buying the same product if perceives to get same value out of the product. Hence, delivering customer perceived value becomes the motto of marketers. Therefore, some researchers such as Petrick (2002) argued that perceived value is actually more complex. Since the result of multiple value perceptions could be come from customer choice, so, multi-dimensional approach of value perceptions should be considered by scholars and managers. Generally, many scholars defined perceived value as the customers' judgment or valuation by

comparing the benefits or utility they obtained from a product, service or relationship, and the perceived costs (Monroe, 1990; Gale, 1994). According to Gale (1994), the researcher also defines perceived value as the customer's overall evaluation of the value of a product or service based on perceptions of what is given up by them to gain what they received concept. Besides that, Cronin, Brady, and Hult (2000) also defined that perceived value as benefits obtained and sacrifices made by customer.

Perceived Value Customer perceived value is defined as "the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given" (Zeithaml, 1988, p. 329). Perceived value has its root in equity theory, which considers the ratio of the consumer's outcome/input to that of the service provider's outcome/input (Oliver & DeSarbo, 1988). Two essential conceptions are established with customer perceived value (CPV). First, Customer Perceived value is a result from the consumers' pre-purchase perception (expectation), evaluation during the transaction (expectation versus received), and post- purchase (after-use) assessment (expectation versus received). Second, Customer Perceived Value involves a divergence between the benefits received and sacrifices given. The benefits include customers' desired value, e.g., quality (Monroe, 1990). Sacrifices, on the other hand, include monetary (price) and non-monetary (time, effort) considerations (Dodds, Monroe, & Grewal, 1991; Monroe, 1990). For a firm to maximize customers' perceived value, it must either increase the customers perceived value, e.g., quality, and/or decrease their sacrifice, e.g., price paid, time and effort to purchase. Perceived value is critical to the success of buyer-seller relationship, customer loyalty, and consists of the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given (Zeithaml, 1988), or the benefits received and the sacrifices made (given).

2.1.4. Measuring Customer Value

Perceived value is customers' psychological assessment regarding the product and service about the utility of that product or service comparing with expectation. Recently value perceptions have been focused by marketing researchers and managers to explain customer satisfaction and loyalty (Lin & Wang, 2006). To assess value perception customers consider perceived benefits relative to sacrifice (Lee et al., 2007). Except monetary sacrifice perceived value assessment

includes social psychological perspective and non monetary costs such as search cost, transaction cost, negotiation cost, and consumption of time (Kuo et al., 2009; Chen & Tsai, 2008).

2.1.5. Defining Customer Satisfaction

The concept of customer satisfaction has drawn the attention of practitioners and academics from last several years based on the fact that customers are the primary source of Profit for most of the firms operating in the market (Tam, 2004). Customer satisfaction has been a subject of great interest to organizations and researchers alike. The principal objective of organizations is to maximize profits and to minimize cost. Profit maximization can be achieved through increase in sales with lesser costs. One of the factors that can help to increase sales is customer satisfaction. At times different authors and scholars defined customer satisfaction:

- According to Churchill and Surprenant (1982), customer satisfaction is an outcome of purchase and use resulting from the buyers' comparison of the rewards and costs of the purchase in relation to the anticipated consequences. This concept highlights the fact that satisfaction is determined through a cognitive procedure by comparing what customers give up to get a service (cost) and what they receive in response (reward).
- It is also defined in terms of an emotional state that usually arises in response of evaluating a particular service (Westbrook, 1981). However this concept takes satisfaction as an emotional feeling that results during the process of evaluation (Tam, 2004). Consistent with this concept, we can say that customer satisfaction is an emotional response, which results from a cognitive process of evaluating the service received against the costs of obtaining the service.
- Bolton and Drew (1991) and Cronin and Taylor (1992) mentioned that customer satisfaction is defined as the judgment made when receiving a particular service based on the services marketing literature.
- According to Oliver (1981) said that customer satisfaction is an emotional reaction which affect the customers' attitude. Generally, customer satisfaction took place when the customer comparing an actual service performance with their expectations of the service where the differences will generate three types of disconfirmation; positive, negative and

zero disconfirmation (Oliver, 1980). In addition, positive disconfirmation means the satisfaction level is high while negative disconfirmation means there is high dissatisfaction level. Oliver (1997) also stated that satisfaction is the fulfillment response by customer. It is a judgment towards the product or service feature, or mainly on the product or service itself, provided that an agreeable level of consumption-related fulfillment, including the under-or over-fulfillment level.

- Kotler (2000) defined satisfaction as a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. Organizations can accomplish customer satisfaction by satisfying their customers' needs and wants (La Barbera & Mazursky, 1983).

Anderson, Fornell and Lehmann (1994) characterized customer satisfaction as an increasing consumption experience. Customer satisfaction can be defined as the feeling or attitude of a consumer toward a product/service after it has been used (Metawa & Almosawi, 1998). Oliver (1980) explained that customer satisfaction entails the full meeting of customer expectations of certain products and services. If the perceived performance matches or even exceeds customers' expectations of service, then they will be satisfied. If it does not, then they are dissatisfied.

Customer satisfaction is defined by one author as "the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product or service as perceived after its consumption" (Tse & Wilton, 1988, p. 204) hence considering satisfaction as an "overall post-purchase evaluation by the consumer" (Fornell, 1992, p. 11). Some authors stated that there is no specific definition of customer satisfaction, and after their studies of several definitions they defined customer satisfaction as "customer satisfaction is identified by a response (cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or the associated product) and occurs at a certain time (i.e. post-purchase, post-consumption)" (Giese & Cote, 2000, p. 15) This definition is supported by some other authors, who think that "consumer's level of satisfaction is determined by his or her cumulative experience at the point of contact with the supplier" (Sureshchander et al., 2002, p. 364). It is factual that, there is no specific definition of customer satisfaction since as the years passes, different authors come up with different definitions. Customer satisfaction has also been defined

by another author as “the extent to which a product’s perceived performance matches a buyer’s expectations” (Kotler et al., 2002, p. 8). Customer satisfaction is also defined as “the individual’s perception of the performance of the products or services in relation to his or her expectations” (Schiffman & Karun 2004, p. 14). In a nutshell, customer satisfaction could be the pleasure obtained from consuming an offer.

Generally, Customer satisfaction is the authentic expression of the status of satisfaction will differ from person to person and product/service to product/service and is an appraisal of how products and services of a company meet up or exceed customer anticipation. Satisfaction is the consequence of a number of both psychological and physical factors which associate with satisfaction behaviors

2.1.6. Importance of Customer Satisfaction

From the view of operations management, it is obvious that customers play important roles in the organizational process (Lee & Ritzman, 2005). Before the placement of strategies and organizational structure, the customers are the first aspect considered by managements. The questions asked in the strategic planning ranges from who will need to consume these offers, where are they and for how much can they buy to how to reach the customers and will it yield them maximum satisfaction? After these questions, the organization will then designs the product, segment the markets and create awareness. This does not only show the importance of customers in the business environment but also the importance of satisfying them.

Customers are always aiming to get maximum satisfaction from the products or services that they buy. “Winning in today’s marketplace entails the need to build customer relationship and not just building the products; building customer relationship means delivering superior value over competitors to the target customers” (Kotler et al., 2002, p. 391). “Whether an organization provides quality services or not will depend on the customers’ feedback on the satisfaction they get from consuming the products, since higher levels of quality lead to higher levels of customer satisfaction” (Kotler & Keller. 2009, p. 169).

Most companies are adopting quality management programs which aim at improving the quality of their products and marketing processes, because it has been proven that “quality has a direct

impact on product performance, and thus on customer satisfaction” (Kotler et al., 2002, p. 8). The reason for this is to satisfy the customers. Those who buy the goods or services provided by companies are customers. In other words, a customer is a stakeholder of an organization who provides payment in exchange for the offer provided to him by the organization with the aim of fulfilling a need and to maximize satisfaction. Sometimes the term customer and consumer are confusing. A customer can be a consumer, but a consumer may not necessarily be a customer. When a consumer/customer is contented with either the product or services it is termed satisfaction. “Satisfaction can also be a person’s feelings of pleasure or disappointment that results from comparing a product’s perceived performance or outcome with their expectations” (Kotler & Keller, 2009, p. 789). As a matter of fact, satisfaction could be the pleasure derived by someone from the consumption of goods or services offered by another person or group of people; or it can be the state of being happy with a situation. Satisfaction varies from one person to another because it is utility.

