ADDIS ABABA UNIVERSTY

SCHOOL OF BUSINESS AND PUBLIC ADMINSTRATION

MBA PROGRAM

PERCEPTION OF SERVICE QUALITY AND LOYALTY AMONG CUSTOMERS OF INSURANCE COMPANIES: COMPARATIVE ANALYSIS OF NILE, NYALA AND AWASH INSURANCE

THESIS

Presented in Partial Fulfillment of the Requirements for the Master's of Business Administration in the Graduate School of Addis Ababa University

By

Djalalie Itana

Advisor: Salehu Anteneh (PhD)

June, 2011

ADDIS ABABA UNIVERSITY
SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION
MBA PROGRAM

PERCEPTION OF SERVICE QUALITY AND LOYALTY AMONG CUSTOMERS OF INSURANCE COMPANIES: COMPARATIVE ANALYSIS OF NILE, NYALA AND AWASH INSURANCE

BY

DJALALIE ITANA

Approval Board Committee

Research Advisor	**Signature**
_____	_____
Examiner	**Signature**
_____	_____

Statement of Certification

This is to certify that this project work, **"Perception of Service Quality and Loyalty among Customers of Insurance Companies: Comparative Analysis of Nile, Nyala and Awash Insurance"**, undertaken by Djalalie Itana for the partial fulfillment of Master's of Business Administration [MBA] at Addis Ababa University, is an original work and not submitted earlier for any degree either at this University or any other University.

_____

Research Advisor: Salehu Anteneh, PhD

Date: _____

Declaration

I, Djalalie Itana declare that this work entitled **"Perception of Service Quality and Loyalty among Customers of Insurance Companies: Comparative Analysis of Nile, Nyala and Awash Insurance"**, is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for the guidance and suggestion of the Research Advisor.

This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of MA in Business Administration [MBA].

By: Djalalie Itana

Signature_____

Date_____

Acknowledgments

I would like to thank my advisor, Dr. Salehu Anteneh. I am so grateful for the hours he dedicated to me and to my dissertation. I am also grateful to many other individuals who were instrumental in the process of completing this degree. Especially, I would like to thank the management and staff of Awash Insurance, Nile Insurance and Nyala Insurance for their positive cooperation in conducting this study.

I would also like to thank both my father and mother for their unconditional love and support. I would further like to thank my sisters and friends for the huge encouragement throughout my journey. Finally, I have dedicated this dissertation to my father for the great example that he has been to me.

Abstract

The aim of this study was to: a) Compare perception of insurance service quality among insurance customers and b) to determine the relationship between (if existed) service quality and loyalty. Data were collected using questionnaire from six branches of insurance customers (20 customers from each insurance company). Service quality was measured using seven dimensions which were: Access quality, Infrastructure quality, Responsiveness, Competence, Courtesy, Problem Solving quality and Credibility. Data were analyzed using gap analysis, factor analysis, and correlation analysis. Respondents in the three insurances reported low levels of perceived service quality. However, compared to service quality of Nile and Nyala insurance, Awash insurance reported better perceived service quality. In Nile insurance, Competence and Credibility dimensions are related to loyalty dimensions. In Nyala insurance, Responsiveness dimension is related to loyalty dimension. Finally, in Awash insurance, Responsiveness and Courtesy dimensions are related to loyalty dimensions. The three insurance managers should recognize the importance of service quality in service delivery and implement appropriate customer oriented strategies. The managers should recognize the importance of problem solving quality and improve ways to address complaints and provide solutions to customers' problems. Moreover, managers should work to improve the service qualities of their respective insurances to be competitive in the market.

Keywords: Service Quality, Service quality dimensions, Insurance, factor analysis, Gap analysis, Correlation analysis.

Table of Contents

List of Tables

List of Figures

Acronyms

NI …… Nile Insurance

NYI …….. Nyala Insurance

AI ……. Awash Insurance

Perc ……. Perception

Expe …… Expectation

Fig ……... Figure

Chapter One
Introduction

1.1 Background of the Study

In recent years, service firms like other sectors are realizing the significance of customer-centered philosophies. They are also using service quality as an important differentiator and a path to success. Service business success has been associated with the ability to deliver superior service (Gale, 1990; Rudie & Wansley, 1984). Leading service organizations strive to maintain a superior quality of service in an effort to gain customer loyalty (Zeithaml & Bitner, 1996). Insurance companies, being one of the service providers, are under increasing pressure to demonstrate that their services are customer focused and that continuous performance improvement is being delivered. In search of competitive advantage, insurances are placing more focus on service quality.

Literature in the area of service quality and loyalty indicates that it has remained unclear whether or not there is a direct relationship between service quality and loyalty. Zeithaml et al. (1996) report such a relationship, whereas Cronin and Taylor (1992) failed to find one. In the study by Cronin and Taylor (1992) service quality did not appear to have a significant (positive) effect on intentions to purchase again. The relationship between overall service quality and individual service loyalty dimensions have also been examined empirically by Boulding et al. (1993). In their study Boulding et al. (1993), found positive relationships between service quality and repurchase intentions and willingness to recommend. With regards to service loyalty, perceived service quality is often viewed as a key antecedent (Dick and Basu, 1994). The inconsistencies of the results could be due to differences in considerations of dimensions and variables measured. Regardless of the mixed results in the literature, the key for companies' success lies in the companies' real commitment to quality improvement.

In the past, Ethiopian insurance companies have managed to avoid pressures regarding service quality 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.

Research concerning service quality and its relationship with customer loyalty in Ethiopian financial institutions is very limited. Existing literature reveals that only few studies observed service quality. And most are descriptive reports which cannot demonstrate causal links between service quality and customer loyalty. This study was an attempt to study customer's perception of service quality and examine the relationship between service quality and customer loyalty. Service quality dimensions explain service quality which in turn explains if customers are satisfied or dissatisfied. In line with Service quality, customer value and customer satisfaction model (Oh, 1999), the relationship between perceived service quality and loyalty was studied.