Client happiness, which is a sign of customer satisfaction, is and has always been the most essential thing for any organization.

2.1.7. Measuring Customer Satisfaction

Measuring customer satisfaction could be very difficult at times because it is an attempt to measure human feelings. It was for this reason that some existing researcher presented that “the simplest way to know how customers feel, and what they want is to ask them” this applied to the informal measures (Sureshchander et al., 2002, p. 264).

Sureshchander (2002, p.264) in his studies, suggested three ways of measuring customer satisfaction:

- A survey where customer feedback can be transformed into measurable quantitative data:
- Focus group or informal where discussions orchestrated by a trained moderator reveal what customers think.
- Informal measures like reading blocs, talking directly to customers.

Asking each and every customer is advantageous in as much as the company will know everyone's feelings, and disadvantageous because the company will have to collect this information from each customer. Boulding (1993) suggested possible dimensions that one can use in measuring customer satisfaction, e.g.:

- Quality of service
- Innocently
- Speed of service
- Pricing
- Complaints or problems
- Trust in your employees
- The closeness of the relationship with contacts in your firm
- Other types of services needed
- Your positioning in clients' minds.

There exist two conceptualizations of customer satisfaction; transaction-specific and cumulative (Boulding, et al., 1993). Following the transaction-specific, customer satisfaction is viewed as a post-choice evaluation judgement of a specific purchase occasion (Oliver, 1980). Until present date, researchers have developed a rich body of literature focusing on this antecedents and consequences of this type of customer satisfaction at the individual level (Yi, 1990). Cumulative customer satisfaction is an overall evaluation based on the total purchase and consumption experiences with a product or service over time. (Fornell, 1992). This is more fundamental and useful than transaction specificity customer satisfaction in predicting customer subsequent behavior and firm's past, present and future performances. It is the cumulative customer satisfaction that motivates a firm's investment in customer satisfaction.

2.2. Empirical Review

2.2.1. Relationship between Service Quality and Customer Satisfaction

During past few decades the interest of academics and researchers has been increased to measure the relationship between service quality and customer satisfaction. Both customer satisfaction and service quality are considered as extensive and vast subjects of research and many studies related to customer satisfaction are conducted in the area of service settings (Oliver & Swan, 1989; Cadotte, Woodruff & Jenkins, 1987; Swan & Trawick, 1980).

In marketing theory, the customer satisfaction category has the main position. It is based on the premise that the profit is made through the process of satisfaction of customers' demands (Dubrovski, 2001). A further debate has considered whether service quality is a cause of customer of satisfaction (Cronin & Taylor, 1992), (Parasuraman et al., 1985). It then helps to identify a link between both constructs.

The Increased level of customer satisfaction decreases the chances that customers will be pointing the flaws in the quality (Anderson et al., 1997). In service settings it would offer a better perspective of the relative importance of service quality determinants by developing more comprehensive models of the drivers of customer satisfaction (Anderson et al., 1997)].

In academics both constructs are recognized as distinct and independent (Oliver, 1980). Whereas a wide literature studies shows that both concepts are distinct conceptually but also are closely related to each other (Parasuraman et al., 1994; Shemwell et al., 1998) and any increase in one (quality) leads to increase in another (satisfaction) (Sureshchandar et al., 2002). However there are number of variations found in literature between service quality and customer satisfaction. Cronin and Taylor, (1994); Boulten and Drew (1991) stated that Satisfaction is customer decision after an experience while quality is not.

According to Cronin and Taylor (1992) it is important to have this distinction between the two concept for managers and academics, as there is a greater need to understand either the firm's objective is to perform in a way that satisfies the customers or they should strive to provide maximum level of service quality perceived by its customers.

There are researchers like Hurley and Estelami (1998) who states that that service quality and satisfaction are distinct constructs, and there is a causal relationship between the two, and the impression about the quality of service influence emotions related to satisfaction which, in turn, affect future purchase behavior. Also customer satisfaction is viewed as the overall assessment of the service provider (Anderson et al., 1997).

The literature related to service quality and satisfaction has emphasized that customers compare the performance of product and services on some standards (Spreng & Mackoy, 1996). Also the quality of service as perceived by the customers is considered as an important factor that affects the level of satisfaction.

Literature revealed that the difference between perceived service quality and satisfaction is due to the use of different standards of comparison (Parasuraman et al., 1988). Different authors stated that the standard of comparison to form satisfaction depends on customer's feelings regarding what will come out (predictive expectations) where perceived service quality defines what customers believe that a firm should deliver, also it is a result of comparing the performance (Spreng & Mackoy, 1996) .

Overall what different authors state about these two constructs and consider it as distinct concepts there is a great need to analyze the relationship between the two.

Since customer satisfaction has been considered to be based on the customer's experience on a particular service encounter, (Cronin & Taylor, 1992) it is in line with the fact that service quality is a determinant of customer satisfaction, because service quality comes from outcome of the services from service providers in organizations. Regarding the relationship between customer satisfaction and service quality, Oliver (1993) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific.

According to Gunwant et al., (n.d), researchers found that there was a significant difference between the perceptions of services being provided at the promised time on the basis of company of which policy is taken. It shows that time promised is one of the factors that customers is concern about to the service quality. In other words, it means that the more accurate the time that

insurance industry had performed to the customers, the customer satisfaction and impression will become better.

In today's changing world, customer impression really do play a critical role in insurance company as nowadays, developed economies are becoming more service oriented (Jajae et al. 2012). This study also found that there is a positive relationship between service quality and customer satisfaction in different research. In other words, service quality increase will directly cause higher customer satisfaction level.

According to the satisfaction model customer satisfaction is influenced by service quality. When customers get expected service quality, it leads to higher satisfaction (Hutchinson et al., 2009). Service quality is the determinant of customer satisfaction (Cronin and Taylor, 1992) and by ensuring good service quality; service providers can enrich customer satisfaction (Kuo et al., 2009). Other studies also found out that service quality has direct positive influence on customer satisfaction and post-purchase intentions (Gerpott et al., 2001; Kim et al., 2004; Lin & Wang, 2006).

2.2.2. Relationship between Service Quality and Customer Value

With the consumption of any product or service customers have some benefits expectation based on their advance sacrifice of resources. Perceived value is the appraisal of the expected benefits with actual performance of the products or services. Several scholars examined association between service quality and perceived value in their studies and found positive relationship between them (Hutchinson et al., 2009; Kuo et al., 2009; Lai et al., 2009). They found high service quality is correlated with high perceived value. And experience about service quality positively and significantly persuade perceived value of a customer (Chen & Chen, 2010).

2.2.3. Relationship between Customers Perceived Value and Customer Satisfaction

Customer satisfaction, in turn, is hypothesized to be influenced by perceived value. Perceived value, as it has been defined herein, is the ratio of benefits received from providers relative to the costs sacrificed by customers. In essence, it is a variable that reflects the net utility derived from a provider. Customer satisfaction, meanwhile, is defined as an overall positive or negative feeling about the net value of services received from a supplier (Woodruff, 1997). Woodruff

(1997) argues that perceived value represents customer cognition of the nature of relational exchanges with their suppliers, and satisfaction reflects customers' overall feeling derived from the perceived value.

According to Parasuraman (1997) said that perceived value could be one of the most important measurement to gain a competitive advantage. Young, Dan and Kath (2013) found that there is a strong and positive relationship between perceived value and customer satisfaction. The study also argued that perceived value and satisfaction should complement each other but cannot be substitutes. Based on another researcher said that perceived value is an important determinants for customer satisfaction (Crosby & Stephens, 1987; Fornell et al., 1996). Recently, in order to integrate customer perceived value and customer satisfaction, a conceptual frameworks have been developed (Woodruff, 1997).

Nevertheless, from previous research studies, there is a small amount of studies provided empirical evidence for the fundamental relationship between perceived value and satisfaction (Andreassen & Lindestad, 1998; Crosby & Stephens, 1987; McDougall & Levesque, 2000; Patterson & Spreng, 1997). Furthermore, only the value disconfirmation experience supports the anticipated relationship of perceived value upon customer satisfaction. For example, most of the customers expect to receive benefits that are greater than the cost. In other words, customers expect to receive a value whenever they purchase a product or service. Thus, if anything happens after the purchase that is unexpected such as, an increase or reduce in the cost incurred or benefit received, then it will cause the perceived value to be changed.

According to Carr (1990) and Woodruff (1997) said that customer value expectations, purchase behaviour and overall customer satisfaction will be affected when the customers neither become more or less satisfied. Moreover, customers perception of overall service value positively impacts upon customer overall service satisfaction. For example, in a relationship with the service supplier, customers tend to make a selection on the options available and generate a value themselves, thus, it will raise the customers' product or service satisfaction (Carr, 1990; Gronroos, 1997; Normann & Ramirez, 1993; Ravald & Gronroos, 1996; Rosen & Surprenant, 1998; Woodruff, 1997).

2.3. Conceptual Framework and Hypotheses Development

The aim of this section is to summarize the idea from past literature and to bring out the contributions for this study area. Thus this part starts with the idea generated and the contribution follows.

The general idea from the past literature is that there is a relationship between customer satisfaction and service quality; also that service quality could be evaluated with the use of five service quality dimensions and the most useable is the SERVQUAL scale.

Following the two clarifications about the different views of customer satisfaction of a customer of either being transaction-specific or cumulative (Boulding et al., 1993). My theoretical frame work treats customer satisfaction as cumulative. Thus, customers in this paper are those who consume the services, satisfaction denotes customer's desire to maintain a business relationship with the organization and it is also the feelings of the customers towards the services provided to them by the organizations; while customer satisfaction in this study is the pleasures obtained by customers for the services provided to them by the organizations.

Moreover, the SERVQUAL model has been proven to be the best model to measure service quality in service sectors especially with the customer perspective. This idea generates an assumption that the service quality measured by SERVQUAL model could have a direct relationship with customer satisfaction. The questions that arise from this assumption is that: `Is there a significant relationship between customer satisfaction and service quality? `

If customers agree that they are satisfied and give the reasons for satisfaction as service quality; service quality has significant relationship with customer satisfaction, then a conclusion will be drawn is that service quality has a significant relationship with customer satisfaction. Based on these, the research hypotheses will be on the fact that service quality has significant relationship with customer satisfaction.

It has also been proven that perceived value is an important determinant for customer satisfaction (Crosby & Stephens, 1987; Fornell et al., 1996). The question that should arise will be: Is there a significant relationship between customer value and customer satisfaction?

Parasuraman et al., (1988) suggested that customer expectations derive from their knowledge of the service, their experience, words of mouth and the business' advertisement. Therefore, it can be seen that service quality is the fit between customer expectation and actual service providing process. Because of service intangibility, evaluating service quality depends on customer feelings in terms of many aspects. In other words, service quality is the terms implying different aspects. Parasuraman et al., (1985) introduced ten aspects of service quality including reliability, responsiveness, assurance, access, courtesy, communication, credibility, security, understanding customer, and tangibles. Their following studies precise ten aspects into five dimensions (Parasuraman et al., 1988).

(1) Reliability: Ability to conduct service properly within the planned time.

(2) Responsiveness: The desire and willingness of service staffs to provide service timely to customers.

(3) Assurance: The professionalism of service staffs.

(4) Empathy: Concern of service staffs towards customers.

(5) Tangibles: Dressing, outside appearance of service staffs, and service physical facilities. The other researches proposed other dimensions to evaluate service quality. For example, Lehtinen and Lehtinen (1982) suggested that two dimensions measure service quality: the first is service creation process, and the second is service results. Gronroos (1984) evaluated service quality based on two elements: functional quality (how the service is provided), and technical quality (what customers receive)

Thus, based on the above facts, SERVQUAL model (i.e, the five dimensions) is selected to be used in this study for it is the best suitable model to measure service quality as previous literature proved it. The literature review addressed above also confirms that the SERVQUAL model is the basis for most of the SQ research because it is useful and comprehensive. Moreover, the five dimensions of the model have been customized by many researchers to make it operational in a socio-economic and cultural setting.

In measuring customer value, customers consider perceived benefits. The benefits include customers' desired value, e.g., quality (Monroe, 1990). Sacrifices, on the other hand, include

monetary (price) and non-monetary (time, effort) considerations (Cronin, et al., 2000; Dodds, Monroe, & Grewal, 1991; Monroe, 1990).

So, in measuring customer value and customer satisfaction, questionnaires developed by Doods, Monroe and Grewal (1991) are used in this research.

2.3.1 Research Conceptual Framework

Based on the previously discussed literature and the objective of this study, the following research conceptual model is developed:

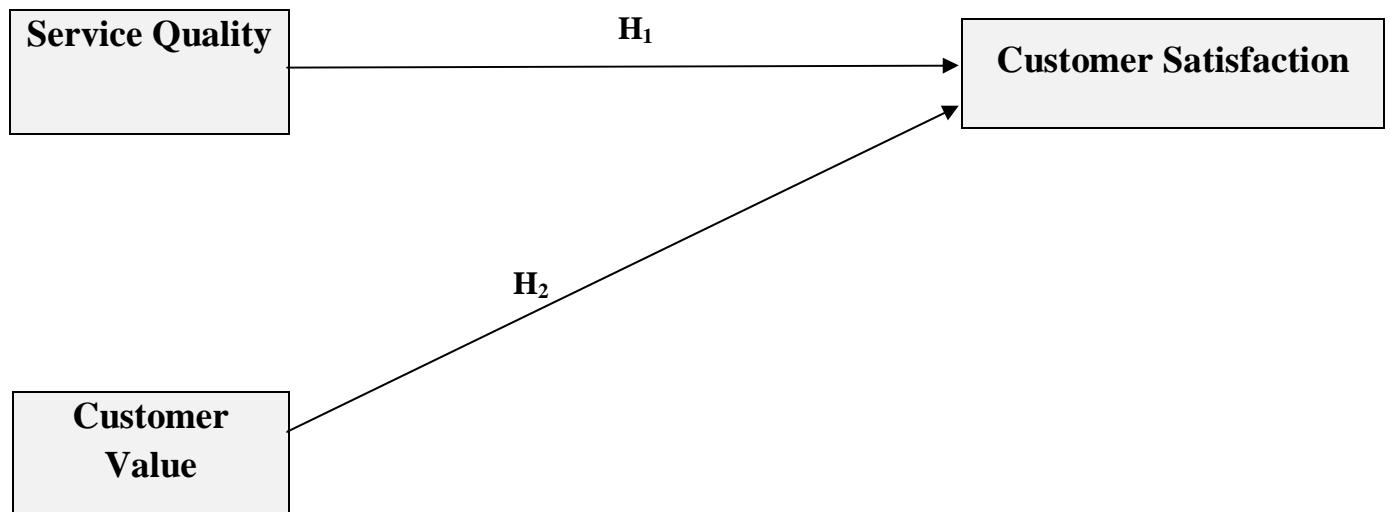


Figure 2.1 Research Conceptual Framework

2.3.2 Hypothesis Development

Based on the research conceptual framework presented above in figure 2.1, the following research hypotheses are developed:

H₁: Service quality positively and significantly influences customer satisfaction.

H₂: Customer value positively and significantly influences customer satisfaction.

H₃: Service quality is more significant to customer satisfaction than customer value.