Therefore, it would be both theoretical and managerial interest to study customers' perception of insurance service quality and also see the relationship between service quality and customer loyalty in Ethiopian insurance companies. Service quality has also been acknowledged as a multi-dimensional construct (Gummesson, 1991; Gronroos, 1993; Lapierre, 1996; Lehtinen et al., 1996). In line with Brady and Cronin (2001), a dimension specific analysis increases the diagnostics of explaining service quality and customer loyalty as it is applied in this study.

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: 41-47). 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: 41-47). 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.

Ethiopia's insurance industry has grown rapidly over the past few years. According to the report of National Bank of Ethiopia (2009), there are 10 insurance companies with a total of 200 branches. Figures in the report also show that 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.

1.3 Statement of the Problem

The customers of financial services expect better service quality with the presence of multiple players in the industry. According to Peter F. Durcker, "Quality in a service or product is not what you put into it. It is what the client or customer gets out of it". The most important aspect of

the relationship between service providers and customers is that the service providers lack an in-depth insight into customer preferences. If customers are not satisfied they will not provide repeated purchase and also tell others about their negative experiences. This creates problems for insurance companies as the market is getting continuously competitive. Often there is a disconnect between what customers want and what service providers offer. This is particularly true in case of services like insurance because of the intangibility element associated with it.

The measurement of quality in services became dominant with work initiated by Parasuraman et al. (1988). Thereafter, a series of research on service quality has been carried out in a wide range of services including insurance (Nwankwo & Richardson 1994), banks (Mishra et al. 2010), public services (Sureshchandar et al. 2001), advertising and marketing (Dutta & Sridhar 2002), travel and tourism(Oliva 2001), etc. Toran (1993), points out that quality should be at the core of what the insurance industry does. With regard to the theoretical relationship between perceived service quality and loyalty has been confirmed empirically in several studies (Bloemer et al., 1998; Boulding et al., 1993; Cronin et al., 2000; Fornell, 1992). Cronin et al. (2000) report that perceived service quality has a significant positive effect on behavioral intentions (loyalty and recommendation) in four service industries (fast food, spectator sports, participation sports, and entertainment). However, the positive effect was not significant in health care and long distance carriers. In the retail banking sector, Bloemer et al. (1998) and Karapte et al. (2005) both find that quality has both a direct influence and an indirect influence (through satisfaction) on loyalty. Baumann et al. (2007) find that overall satisfaction, affective attitude, and empathy predict loyalty.

Although numerous researchers have made theoretical and empirical contributions to the study of service quality in various industries the area of insurance industry is not adequately researched. Literature also reveals that the earlier studies on measurement of customer perceived service quality were very few for insurance companies, more so in Ethiopian context. Also a number of studies have been conducted on the measurement of service quality of insurance companies independently. However, evaluating the service quality of each company might not give much input unless a comparison is made with their peers. The present study of insurance service quality and loyalty would help fill the relevant gaps in the literature and advance the study

insurance industry forward. The identification of the determinants of service quality and its impact on customer loyalty should be a central concern for service management academics and practitioners, as it is necessary to be able to specify, measure, control, and improve service quality from the customers' perspectives (Johnston, 1995).

This study therefore, aims to examine the perception of service quality among insurance customers and its relationship with customer loyalty. In this interest, these research questions are raised;

1. How do customers' expect the quality of insurance service in Ethiopia at their respective service provider?
2. How do customers' perceive the quality of insurance service in Ethiopia at their respective service provider?
3. Are there differences among the levels of service quality perceived by the customers of the three insurances?
4. Does perceived service quality relate to customer loyalty in these insurance companies?

1.4 Objectives

The general objective of this study is to make a comparative study of customers' perception toward quality of service in the insurance sector and determine its relationship with customer loyalty. More specifically the study seeks:

1. To measure customers' expectation of each of the seven dimensions of service quality of their respective insurance companies.

2. To measure customers' perception of each of the seven dimensions of service quality of their respective insurance companies.

3. To measure how well services are being delivered i.e. the gap between perception and expectation in each insurance company.

4. To determine the relationship between perceived service quality and customer loyalty.

5. To offer suggestion, on the basis of the study results, ways and means for improving service quality in insurances with a view to make overall insurance service more effective and efficient.

1.5 Significance of the Study

A study of Customer's perception of service quality and loyalty is important for several reasons. First, it provides further testing into the multi-dimensional nature of service quality in the insurance sector. Second, it provides additional evidence as to the relationship between insurance service quality and loyalty. Third, it provides feedback for the insurances regarding the perceptions of their customers toward their service quality. Overall, it extends the service quality literature.

1.6 Organization of the Paper

This paper is organized into six chapters. The first chapter presents background of the study and the insurance industry in Ethiopia, statement of the problem including the research questions, objectives and significance of the study. After this introductory chapter, the next section reviews the literature on perceived service quality and its relationship to overall loyalty in the context of insurance services. The following chapter presents the research model explaining the theoretical framework for the study. The paper then presents the fourth chapter which describes the methodology used in the empirical study of insurance customers in Ethiopia, including the sampling procedure and the composition of the questionnaire. The fifth chapter presents the data and analysis and interpretations. In the last chapter, findings of the study, conclusions and managerial implications are presented.

Chapter Two
Literature Review

This literature review examines the main issues surrounding perception of service quality within the insurance sector, how to measure service quality and the relationship between service quality and loyalty. The study within this review of literature focuses on the objectives stated in chapter one. The value of studying the aforementioned literature areas is to provide a meaningful discussion and analysis of service quality in a structured way. At the end of this major section it is hoped that a critical understanding of key issues is exhibited, that the reader is better informed and that there is a clear justification for the research in this area.

2.1 Quality Management

According to Monks (1987), Quality is a holistic concept that gives direction to an organization and links its members. Quality measures how closely goods or services conform to specified standards. Monks (1987), indicated quality standards may relate to time, materials, performance, reliability, appearance, or any quantifiable characteristics.

Quality management has had many different meanings over the years. In 1900s, quality meant inspection, used to ensure quality products. In the 1940s, statistical methods were first used to control quality within the natural variation of the process. In the 1960s, the meaning of the term quality management was expanded to include the entire organization. Now, quality is taking on a broader meaning including continuous improvement, competitive advantage and customer focus. And through the years, the definition of quality has also changed from the producer-oriented “up to specification” to the consumer-oriented “fit for use” until the present day when the most popular expression is “satisfying the consumer’s needs”. What is lacking is the ability to select which quality factors are to be provided and to understand how a quality factor is related to customer satisfaction.

Much of the quality management practitioner literature has its origins in the prescriptive principles of quality gurus including Deming, Juran, Feigenbaum, Ishikawa and Crosby. Also, the Baldrige Award criteria provide an additional framework for quality management practices. Juran (1992) defines quality as “fitness for use”. He contends that the product must conform to

the needs and expectations of the end users. To explain his definition of quality further, Juran uses five dimensions: quality of design, quality of conformance, availability, safety, and field use. His major focus is on applying quality concepts and tools to enhance product features and reduce product deficiencies. However, the dominance of the goods manufacturing-oriented conformance to specifications definition has given way to the broader customer-based definition of quality. The most commonly used definition of quality currently is the extent to which goods or services meet or exceed customer expectations (Buzzell and Gale, 1987; Gronroos, 1990; Zeithaml *et al.*, 1990).

2.2 Defining Service Quality

Service quality is the consumer's judgment about an entity's overall excellence or superiority (Zethimal et al., 1986). It is a form of attitude, and results from a comparison of expectations to perceptions of performance received.

Over the past two decades, researchers have devoted considerable attention to studying service quality as perceived by the consumer. The movement towards quality had started to spread from the manufacturing sector to the service sector. Much of the initial work in developing a model to define and assess service quality has been conducted by Parasuraman, Zeithaml, and Berry (1985). According to these scholars service quality is determined by the differences between customer's expectations of services provider's performance and their evaluation of the services they received. Asubonteng et al. (1996) defined service quality as "the difference between customers' expectations for service performance prior to the service encounter and their perceptions of the service received". Similarly, Gefan (2002) defined service quality as the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get. According to Lewis and Booms (1983), service quality is a measure of the degree to which the service delivered matches customer expectations. In all these definitions we notice that there are two main things closely related to services which are expected quality and experienced quality.

According to Berry *et al.* (1988), service quality has become a great differentiator and the most powerful competitive weapon which many leading service organizations possess. Lewis et al. (1994) summarized the major benefits relating to service quality as:

- satisfied and retained customers and employees;
- opportunities for cross-selling;
- the attraction of new customers;
- development of customer relationships;
- increased sales and market shares;
- enhanced corporate image;
- reduced costs and increased profit margins and business performance.

2.3 Perception of Service Quality

Perceived service quality has been defined as the consumer's global attitude or judgment of the overall excellence or superiority of the service. Perceived service quality results from comparisons by consumers of expectations with their perceptions of service delivered by the suppliers (Lewis *et al*., 1994; Takeuchi and Quelch, 1983; Zeithaml, 1988). It is argued that the key to ensuring good service quality perception is in meeting or exceeding what customers expect from the service. Thus, if perception of the actual service delivered by the supplier falls short of expectation, a gap is created which should be addressed through strategies that affect the direction either of expectations or perceptions, or both (Parasuraman *et al*., 1985; Zeithaml *et al*., 1990).

Customer expectations are beliefs about a service that serve as standards against which service performance is judged (Zeithaml *et al*., 1993); what customers think a service provider should offer rather than what might be on offer (Parasuraman *et al*., 1988). Expectations are formed from a variety of sources such as the customer's personal needs and wishes (Edvardsson *et al*., 1994), the customer's personal philosophy about a particular service, by promises (staff, advertising and other communications), by implicit service promises (such as price and the tangibles associated with the service), by word-of-mouth communication (with other customers, friends, family and experts), as well as by past experience of that service (Zeithaml and Bitner, 1996).

2.4 Customer Satisfaction

Customers will always assess the services they experienced by comparing them with whatever they wish to receive. According to Kotler (2003), satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his or her expectations. Here we see that there is a close relationship between service quality and customer satisfaction because they seem to be measured in terms of the difference between perceived performance and expected performance. Milbourn (1998) suggests that the economic success of companies fluctuates with the quality of service that is offered. They report that dissatisfied customers rarely complain. Instead, most dissatisfied customers simply purchase from another store. Across industries, service organizations who deliver high quality service consistently receive repeat customers.

2.5 Service Loyalty

There are several definitions of customer loyalty. Loyalty refers to a favorable attitude towards a brand in addition to purchasing it repeatedly (Day, 1969); a relationship between relative attitude towards an entity and repeat patronage behavior (Dick and Basu, 1994); a situation when repeat purchase behavior is accompanied by a psychological bond (Jarvis and Wilcox, 1977); and repeat purchase intentions and behaviors.

Research into customer loyalty has focused primarily on product-related or brand loyalty, whereas loyalty to service organizations has remained underexposed (Gremler and Brown, 1996). Frequently, a high positive correlation between the constructs of satisfaction and product loyalty is reported. With regards to service loyalty, perceived service quality is often viewed as a key antecedent (Dick and Basu, 1994). However, there are a number of reasons why findings in the field of product loyalty cannot be generalized to service loyalty (Keaveney, 1995; Gremler and Brown, 1996). Service loyalty is more dependent on the development of interpersonal relationships as opposed to loyalty with tangible products (Macintosh and Lockshin, 1998).

Customers will remain loyal to a service organization if the value of what they receive is determined to be relatively greater than that expected from competitors (Zeithaml & Bitner, 1996). Customer's positive emotions may lead to positive word-of-mouth behavior, while negative emotions may result in complaining behavior. Emotions tend to have an influence on

quality perceptions and customer behavior (Liljander and Strandvik, 1997). While service quality has proved to be an essential ingredient to convince customers to choose one service organization over another, many organizations have realized that maintaining excellence on a consistent basis is imperative if they are to gain customer loyalty.

2.6 Service Quality and Service Loyalty

Little empirical research has focused explicitly on the relationship between service quality perceptions and customer loyalty. With regards to behavioral intentions in a services setting, Zeithaml et al. (1996) proposed a comprehensive, multi-dimensional framework of customer behavioral intentions in services. This framework was comprised of the following four main dimensions:

(1) word-of-mouth communications;

(2) purchase intention;

(3) price sensitivity; and

(4) complaining behavior.