CHAPTER THREE

Research Methodology

The third chapter presents the methodology used to conduct the research. Research design is discussed. It is also explained which sources are used to collect the data and what procedure is applied to analyze the data. Furthermore data collection instrument, which is questionnaire development along with its advantage, is discussed. The validity and reliability of this study is also provided. Ethical considerations are discussed in the last of this chapter.

3.1 Research Design

The design of the research seeks to outline the blueprint or framework for conducting marketing research project. Three main research designs are broadly classified as casual, exploratory and descriptive designs (Malhotra, 2010). The choice of any type of design is influenced particularly by the research objective under investigation. In this study, the objective was to determine the impact of service quality and customer perceived value on customer satisfaction.

Therefore, this study adopted explanatory design because it attempted to determine the proportion of the population that behave or think in a certain way and how much of effect is contributed by each explanatory variable on the outcome.

Therefore, the design adopted in this thesis is explanatory, survey design wherein structured questions were used to obtain data from study respondents. This research design is well suited since the study is interested in how much of effect is contributed by service quality and customer value on customer satisfaction.

Research strategy can be chosen with the use of a single data collection technique and corresponding analysis procedure. This is known as a mono method (Saunders et al., 2009). Using more than one data collection technique and analysis procedure to answer research questions is known as multiple methods (Saunders et al., 2009).

Thus, this research used a mono method since a quantitative data collection technique with the use of only one data collection technique, that is only questionnaire, was employed.

3.2 Data Sources

There are different sources and methods of collecting the data. The two main sources which are generally used are primary and secondary. Primary data are new data collected specifically for that purpose; while secondary data are data that have already been collected for some other purpose (Saunders et al., 2009).

Both primary and secondary data were used in this research. The primary data collection method was with the use of questionnaires. This was because first, since the study was about the responses and opinions of respondents towards the insurance services, primary data was the best way to collect the information. Second, questionnaire is the most common technique used in primary data research. Secondary data included search from company profile, company manuals, company's website, company's annual and monthly reports, and the internet.

3.3 Population and Sampling

3.3.1 Population

The target population for the study comprised corporate customers in Addis Ababa. According to the company's customers' list for the month ended January 31st, 2015, a total of 751 corporate customers were identified in Addis Ababa. These 751 corporate customers are the target population of this research.

3.3.2 Sample Size

One of the most important reasons to determine a sample size for this study was because it was not economical to cover the entire population.

The target samples for the study were corporate customers in Addis Ababa that were insurance policyholders, at least, for the last two years. Thus, the samples comprised the insurance policyholders that were experienced in using services provided by the company. Thus, from a total of 751 corporate customers found in Addis Ababa, 261 corporate customers were selected for this study. This sample size was obtained by using simplified formula of Yamane (1967:886), which was given by the formula:

$n = \frac{N}{1+N(e)^2}$ Where: n= Sample size

$N=$ The population size

$e=$ The level of precision, which is a 95% confidence interval.

$$n = \frac{751}{1+751(0.05)^2} = 261$$

3.3.3 Sampling Techniques

Sampling techniques provide a range of methods that enable one to reduce the amount of data needed for a study by considering only data from a sub-group rather than all possible elements (Saunders et al., 2009). According to Saunders et al., (2009) there exist two types of sampling: probability, where the chances of each case being selected from the population is known and is usually equal for all cases, and non-probability - sampling where the chances of each case selected from the total population is not known (Saunders et al., 2009).

Thus, as sampling technique, a non-probability sampling strategy called judgment sampling was used. This was because a judgment sampling is available to the researcher by virtue of its accessibility (Bryman & Bell, 2003). Plus, judgment sampling method also enables researchers to have proximity relations with respondents (Castillo, 2009).

Hence, judgment sampling was used when selecting branches in Addis Ababa. The basis of branch selection was sales volume and the concentration of corporate customers in these branches. Accordingly, four main branches were selected. These were Bole main branch, A.A main branch, Merkato main branch and Finfine main branch. All of them are main branches and they together constituted approximately more than 60% of the company's business, according to the company's monthly report for the month ended January 31st, 2015.

These four main branches all together have 487 corporate customers (i.e about 65% of the corporate customers found in Addis Ababa). Hence, the 261 respondents for this study were

chosen through stratified proportional sampling from these four main branches located in Addis Ababa. This is presented in the following table 3.1.

Table 3.1: Sample size allocation to the selected branches

S/n	Main Branch	No. of Corporate Customers	No. of Samples Taken	Percentage
1	Bole main branch	236	126	53%
2	A.A main branch	102	55	54%
3	Merkato main branch	88	47	53%
4	Finfine main branch	61	33	54%
	Total	487	261	54%

(Source: Company's monthly report for the month ended January, 31st, 2015)

Therefore, according to table 3.1 above, questionnaires were distributed to 261 corporate customers of the four main branches selected through proportionate accidental sampling.

3.4 Data Collection Instrument

Data collection instrument is the method used to collect data for a research project (Kent, 2007). This could be a questionnaire or a personal interview.

For this research, the data capture instrument was structured questionnaires. The reason for this choice of data capture instrument was because; based on the research method used for this research which was quantitative method; questionnaire was the best way to collect quantitative

data. In this study, the questionnaire survey method (hard-copy questionnaires) had been used for distributing questionnaire to respondents. This was because this method enables to let respondents read with more accuracy and completes the questionnaire shortly. Moreover, Belmore (1985) concluded that respondents would understand the information presented on paper more than the information presented on video display terminals.

3.4.1 Structure of Research Questionnaire

The questionnaire that was used in this study is divided into four sections:

Section A: Respondents' Profile

This section was used for statistical reasons. It consisted of four questions to find out the features of the respondents such as type of business ownership, insurance policy types, range of annual premium and duration with the company.

Section B: Customers' Perception of Service Quality

This section was used to identify customers' perceptions by using 22 service attributes on five-point interval scale. ((Source: Parasuraman et al., (1988))

Section C: Customer Value

In this section of the questionnaire, customers were asked to assess their perceived values of the AIC's general insurance service based on a five point- interval scale. [Source: Doods, Monroe & Grewal, (1991)]

Section D: Customer Satisfaction

In the last section of the questionnaires, customers were asked to rate their overall satisfaction with AIC's general insurance service based on five point-interval scale. [Source: Doods, Monroe, & Grewal, (1991)]

The questionnaire was developed this way and delivered to the corporate customers.

3.5 Data Analysis Techniques

This research used a quantitative method. “A research that focuses primarily on the construction of quantitative data follows a quantitative method” (Kent, 2007, p. 10, 570). The reason for this choice of method was because quantitative data was collected and quantitative data analysis was employed.

In order to analyze the data of this study using quantitative analysis, the collected data was processed and analyzed by SPSS 20.0 with the use of both descriptive and inferential statistics. The reason for using descriptive statistics was because to summarize the data collected using frequency counts, percentages, means and standard deviations in tables for better understanding of the reader and to easily examine the results (Agresti & Finlay, 2009). In addition, overall mean values and standard deviation outputs of the descriptive statistics were used to evaluate overall service quality, corporate customers’ overall perceived value and overall customer satisfaction.

With regard to inferential statistics, correlation analysis and regression analysis were employed for this study.

This correlation analysis helped to tell the relationship between independent variable (service quality), the mediator (customer value) and the dependent variable (customer satisfaction). From reviewing previous studies, particularly service quality and customer satisfaction are related to each other. However, in a new study environment, like this one (study on AIC), it was unforeseeable about these relationships. To test this, correlation analysis was employed. If the correlation coefficients are different from zero, it means that the variables are related to each other.

Regression analysis was used to test the research hypotheses. The criteria used are beta coefficient value and p-value (sig.). Accordingly, given confidence interval 99%, p-value was compared with 0.01 to conclude the hypotheses supported or unsupported.

3.6 Reliability and Validity

3.6.1 Reliability

Reliability refers to the range of consistency towards measures, where almost same or exactly same results are obtained in repeated testing (Cherry, 2013). It is, therefore, the extent to which a measurement instrument is able to yield consistent results each time it is applied under similar conditions.

Cronbach's Alpha will be used in the internal consistency reliability test in order to explain and interpret the reliability among the items surveyed (McDonld, Newton, & Whetton, 2001). Cronbach's alpha is range from 0.0 to 1.0 and it was used to check whether the construct is reliable or not. Many researchers suggested that 0.70 is the most acceptable and suitable cut- off point for the Cronbach's Alpha value (George & Mallery, 2005).

Table 3.2 Cronbach's Alpha Values of the Variables

S/n	Constructs	Cronbach's Alpha Value
1	Service Quality	0.97
	Reliability	0.93
	Assurance	0.92
	Responsiveness	0.89
	Empathy	0.93
	Tangibility	0.89
2	Customer Value	0.93
3	Customer Satisfaction	0.91
4	All Items	0.97

(Source: Survey data, 2015)

Table 3.2 above indicates that the overall service quality has Cronbach's alpha value of 0.97 with each of the service quality dimensions having 0.89 and above Cronbach's alpha values. Overall customer value and overall customer satisfaction produced Cronbach's alpha values of 0.93 and 0.91 respectively. The composite reliability alpha for all items excluding the respondents' background data is 0.97, which is very good for statistical analysis. All these facts, together, show the reliability of the study.

3.6.2 Validity

Validity refers to the degree to which a statistical instrument measures what it is intended to measure. It emphasizes the accuracy of a measurement instrument (Cooper and Schindler, 2006). The content validity of the instrument for the present study was ensured as the service quality, customer value and customer satisfactions are identified from the literatures which were presented by researchers and authors. Pilot tests were then conducted with 30 corporate customers who were in the domain of population for the study. The purpose of the pre-testing was to refine the questionnaire and to assess the validity of measures in the context under discussion.

3.7 Ethical considerations

All information from the respondents was treated with confidentiality without disclosure of the respondents' identity. Moreover, no information was modified or changed, hence information was presented as collected and all the literatures collected for the purpose of this study were appreciated in the reference list.

CHAPTER FOUR

Data Analysis and Findings

The aim of this chapter is to present the analysis and findings of the research work. Accordingly, descriptive analysis, correlation analysis and regression analysis are employed in order to analyze the data gathered from the respondents. Data analysis and results are presented in tables with their respective interpretations.

4.1 Descriptive Analysis

This section provides analysis of profile of the respondents and analysis of data regarding the first three specific objectives of this research: Assessment of the overall level of service quality; assessment of overall level of customers' perceived value; and assessment of overall level of customer satisfaction of AIC's general insurance service. Out of the 261 questionnaires distributed to respondents, 224 questionnaires were returned for analysis; thus the response rate is 85.82%.

4.1.1 Analysis of Profile of the Respondents

4.1.1.1 Type of Business Ownership

Table 4.1: Type of Business Ownership

Business Ownership	Frequency	Percent
Private Owned	139	62.1
Governmental	1	0.4
Share Company	16	7.1
Local NGO	8	3.6
International NGO	29	12.9
Associations/Cooperatives	16	7.1
Others	15	6.7
Total	224	100.0

(Source: Survey data, 2015)

Table 4.1 above shows the information regarding to the type of business ownership respondents belong to. Based on the figure, out of the total respondents, about 62% of the respondents run private business. This indicates that majority of the company's corporate customers are private businesses. International NGO (about 13%) comes second at far distance from private businesses. Share companies and associations/cooperatives (7.1% each) ranked third. Others (6.7%) consist of organizations like Embassy and churches. Almost no business is coming from government organizations (0.4).

4.1.1.2 Type of Insurance Policy

Table 4.2: Type of Insurance Policy

Type of Insurance Policy	Frequency	Percent
Motor Own Damage	6	2.7
Fire and Lightening	7	3.1
Burglary and House Breaking	8	3.6
Workmen's Compensation	11	4.9
Professional Indemnity	3	1.3
Group Personal Accident(GAPA)	6	2.7
Marine	12	5.4
Motor Own Damage + Motor Third Party	38	17.0
Motor Own Damage + Motor Third Party + Workmen's Compensation	45	20.1
Motor Own Damage + Group Personal Accident(GAPA)	8	3.6
Motor Own Damage + Motor Third Party + Group Personal Accident	21	9.4
Fire & Lightening + Burglary & House Breaking	13	5.8
Motor Own Damage + Motor Third Party + Professional Indemnity	9	4.0
Motor Own Damage + Motor Third Party + Marine	27	12.1

Motor Own Damage + Motor Third Party + Workmen's Compensation + Marine + Fire & Lightening + Burglary & House Breaking	2	0.9
Motor Own Damage + Motor Third Party + Workmen's Compensation + Fire & Lightening + Burglary & House Breaking	5	2.2
Others	3	1.3
Total	224	100.0

(Source: Survey data, 2015)

The above table 4.2 shows the types of insurance policies owned by the respondents. About 20% of the respondents own a combination of three types of policies (Motor Own Damage, Motor Third Party and Workmen's Compensation) and 17% own Motor Own Damage and Motor Third Party policies. 12% of the respondents are found to own a combination of Motor Own Damage, Motor Third Party and Marine policies. The rest have closer percentages of different policies. Thus, based on the result above, most of the respondents (about 76%) own more than one insurance policy, that is a combination of two or three or four...policies with motor policy being the dominant one (about 73% alone and in combination of other policy types).

4.1.1.3 Duration of the Respondents with the Company

Table 4.3: Duration of Respondents with the Company

Years	Frequency	Percent
2-5	57	25.4
6-10	111	49.6
11-15	38	17.0
16-20	12	5.4
>20	6	2.7
Total	224	100.0

(Source: Survey data, 2015)

The above table 4.3 indicates how long the respondents have been customers for the company. Accordingly, almost half of the respondents (49.6%) have been customers for 6 to 10 years and 25.4% of them for 2 to 5 years. About 25.1% (17.0+5.4+2.7) of the respondents stayed with the company for more than 11 years. Some of these customers have been with the company since its establishment.

4.1.1.4 Premium Amount per Year

Table 4.4: Premium Amount per Year

Premium/Year	Frequency	Percent
40,000-50,000	7	3.1
51,000-75,000	22	9.8
76,000-100,000	35	15.6
101,000-125,000	77	34.4
126,000-150,000	39	17.4
151,000-175,000	24	10.7
176,000-200,000	15	6.7
>200,000	5	2.2
Total	224	100.0

(Source: Survey data, 2015)

According to table 4.4 above, most of the respondents fall under annual premium level range of 101,000 to 125,000, which occupied 34.4% out of the total number of respondents. Besides, respondents which pay annual premium level of 126,000 to 150,000 consist of 17.4%. Thirdly, 15.6% of the respondents fall under annual premium range of 76,000 to 100,000. Meanwhile, the least group of respondents lie in the two extremes, 3.1% under annual premium level range of 40,000 to 50,000 and 2.2% are those respondents who pay more than 200,000 annual premiums.

4.1.2 Analysis of Level of Service Quality, Customer Value and Customer Satisfaction

The central tendency measurement, overall mean value is used in this analysis. The purpose of using it is to measure the overall existing levels of service quality, customer value and customer satisfaction.