Leading service organizations strive to maintain a superior quality of service in an effort to gain customer loyalty (Zeithaml & Bitner, 1996); thus, a service organization' s long-term success in a market is essentially determined by its ability to expand and maintain a large and loyal customer base. The challenge for today's organizations is not merely to reach the top, but to stay there. If that is an organization's aim, its primary focus should be not merely to attract customers, but to obtain their loyalty for the present and for the long term. In reality, customers are inherently loyal and seek a loyal relationship. Customers have a greater need to maintain a relationship with the service because of the unique features inherent in services, namely intangibility, inseparability of production and consumption, heterogeneity and perishability.

2.7 Service Quality Measurement

Many researchers have recognized the need to develop distinct and valid measures of service quality. In management literature, different models technical and functional quality model by Grönroos (1984); GAP model by Parasuraman *et al.* (1985); attribute service quality model by Haywood-Farmer (1988); synthesized model of service quality by Brogowicz *et al.* (1990);

attribute and overall affect model by Dabholkar (1996); the P-C-P attributes model by Philip and Hazlett (1997); internal service quality model by Frost and Kumar (2000); Lehtinen and Lehtinen (1991) also introduced a three dimensional approach comprised of physical quality, interactive quality, and corporate quality (pp. 288-290) etc. have been developed in order to find the determinants of the concept of service quality as well as the appropriate quality measurement techniques.

In this review of literature it is important to focus on two models: Service quality, customer Value and Customer satisfaction model (Oh, 1999) and the Gap model (Parasuraman et al. 1985) because it is used to measure service quality and to establish relationship between service quality and repurchase intention (loyalty).

2.7.1 Service Quality, Customer Value and Customer Satisfaction Model (Oh, 1999)

Oh (1999), proposed an integrative model of service quality, customer value, customer satisfaction and loyalty. The model focuses mainly on post purchase decision process. The model incorporates key variables such as perceptions, service quality, consumer satisfaction, customer value and intentions to repurchase. The model provides evidence that customer value has a significant role in customer's post-purchase decision-making process. It is an immediate antecedent to customer satisfaction and repurchases intentions. Results also indicate that perceived price has a negative influence on perceived customer value and no relationship with perceived service quality.

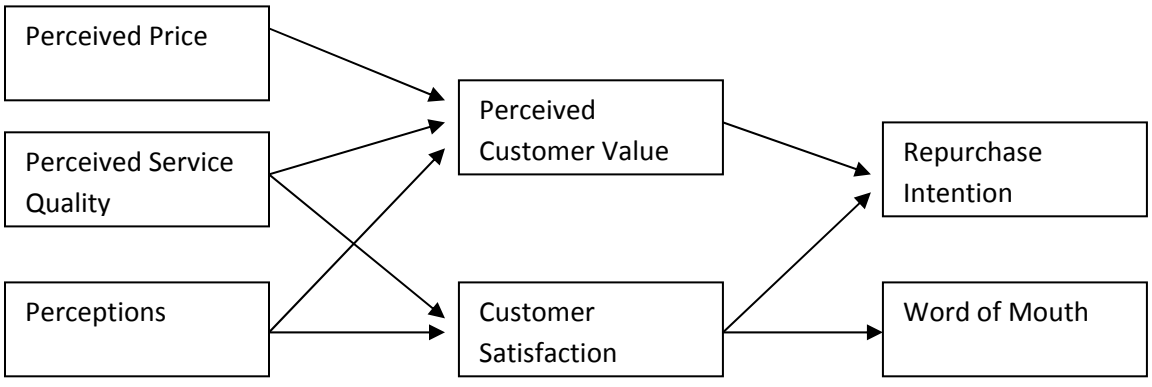

Fig. I: Service Quality, Customer Value and Customer Satisfaction Model

Source: Oh, (1999)

2.7.2 Gap Model

Parasuraman et al. (1985) proposed that service quality is a function of the differences between expectation and performance along the quality dimensions. They developed a service quality model based on gap analysis. The various gaps visualized in the model are:

Gap 1: Difference between consumers' expectation and management's perceptions of those expectations, i.e. not knowing what consumers expect.
Gap 2: Difference between management's perceptions of consumer's expectations and service quality specifications, i.e. improper service-quality standards.
Gap 3: Difference between service quality specifications and service actually delivered i.e. the service performance gap.
Gap 4: Difference between service delivery and the communications to consumers about service delivery, i.e. whether promises match delivery?
Gap 5: Difference between consumer's expectation and perceived service. This gap depends on size and direction of the four gaps associated with the delivery of service quality on the marketer's side.

According to this model, the service quality is a function of perception and expectations and can be modeled as:

$$SQ = \sum_{j=1}^{k}(P_{ij}-E_{ij})$$

where:

SQ = overall service quality; k = number of attributes.

P_{ij} = Performance perception of stimulus i with respect to attribute j.

E_{ij} =Service quality expectation for attribute j that is the relevant norm for stimulus i.