4.1.2.1 Analysis of Overall Level of Service Quality of AIC's General Insurance Service

Table 4.5: Average means of each item under the five service quality dimensions

S/N	Code	DESCRIPTION	MEAN	ST. DEVIATION
I		RELIABILITY		
1	RE ₁	AIC performs right service right the first time	2.56	.829
2	RE ₂	AIC shows genuine interest in solving customers' problems	3.79	.644
3	RE ₃	Employees of AIC perform services dependably	3.72	.674
4	RE ₄	AIC provides services at time promised	2.63	.890
5	RE ₅	AIC insists on error free services	3.71	.776
Overall Average Mean and St. Deviation			3.28	0.635
II		ASSURANCE		
6	A ₁	Customers trust employees of the company	3.90	.788
7	A ₂	Customers feel safe in their transactions with the employees/ company	3.78	.684
8	A ₃	Employees of AIC are consistently polite to customers	4.03	.748
9	A ₄	Employees get adequate support from the company and have the required skills and knowledge to do their jobs	3.64	.655
Overall Average Mean and St. Deviation			3.84	0.623
III		RESPONSIVENESS		
10	R ₁	Employees are able to tell customers exactly when	2.56	.834

		services will be performed		
11	R ₂	Employees give prompt services to customers	2.46	.877
12	R ₃	Employees are always willing to help customers	3.75	.782
13	R ₄	Employees never too busy to respond to customers	3.79	.797
Overall Average Mean and St. Deviation			3.14	0.691
IV		EMPATHY		
14	E ₁	AIC gives customers individual attention	3.75	.898
15	E ₂	Employees consistently have their customers' best interest at heart	3.32	.895
16	E ₃	Employees give customers personal attention	3.82	.886
17	E ₄	AIC has operating hours convenient to all its customers	2.51	.781
18	E ₅	Employees understand the specific needs of their customers	3.69	.797
Overall Average Mean and St. Deviation			3.42	0.721
V		TANGIBLES		
19	T ₁	AIC has modern/up to date equipments	4.00	.680
20	T ₂	Physical facilities of AIC are visually appealing	3.84	.720
21	T ₃	Employees of AIC are well dressed and appear neat	4.09	.615
22	T ₄	Appearances of materials(pamphlets or statements) of AIC are visually appealing and are in keeping with the type of services provided	3.82	.564
Overall Average Mean and St. Deviation			3.94	0.54

(Source: Survey data, 2015)

The analyses made on the table 4.5 above indicate that:

- The average means of two items under reliability (RE_1 and RE_4) are below 3.0. That is 2.56 and 2.63 for “AIC performs right service right first time” and “AIC performs services at time promised.” respectively. Whereas, all other items have average mean values of 3.71 and above.
- With regard to assurance, all items have average mean values between 3.64 and 4.03, which shows “good” status.
- For responsiveness, the average mean values of items R_1 and R_2 , “Employees are able to tell customers exactly when services will be performed” and “Employees give prompt services to customers” are 2.56 and 2.46 respectively while other two items have average mean values greater than 3.75.
- Empathy has only one item, E_4 , “AIC has operating hours convenient to all its customers.” with average mean of 2.51, which is less than 3.0 and all the rest have 3.32 and above.
- Finally, tangibles has average mean values between 3.82 and 4.09 for all its items, confirming “good” status and showing the highest average mean values of all the five dimensions.

Table 4.6: Average means of each of the Five Service Quality Dimensions and Overall Service Quality

Item	Reliability	Assurance	Responsiveness	Empathy	Tangibles	OverallService Quality
N	224	224	224	224	224	224
Mean	3.2813	3.8371	3.1384	3.4179	3.9397	3.5229
S.d	0.635	0.622	0.690	0.720	0.544	0.580

(Source: Survey data, 2015)

According to the above table 4.6, the overall mean results of all responses of each of the five service quality dimensions are between 3.14 and 3.94, which means that on average most of the respondents agree on all the five dimensions: reliability, assurance, responsiveness, empathy and tangibles of AIC's general insurance service. The overall mean results are higher for *tangibility* and *assurance*, which are 3.94 and 3.84 respectively. This shows that AIC is doing great with regard to *tangibility* and *assurance* of its general insurance services. The overall mean result is also good for *Empathy*, which is 3.45. AIC's general insurance service is fine in this respect, too. Even though the overall mean results of *reliability* and *responsiveness* (3.28 and 3.14 respectively) show agreement of the majority of the respondents, they are still lesser compared to the aforementioned three dimensions. The reason behind this is: *For reliability*, most of the respondents disagree on the two items under reliability; the company's ability to provide quality service right first time and the company's ability to provide service at time promised. *For responsiveness*, majority of the respondents again disagree on the two items under responsiveness; the employees' ability to tell customers exactly when services will be performed and the company's ability to provide prompt services to customers. These are the reasons why the overall mean results for reliability and responsiveness are smaller than the other three dimensions. Apart from this, as can be referred from the above table, the overall mean results of all the five dimensions of service quality show that the overall service quality level of AIC's general insurance service is good. Similarly, the last column of the above table indicates that mean value of the *overall service quality* is 3.52. This again shows that the overall level of service quality of AIC's general insurance service is in good state.

4.1.2.2 Analysis of Overall Level of Customer Value and Customer Satisfaction for AIC's General Insurance Service

Table 4.7: Average means of each item under customer value and customer satisfaction

S/n	Code	Description	Mean	St. D
I		Customer Value		
1	CV ₁	The company's insurance policy provides additional discounts/benefits like no claims discount and choice to change coinsurance option	3.75	.830
2	CV ₂	The company's insurance policy provides flexibility(combination of protection, savings and investment)	3.79	.875
3	CV ₃	The money/premium paid for AIC insurance policies are fair	3.61	.790
4	CV ₄	I am aware about the value of insurance service that I had purchased	3.79	.749
5	CV ₅	The company's insurance policy is considered to be a good buy	3.63	.894
Overall Average Mean and St. Deviation			3.72	0.748
II		Customer Satisfaction		
1	CS ₁	Services provided by AIC meet my expectations	3.56	.950
2	CS ₂	I will purchase another insurance policy from AIC in the future	3.55	.978
3	CS ₃	I have no intention of switching to another insurance company in the future	3.55	1.019
4	CS ₄	I will continue with the company as a customer	3.53	.923
5	CS ₅	If I could do it over again, I would buy insurance policies from this same company, AIC.	3.56	.987
Overall Average Mean and St. Deviation			3.55	0.923

(Source: Survey data, 2015)

As shown in table 4.7 above, all items under customer value have average mean values greater than 3.61 and all items under satisfaction have average mean values greater than 3.53. This indicates that on average both customer value and customer satisfaction items are rated “good” by most of the respondents.

Table 4.8: Overall Means of Customer Value and Customer Satisfaction

Description	Overall Customer Value	Overall Customer Satisfaction
N	224	224
Mean	3.7161	3.5491
Standard Deviation	0.74840	0.92348

(Source: Survey data, 2015)

Regarding customer value, the overall mean value is 3.72 as shown in table 4.8 above. This has clear implication that the majority of the respondents value the general insurance service of AIC. Thus, from this fact it can be said that the overall level of customer value for AIC’s general insurance service is good.

According to table 4.8 above, the mean value of overall customers’ satisfaction is 3.55. This implies that the existing level of corporate customers’ satisfaction with AIC’s general insurance service is also good.

4.2. Correlation and Regression Analyses

4.2.1 Correlation Analysis

This section presents the correlations coefficients among study variables. The results revealed the existence and strength of associations among the study variables.

Cohen (1988) suggests the following guidelines regarding range of coefficient of correlation (r) values:

- r = 0.10 to 0.29 OR r = -0.10 to -0.29 Weak
- r = 0.30 to 0.49 OR r = -0.30 to -0.4.9 Moderate
- r = 0.50 to 1.0 OR r = -0.50 to -1.0 Strong

Considering the above guidelines of range of correlations coefficients, table 4.9 and table 4.10 below present correlations coefficients among the study variables.

Table 4.9: Pearson, Sig. (2-tailed) Correlations Coefficients between Overall Service Quality and Service Quality Dimensions

<i>Correlations</i>	Reliability	Assurance	Responsiveness	Empathy	Tangibility
Overall Service Quality	.668**	.718**	.693**	.734**	.681**
	.000	.000	.000	.000	.000

** Correlation is significant at the 0.01 levels (2-tailed).

(Source: Survey data, 2015)

Table 4.9 shows the correlations coefficients between service quality and the five service quality dimensions. The value of correlation coefficient for all the constructs is ranged from 0.668 to 0.734. This means that there exist strong positive correlations/relationships between service quality and service quality dimensions. The correlations coefficients values also indicate that there is no multicollinearity problem in this research because all the correlations coefficients values do not exceed the rule of thumb for detecting multicollinearity which is 0.8 (Gujarati & Porter, 2009).

In addition to this, the correlation coefficient value between service quality and overall responsiveness is 0.734, which means among the five dimensions, overall responsiveness has the strongest relationship with service quality

Table 4.10: Pearson, Sig. (2-tailed) Correlations Coefficients between Customer Value, Customer Satisfaction and Overall Service Quality

<i>Correlations</i>	Customer Value	Customer Satisfaction	Overall Service Quality
Customer Value	1	.728** .000	.630** .000
Customer Satisfaction	.728** .000	1	.651** .000
Service Quality	.630** .000	.651** .000	1

** Correlation is significant at the 0.01 levels (2-tailed).

(Source: Survey data, 2015)

Table 4.10 presents correlations between customer value, service quality and customer satisfaction. Both customer value and service quality strongly and positively associated with customer satisfaction since their correlations coefficients are greater than 0.50 ($r = .630$ and $.728$ respectively), with customer value being more strongly correlated with customer satisfaction than service quality. Besides, service quality and customer value are also strongly and positively correlated.

4.2.2 Regression Analysis

Correlation analysis shows the relationships among the concepts, however, it cannot find out how specific the relationships are or make conclusions about the research hypotheses. Thus, regression analysis is carried out to clarify the relationships among them. This section provides regression analysis results and interpretations with respect to the fourth objective of this research: To assess the relationship between service quality, customer value and customer satisfaction of AIC's general insurance service. Accordingly three regressions were made to test the three hypotheses developed for this research.

Hypotheses Tests

H1: Service quality positively and significantly influences customer satisfaction

Table 4.11: Regression Analysis between Service Quality and Customer Satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
(Constant)	- 1.260	0.196		- 6.443	0.000
Overall Service Quality	1.365	0.055	0.858	24.919	0.000
R= 0.858, R ² = 0.737, F= 620.964					
Dependent Variable: Overall Customer Satisfaction					

(Source: Survey data, 2015)

The meaning of this hypothesis is that beta coefficient of the independent variable, service quality, should be positive. The above table 4.11 shows that beta coefficient of service quality is $0.858 > 0$, relevant t statistics has p-value = $0.000 < 0.01$. B-coefficient is 0.858, which means that one unit change in service quality will have 0.858 times change in customer satisfaction. Thus, service quality positively and significantly influences customer satisfaction and hypothesis H₁ is, therefore, supported. This table also indicates that 73.7% of the observed variations in customer satisfaction ($R^2 = 0.737$) is explained by service quality in AIC's general insurance service.

H₂: *Customer value positively and significantly influences customer satisfaction.*

Table 4.12a: Regression analysis between customer value and customer satisfaction.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
Regression	0.930	0.865	0.864	0.34037	1.797
Predictors (Independent Variables): Customer Value					
Dependent Variable: Customer Satisfaction					

(Source: Survey data, 2015)

Table 4.12b: Regression analysis between customer value and customer satisfaction.

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
(Constant)	-0.715	.115		-6.194	.000
Customer Value	1.147	.030	.930	37.678	.000
R= 0.930, R ² = 0.865, F= 1419.603					
Dependent Variable: Customer Satisfaction					

(Source: Survey data, 2015)

According to the above tables 4.12a and 4.12b, the regression analysis from the collected data shows that customer value positively and significantly influences customer value in AIC's general insurance service since (beta= 0.930) and (t= 37.678, p=0.000 > 0.01). This means that if AIC improves customer value by 1 unit, customer satisfaction with the service will increase 0.930 units. The result also indicates that 86.5% of the observed variations in customer satisfaction (R² = 0.865) is explained by customer value in AIC's general insurance service. Thus, H₂ is supported.

H₃: *Service quality is more significant to customer satisfaction than customer value.*

Table 4.13: Regression Analysis between Service Quality, Customer Value and Customer Satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
Regression	0.939	0.881	0.880	0.31983	1.888
Predictors (Independent Variables): Overall Service Quality and Overall Customer Value					
Dependent Variable: Customer Satisfaction					

(Source: Survey data, 2015)

Table 4.14: Regression Analysis between Service Quality, Customer Value and Customer Satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-1.129	0.132		-8.560	0.000		
Overall SQ	0.387	0.070	0.243	5.516	0.000	0.276	3.617
Overall CV	0.892	0.054	0.723	16.390	0.000	0.276	3.617
R= 0.939, R ² = 0.881, F= 819.110							
Dependent Variable: Overall Customer Satisfaction							

(Source: Survey data, 2015)

The regression analysis result, as shown in the above tables 4.13 indicates that 88.1 % of the observed variations in customer satisfaction ($R^2 = 0.881$) is explained by service quality and customer value in AIC's general insurance service.

Durbin Watson is a number that tests for autocorrelation in the residuals from a statistical regression analysis. The Durbin Watson statistic is always between 0 and 4. A value of 2 means that there is no autocorrelation in the sample. Values approaching 0 indicate positive autocorrelation and values towards 4 indicate negative autocorrelation.

In line with this, the above table 4.13 gives a Durbin Watson value of 1.888; which is not farther than the benchmark of 2. This implies that there is a no serial correlation (autocorrelation) in the model.

Based on table 4.14 above, customer value is more significant to the customer satisfaction than the service quality due to its highest beta of standardized coefficient which is 0.723 and its p-value, 0.000 is less than 0.01 significant levels. Thus, H_3 is not supported. Besides that, the multi collinearity problem does not exist in this study because tolerance is 0.276 and it is greater than 0.1. Plus, the Variance Inflation Factor (VIF) is 3.617 which is below 10.

Summary of regression analyses results are summarized on table 5.1 below.

Table 5.1: Summary of Hypotheses and Results

<i>Hypothesis</i>	<i>Relationship</i>	<i>Results</i>	<i>Analysis</i>
H ₁	Service Quality positively and significantly influences Customer Satisfaction.	Supported	Regression
H ₂	Customer Value positively and significantly influences Customer Satisfaction..	Supported	Regression
H ₃	Service Quality is more significant to Customer Satisfaction than Customer Value.	Not Supported	Regression

(Source: Survey data, 2015)

CHAPTER FIVE

Summary, Conclusion and Recommendations

In this chapter summary of major findings, conclusion and recommendations are presented based on the analysis and interpretations made at the pervious chapter.

5.1 Summary of Major Findings

The general objective of this research was to examine the relationship between service quality, customer value and customer satisfaction along with other specific objectives. In order to achieve this objective, convenience sampling and accidental sampling were employed to select branches and customers respectively. After gathering data from the respondents, descriptive analysis, correlation analysis and regression analysis were used to analyze the data gathered. Accordingly, major findings from each data analysis technique are sequentially presented here under.

The descriptive analysis of this study showed that out of 224 respondents, about 62% of the respondents run private businesses and only 0.4% of the respondents are from government organizations. This indicates that majority of the company's corporate customers are private businesses and almost no business is coming from government organizations.

With regard to the types of insurance policies owned by respondents, those respondents that own combinations of Motor Own Damage, Motor Third Party, and Workmen's Compensation polices constitute 20 % of the respondents while 17 % of the respondents own Motor Own Damage and Motor Third Party policies. 12% of the respondents are also found to own a combination of Motor Own Damage, Motor Third Party and Marine policies. This shows that most of the respondents (about 76%) own more than one insurance policy with the company's service mix being dominated by motor policies (about 73% alone and in combination of other policy types).

It was also found out that almost half of the respondents (49.6%) have been customers for 6 to 10 years. There are also some corporate customers who have been with the company since its establishment. In general, majority of the respondents (74.6%) have been customers of the

company for more than 5 years. This implies that the company did great in maintaining its customers. Regarding the respondents annual premium ranges, the study revealed that about 69.2% of the respondents fall under annual premium level range of 101,000 to 200,000. This shows that most of the respondents pay this much annual premium to the company.