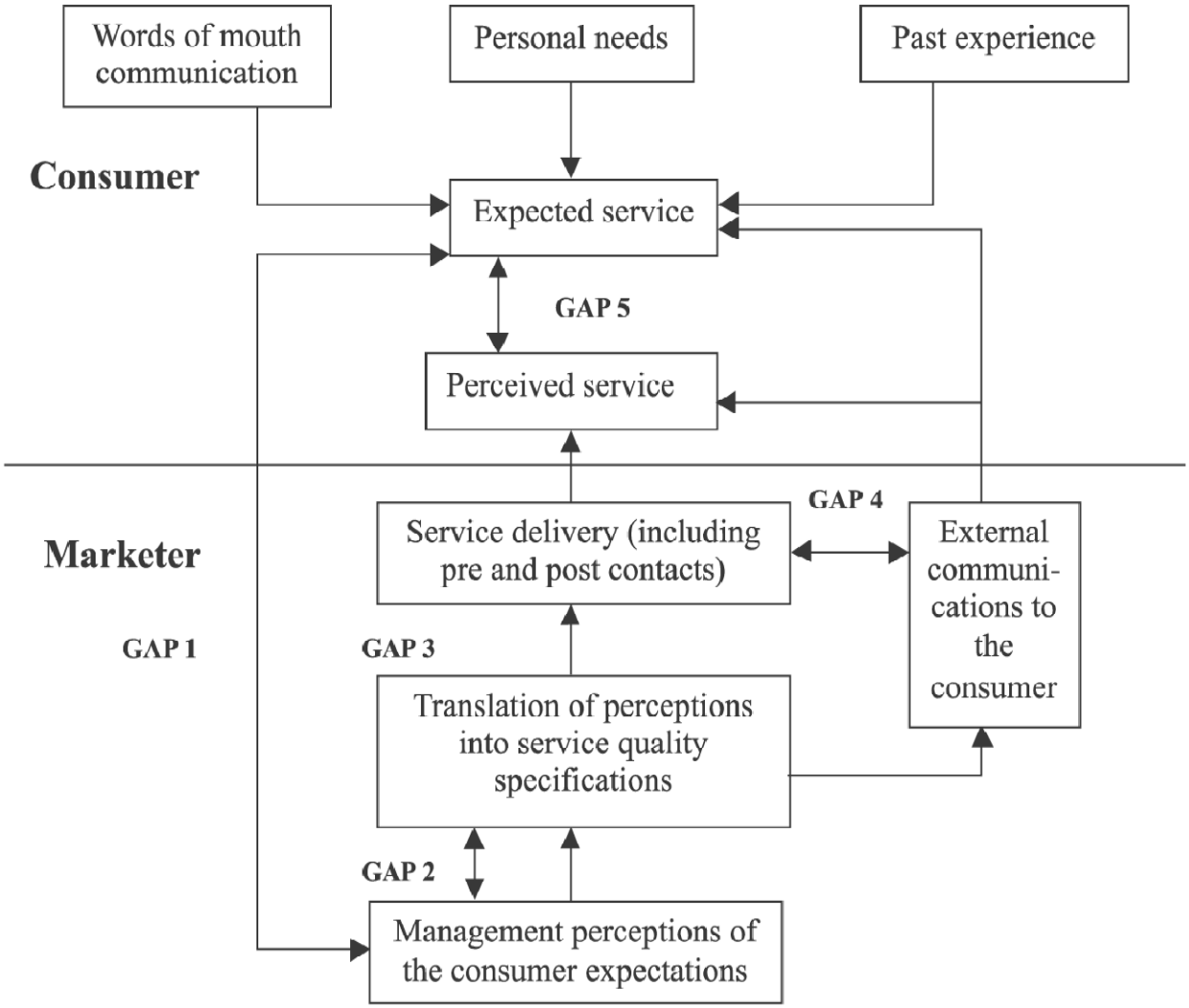

Fig. II: Gap Model

Source: Parasuraman et al. (1985)

2.8 Dimensions of Service Quality

It has been generally agreed that service quality has many dimensions (Gronroos 1984; Parasuraman *et al.* 1985). However, there is no consensus on the exact nature and content of these dimensions (Brady & Cronin 2001). Different scholars have different definitions and focuses about the dimensionality of service quality. Scholars have varied as to the number of dimensions included in each of their models.

The most popular conceptualization of service quality is Parasuraman et al.'s (1985) SERVQUAL model. Originally containing 10 dimensions, Parasuraman et al. (1988) later

reduced the SERVQUAL instrument to its present five dimensions: a) tangibles; b) reliability; c) responsiveness; d) assurance; and e) empathy (pp. 12-37).

Gronroos (1984) suggests that perceived service is the result of a consumer's view of a bundle of service dimensions, some of which are technical in nature and some of which are functional in nature. Technical quality answers the question as to what the consumer actually receives. Functional quality answers the question as to how the consumer receives the service.

Lehtinen and Lehtinen (1991) proposed two approaches to the analysis of service quality and its dimensions. The first approach contains three dimensions consisting of physical quality, interactive quality and corporate quality. Physical quality refers to both the quality of materials and facilities and is representative of Grönroos' (1984) technical and functional quality. Interactive quality pertains to interactions that take place during service delivery between: a) the customer and service personnel; b) the customer and other customers; and c) the customer and equipment (e.g., technology). Corporate quality concerns how customers view the company's image and is representative of Gronroos' (1984) dimension of corporate image (pp. 287-303). Lehtinen and Lehtinen's (1991) second approach to the analysis of service quality and its dimensions was comprised of two dimensions labeled process quality and output quality. Process quality is the customer's personal and subjective judgment of his/her participation in the service production process. Output quality is the consumer's evaluation concerning the result of the service. Output quality is measured by not only the customer, but also by people in the surrounding environment (pp. 287-303).

Dabholkar et al. (1996) suggested that retail customers form evaluations of quality at three different levels: a) a dimension level; b) an overall level; and c) a sub-dimension level. Five dimensions of retail service quality are proposed: a) physical aspects; b) reliability; c) personal interaction; d) problem solving; and e) policy.

Brady and Cronin's (2001) model of service quality had three primary dimensions: a) interaction quality; b) physical environment quality; and c) outcome quality. Interaction quality refers to the perceptions of the customer concerning the interpersonal interactions that take place during service delivery. The sub-dimensions of this dimension suggest that an employee's attitude, behavior, and expertise help to shape a customer's perceptions of interaction quality. Physical

environment quality focuses on the influence that the surrounding environment or physical facilities have on the perceptions of the customer. Customer perceptions of the facility design, ambient conditions, and social conditions of the physical facility directly influence the quality of the physical environment. Outcome quality refers to a customer's perceptions of what he or she is left with after the service is rendered. Sub-dimensions of outcome quality include perceptions of waiting time, tangibles and valence (34-49).

Chapter Three
Research Model

3.1 Introduction

This chapter provides a conceptual framework for this study based on the literature review. This section explains the key factors, variables and relationships among theories or models. The conceptualization helps to answer the study's research questions.

The research model for the present study is developed based on the combination of two theories or models. As indicated in the literature, the Service quality, customer value and customer satisfaction model (Oh, 1999) is used to develop the relationship between perceived service quality and loyalty dimensions namely; repurchase intention and word of mouth. The Gap model again is used to measure the perceived service quality among the insurances.

Within the services marketing literature, overall service quality is normally not viewed as a separate construct but treated as an aggregate construct whereby the individual dimensions are summed to obtain an estimate of overall service quality (Dabholkar et al., 2000; Sachdev and Verma, 2004; Zhou, 2004). The model for the present study has seven dimensions of service quality comprised of Access Quality, Competence, Responsiveness, Courtesy, Infrastructure Quality, Problem solving Quality, and Credibility. Insurance customers evaluated overall service quality based on their perceptions of the seven dimensions. Service quality perceived by the customer implies customer satisfaction, which enhances the customers' intention to return and develop positive word of mouth. Zeithaml et al. (1996) indicated that in services marketing literature, loyalty is also viewed as a multiple construct. Based on their study, four dimensions of loyalty namely; repurchase intention, word of mouth communications, price sensitivity, and complaining behavior were considered for measuring loyalty in this study.

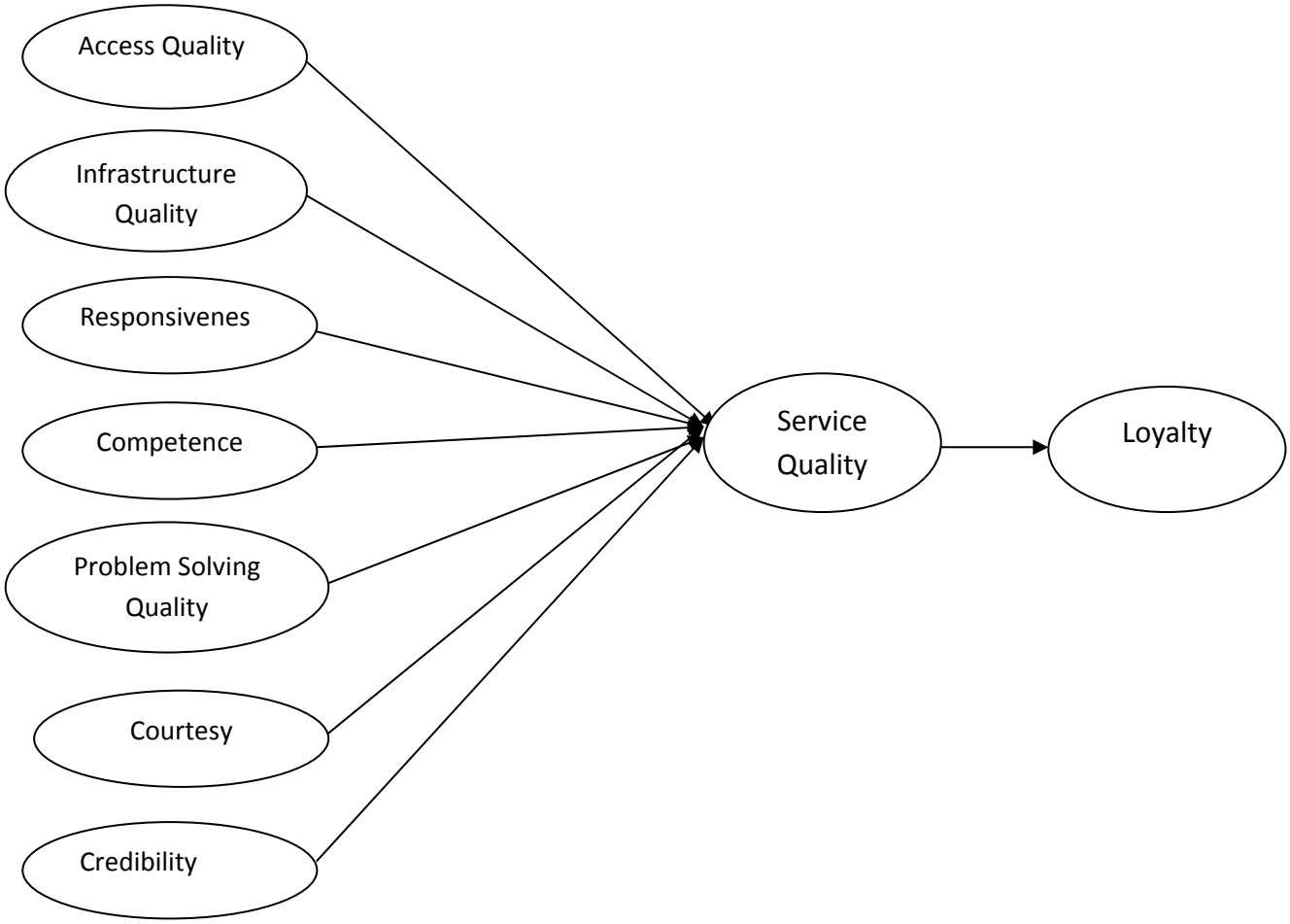

Fig III: Research Model

A wide variety of service quality dimensions have been proposed in the literature of service quality. Grönroos (1984) offered a two-dimensional model comprised of technical quality and functional quality (pp. 29-38), set forth a two-dimensional approach to service quality consisting of process quality and outcome quality. Lehtinen and Lehtinen (1991) also introduced a three dimensional approach comprised of physical quality, interactive quality, and corporate quality (pp. 288-290). Parasuraman, Zeithaml and Berry's (1988a) SERVQUAL model consisted of five dimensions, which includes tangibles, reliability, responsiveness, assurance and empathy (pp. 12-40). Rust and Oliver (1994) introduced a three-dimensional model of service quality encompassing the service product, service delivery and service environment (pp.11-13). Dabholkar, et al.'s (1996) three-dimensional model included physical aspects, reliability and personal interactions (pp. 3-16).

Based on other models found in the service quality literature (Brady & Cronin, 2001; Grönroos (1984); Carmen, 1990a; Chelladurai, et al., 1987; Dabohlkar et al., 1996; Ko & Pastore, 2004), Lehtinen and Lehtinen (1983), the research model is comprised of seven dimensions or targets of evaluation to measure perceived service quality: access quality, Competence, Responsiveness, Courtesy, Infrastructure quality, problem solving quality and Credibility. The dimensions are explained as follows.