The overall mean results of each of the five service quality dimensions are greater than 3.0, showing that majority of the respondents rated “agree”, on average, to each dimension. However, the overall mean values of *reliability* and *responsiveness* are lower than those of the other three dimensions. This is because for *reliability*, most of the respondents disagree on the two items under reliability; the company’s ability to provide quality service right first time and the company’s ability to provide service at time promised. And for *responsiveness*, majority of the respondents again disagree on the two items under responsiveness; the employees’ ability to tell customers exactly when services will be performed and the company’s ability to provide prompt services to customers.

This study has also shown that the mean values of the *overall service quality*, *overall customers’ value* and *overall customers’ satisfaction* are 3.52, 3.72, and 3.55 respectively; all greater than 3.5. This means that the existing levels of all these three variables are “good” for AIC’s general insurance service.

From the correlation analysis between service quality and service quality dimensions, it was revealed that there exist strong positive correlations between service quality and each of the five dimensions. On top of that, the correlation result showed that among the five service quality dimensions, responsiveness has the strongest relationship with overall service quality this is because it has the greatest correlation coefficient of all.

Similarly, the correlation analysis between service quality, customer value and customer satisfaction has shown that both service quality and customer value are strongly and positively correlated with customer satisfaction. In addition, service quality and customer value are found to have strong positive correlation with each other. Surprisingly, customer value has greater correlation coefficient than service quality and thus customer value is more strongly correlated to customer satisfaction than service quality.

The regression analyses carried out to test the hypotheses found out that the first two hypotheses, H₁ and H₂ were supported while H₃ was not supported. That is:

First, the regression analysis between service quality and customer satisfaction indicated that service quality strongly and significantly influences customer satisfaction since (beta=0.858) and (t=24.919, p=0.000<0.01).

Second, the regression analysis between customer value and customer satisfaction showed that customer value strongly and positively influences customer satisfaction because (beta=0.930) and (t=37.678, p=0.000<0.01).

And third, the regression analysis (i.e., when regressing customer satisfaction on both service quality and customer value) also revealed that customer value is more significant to customer satisfaction than the service quality due to its higher standardized beta coefficient which is 0.723 and its p-value, 0.000 is less than 0.01 significant levels.

5.2 Conclusion

This section presents the conclusion derived from the study. In line with the objectives set for this study, the following conclusions are made based on the analysis and findings discussed so far.

RO₁: To assess the overall level of quality of AIC's general insurance service.

In this research, overall mean values and standard deviation outputs of the descriptive statistics were used to evaluate overall service quality, corporate customers' overall perceived value and overall customer satisfaction of AIC's general insurance service. Thus, with respect to overall level of service quality; the overall mean value of each of the five service quality dimensions was found to be greater than 3.0, falling between 3.14 and 3.94. This, in turn, resulted in overall service quality's mean value of 3.52, conforming good level of service quality of AIC's general insurance service.

RO₂: To examine the corporate customers perceived value of the AIC's general insurance service.

With regard to this objective, mean value was once again used, to examine the corporate customers' perceived value. Accordingly, the finding showed 3.72 mean value of the overall customer value. This shows that corporate customers' value of AIC's general insurance service is good.

RO₃: To examine the overall satisfaction level of corporate customers of AIC

Similarly, the mean value of overall customers' satisfaction is 3.55. This implies that the overall satisfaction level of corporate customers of AIC is also good.

RO₄: To assess the impact of service quality and customer value on customer satisfaction.

In line with the general objective of this study, the main issue addressed in this present study is the relationship between service quality, customer value and customer satisfaction.

In this research, the findings show that service quality has beta coefficient value of 0.858 and p-value of 0.000 less than 0.01 significant levels, which represent that service quality has significant positive relationship towards customer satisfaction. This result confirmed to the results of (Gerpott et al., 2001; Kim et al., 2004; & Lin & Wang, 2006). These studies found out that service quality has direct positive influence on customer satisfaction. Another research also found out that there is positive relationship between service quality and customer satisfaction (Jajae et al., 2012). In other words, service quality increase will directly cause higher customer satisfaction level.

Therefore, a high quality of service provided will give positive impacts to customers' satisfaction in AIC's general insurance service. This allows the AIC to stay competitive in the market. The result of service quality and customer satisfaction of this present study for AIC, confirms to the

theory that “higher levels of quality leads to higher levels of customer satisfaction” (Kotler & Keller, 2009, p. 169).

Based on this research, the findings show that customer value has beta coefficient value of 0.930 and a p-value of 0.000 less than 0.01 significant levels. This represent that customer value has a significant positive relationship with customer satisfaction. This result complies with the findings of other researchers who examined association between customer value and customer satisfaction in their studies and found positive relationship between them (Hutchinson et al., 2009; Kuo et al.,2009; Lai et al., 2009). They found high customer value is correlated with high customer satisfaction and another research also revealed that customer value positively and significantly persuades customer satisfaction (Chen & Chen, 2010).

By regressing customer satisfaction both on service quality and customer value, this study found out that there exists significant positive relationship between customer value and customer satisfaction (beta=0.723 and p=0.000<0.01). Similarly, Young, Dan, & Kathy, (2013) found that there is strong and positive relationship between perceived value and customer satisfaction.

In addition, even though both service quality and customer value positively and significantly influence customer satisfaction, customer value is more significant to customer satisfaction than the service quality. This is because beta coefficient of customer value is greater than that of service quality and significant (p=0.001<0.1).

5.3 Recommendations

The following recommendations can be forwarded based on the findings of this study.

- This study shows that majority of the company's corporate customers is private businesses. AIC should, therefore, develop strategies that enable the company penetrate those adequately unreached market segments like associations, cooperatives and government organizations.
- It was found out that the company's service mix is dominated by motor policies. AIC should work hard to increase the sales volume of other types of insurance policies and reduce the dominance of motor policy.
- The finding of this research also indicates that AIC is doing great in maintaining long term relationships with its corporate customers and this practice should be continued in more organized way in the future.
- Even though the overall mean values of all the five service quality dimensions are greater than 3.0 showing "average" status, reliability and responsiveness are found to have overall mean values lower than the other three dimensions. This is because majority of the respondents were disagree with some items under these two dimensions. Working to further improve these dimensions will advance the service quality of the company. Managers should work on enhancing the reliability and responsiveness dimensions. Reliability could be enhanced by committing to provide right service right first time and also by providing service at time promised. Similarly, it is possible to enhance responsiveness by being able to deliver prompt services to customers and by enabling employees to tell customers exactly when services will be performed.
- It is also found out that there are "good" overall levels of service quality, customer value and customer satisfaction with general insurance services of AIC. Therefore, AIC should exert maximum effort to further improve the overall levels of service quality, customer value and customer satisfaction in order to have competitive advantage over its competitors.

- From this research work, it is concluded that service quality and customer value are important influencing factors on customer satisfaction. In addition, the findings have shown that service quality affects customer satisfaction. Customer value also has an effect on customer satisfaction. This indicates that AIC's managers should not only focus their attention on the influence of service quality on customer satisfaction but also on the influence of customer value on customer satisfaction. If AIC's managers want to achieve competitive advantage through customer satisfaction, they should focus on both but they even need to have more focus on customer value than service quality. This is because customer value is more significant to customer satisfaction than service quality. Thus, it will be a wise decision for AIC to invest more on enhancing customer value than service quality. In doing so, AIC will satisfy its corporate customers.

5.4 Limitations and Directions for Future Research

The following three issues may be considered as limitations of this study. First, the sample is not designed to include any of the outlying branches situated outside Addis Ababa due to shortage of resources, which may affect the results of this research in some way. The second limitation comes from sample size; that is ($n = 261$). This is small sample size when compared to all the customers from both corporate and other categories. The third limitation is on the sampling method used. A non-probability sampling called convenience sampling was used in this research and this limits the generalizability of the findings.

Based on the limitations mentioned above, the following is suggested for future studies:

- The hypotheses of this research need to be tested using a large coverage area, broader population and a bigger sample in same company under discussion.
- It is advised to apply probability sampling in future studies in order to increase the reliability and generalizability of the findings.
- Also future studies shall be made to test these same hypotheses in other service sectors.

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