3.2 Determinants of Service Quality in the Research Model

Access Quality

The first primary dimension of the proposed model is access quality. Accessibility has been described as an important element within the context of service companies Parasuraman, et al (1985; 1988). Accessibility may entail services related to how convenient the location of the insurance is, its operation hours and the waiting time for services. Insurance customers are more likely to perceive a higher quality experience when they can easily access the various places and things they want to see and do.

Competence

Gronroos (1983) indicated competence as an important dimension from the customer's point of view in service industries. Competence includes knowledge and skills not only of the contact personnel but also of the support personnel.

Responsiveness

Responsiveness relates to timeliness of service and willingness of employees in providing service. Parasuraman et al. (1985; 1988) described responsiveness as an important element because it measures the company's ability to respond well and if it is at a reasonable speed.

Courtesy

Similar to Johnston et al (1990) and Gronroos (1983), Courtesy refers to politeness, respect and consideration for the customer, and friendliness of the contact personnel and of the entire organization.

Infrastructure Quality

The infrastructure quality dimension is similar to the same dimension from SERVQUAL which is tangibles. It measures the appearance of physical facility of the insurance and people delivering the service.

Problem Solving Quality

Dabholkar et al. (1996) suggested the problem solving quality dimension in retail service providing companies. It measures how personnel of the insurance companies address complaints of customers.

Credibility

Credibility refers to trustworthiness of the insurance company. Gronroos (1983), indicated that this can come from the company's reputation and brand name. Most importantly, it comes from basic honesty of the service firm and the contact personnel.

Table I: Summary of Dimensions of Insurance Service Quality

Dimensions	Descriptions
Access Quality Parasuraman, et al (1985; 1988)	Convenience of the insurance location Hours of operation Waiting time for services
Competence Gronroos (1983)	Knowledge and skills of the contact personnel
Responsiveness Parasuraman et al. (1985; 1988)	Prompt response to the service need of customer
Courtesy Johnston et al (1990)	Politeness, respect and consideration for the customer
Infrastructure quality Parasuraman, et al (1986)	Appearance of physical facility of the insurance and people delivering the service
Problem solving quality Dabholkar et al. (1996)	How personnel address complaints
Credibility Gronroos (1983)	Trustworthiness of the service company.

Chapter Four
Research Methodology

This chapter provides the details of the research strategies adopted to address the research issue identified above, together with the means of collecting data for analysis, and the analysis approach. The method and procedures used in this study are presented under the following subheadings: research design, sampling, data collection, data analysis, and scope and limitation of the study.

4.1 Research Design

Quantitative research design was employed in this study. According to Ary, et al. (2002), quantitative research explains phenomenon by using objective measurement and statistical analysis of numeric data. Service quality dimensions (Access Quality, Competence, Responsiveness, Courtesy, Infrastructure quality, problem solving quality and credibility) are independent variables and service quality and loyalty are dependent variables. It is important to note here that service quality would seem to be an independent variable in the current model because it is hypothesized to influence loyalty. However, because this variable is influenced by other variables, it is not considered as independent variable. The unit of observation for this study was customers as respondents. The unit of analysis was Perception.

4.2 Sampling

The target samples for the study were insurance customers found at the counter of the insurance companies and corporate clients of the insurances in Addis Ababa. An estimate of the average number of customers who visit the insurances per day is multiplied by four weeks of data collection time which resulted a total of 120 respondents (40 customers from each insurance company). Two branches of each of the three insurances with larger number of visits were also selected. The branches considered in the study were: Awash Insurance: Bole branch and Hayahulet Mazoria branch; Nyala Insurance: Bole branch and Beklobet branch and from Nile Insurance: Lagar branch and Aba Koran branch.

4.3 Data Collection Method

Primary data is important for this study and was gathered through set of survey questionnaire. And secondary data pertaining to previous researches and studies in related area was also collected.

Structure of Research Questionnaire

The questionnaire that was used in this study is divided into three sections:
Section A: Demographic Information

This section was used for statistical reasons. It consisted of seven questions to find out the demographic features of the respondents such as age, gender, marital status, career, academic qualification and the like.

Section B: Customers' Expectation and Perception

This section was used to identify customers' expectation and perceptions by using 17 service attributes on five-point interval scale.

Section C: Loyalty

In the last section of the questionnaire, customers were asked the overall judgment of service quality and loyalty based on a five- scale interval.

4.4 Analysis Method

In the analysis part, the statistical program named SPSS was used. Gap analysis (perception minus expectation) was performed to measure the service quality in insurance industry. The mean of each statement was calculated for perception as well as expectation and the average Gap Score for each dimension was obtained. This was done by deducting the mean score perception for each attributes from the mean score of expectation i.e. (P-E). The average dimension scores (for all seven dimensions) were divided by seven to obtain the unweighted score of service quality. The research also used descriptive statistics, factor analysis, and correlation analysis to determine the relationship between service quality and loyalty.

4.5 Validity Analysis

The content validity of the instrument for the present study was ensured as the service quality dimensions and items are identified from the literature and were reviewed by professionals and academicians. Pilot tests were then conducted with customers who were seen as similar to the population for the study. The purpose of the pre-testing was to refine the questionnaire and to assess the validity of measures in Ethiopian context.

4.6 Reliability Analysis

Bells (1993) cited in (Eriksson, 2002) states that reliability with regards to the consistency of the results is obtained from the instrument used in the research. The present study is reliable because it used valid strategies and techniques appropriate to the research objectives. It has been tried also to present a detailed evidence of the research plan (i.e. details of the research site, method of sample selection, instruments used) and its implementation in the methodology section to assure the study's reliability.

4.7 Delimitations and Limitation

4.7.1 Delimitations

Service quality was measured from the perspective of the customer in this particular study while it can also be measured from the perspective of service provider (i.e. Total Quality Management). It is also important to know that in this study that based on Service quality, customer value and customer satisfaction model (Oh, 1999) the relationship between service quality and loyalty is mediated by customer satisfaction and customer value, and the outcome variables are only limited to repurchase intention and word of mouth. This study however, aimed to study the direct relationship between perceived service quality and loyalty without measuring customer value. And loyalty was measured in terms of repurchase intentions, word of mouth, price sensitivity and complaining behavior (Zeithaml et al. 1996).

This study also confined itself geographically to surveying customers' perception of service quality and its impact on loyalty at selected branches of Awash Insurance S.C, Nyala Insurance and Nile Insurance S.C. The branches considered in the study are: Awash Insurance, Bole branch

and Hayahulet Mazoria branch; Nyala Insurance, Bole branch and Beklobet branch and from Nile Insurance, Lagar branch and Aba Koran branch. The selection of branches is based on the amount of customer served per day.

4.7.2 Limitations

As can be said for all research, this study does not proceed without limitations. The most obvious limitation is the type of research being conducted. In survey research respondents may misinterpret various items on the questionnaire, some subjects in the study may simply forget to complete and return the questionnaire, and it is possible that segments of the population may not be able to read and respond to the questionnaire. The sample size is not large but adequate for the type of analysis done. Furthermore, the study is limited in scope as to the number of quality dimensions of evaluation. The results in the study pertain only to the respondents and generalization to a wider population should be done with consideration.

4.8 Future Research Implications

It is worth suggesting some areas for potentially useful future research. First, more studies on service quality and loyalty should be undertaken to firmly establish a consistent relationship between service quality and loyalty. In addition, future research could consider studying the effect of switching cost.

Chapter Five
Data Presentation Analysis and Interpretation

This chapter reveals the results of the study. The data collected through the means of questionnaires are analyzed & interpreted using the SPSS software. Detailed analysis of the results derived from this analysis is presented in this chapter. It took the researcher four weeks in the distribution and collection of the questionnaires. 120 questionnaires were distributed among 3 insurance companies, of this 110 were returned but 14 of them were rejected as a result of so many omissions in filling. Overall, 96 questionnaires (80%) complete responses were returned from the three insurances.

First, the descriptive statistics of the research population is presented. Second, service quality gap is measured and compared among the insurances based on the seven dimensions. Third, factor analysis is conducted for each insurance to determine which dimensions are important for each insurance in Ethiopian context. Finally, correlation analysis is conducted for each insurance to determine the relationship between service quality and loyalty for each insurance.

5.1 Nile Insurance Company (S.C)

Nile Insurance Company S.C was established on 11th of April, 1995 under License No. 6/95 issued by the National bank of Ethiopia as a share company by renowned entrepreneurs and professionals of Ethiopian citizens.

5.1.1 Sample Profile of Nile Insurance Respondents

The demographic backgrounds of the sample respondents in seven parameters are presented to understand the customer profiles i.e., gender, age, education, occupation, policy types and terms, and premium amounts. Forty (40) questionnaires were distributed to two branches of Nile insurance with 20 questionnaires in each branch. A total of 32 questionnaires were returned i.e. 80% of the total distributed questionnaires used for the analysis.

Table II depicts the sample profile of the respondents. Accordingly about 18.8% of the respondents are females and the rest are males (81.3%). This shows that majority of the respondents are male.

The table also depicts age distribution of the respondents. It is evident from the table that the age group 30-40 years is dominant insurance users which is 56.3% of total respondents. Respondents with age group of less than 30 years account for 21.9% of total respondents. The rest 15.6% and 6.3% are respondents in the age group of 40-60 and greater than 60 years respectively. The marital status of respondents also shows that 19(59.4%) are married and 12(37.5%) are single while 1(3.1%) person has a different status.

It is observed from the same table that, 2(6.3%) respondents have completed some high school, 2(6.3%) are diploma holders, whereas 20(62.5%) respondents are first degree holders and 8(25.0%) have masters and above. This indicates that most of the insurance customers are educated and have a good understanding of quality insurance service.

Taking into account the occupation of the customers, salaried persons dominate the sample with 18(56.3%) respondents. 14(43.8%) are self-employed customers. This indicates that customers of Nile insurance have consistent source of income.

Table II: Profile of the Respondents

Parameters		**Frequency**	**Percentage**
Gender	Male	26	81.3
	Female	6	18.8
Age	<30	7	21.9
	30-45	18	56.3
	46-60	5	15.6
	>60	2	6.3
Marital Status	Married	19	59.4
	Single	12	37.5
	Other	1	3.1
Education	Some high School	2	6.3
	High School complete	0	0
	Diploma	2	6.3
	Degree	20	62.5
	Graduate degree or above	8	25.0
Occupation	Salaried	18	56.3
	Self-employed	14	43.8
	Retired	0	0
	Other	0	0
Type of policy purchased	Assets	21	65.6
	Business	10	31.3
	Staff	1	3.1
	Other	0	0
Policy Term (in years)	<1year	6	18.8
	1-5years	23	71.9
	5-10years	1	3.1
	10-20years	0	0
	>20 years	2	6.3
Premium Amount (in Birr)	< 100	0	0
	100-5000	16	50.0
	5000-10000	10	31.3
	>10000	6	18.8
All Samples		**32**	**100**

The policy term indicates the customer's service experience with Nile insurance. 23(71.8%) indicated that they have 1-5 years of service experience with the insurance. 3(9.4%) and 6(18.8%) have more than five years and less than one year experience respectively. This indicates the more than 80% of the respondents of the insurance have longer service experience to measure the service quality of the insurance.

The following table depicts the cross tabulation of two variables; Type of policy purchased and Policy term. It is indicated in table that the most purchased type of policy is Assets which account 21(65.6%) of the total type of policy purchased. As indicated in the table also the most preferred policy term is 1-5 years with 71.9%.

Table III: Cross Tabulation of Type of Policy Purchased and Policy Term

Type of Policy purchased		**Policy term**				
		<1year	1-5 years	5-10 years	>20 years	**Total**
	Assets	3	17	1	0	**21**
	Business	3	5	0	2	**10**
	Staff	0	1	0	0	**1**
Total		**6**	**23**	**1**	**2**	**32**

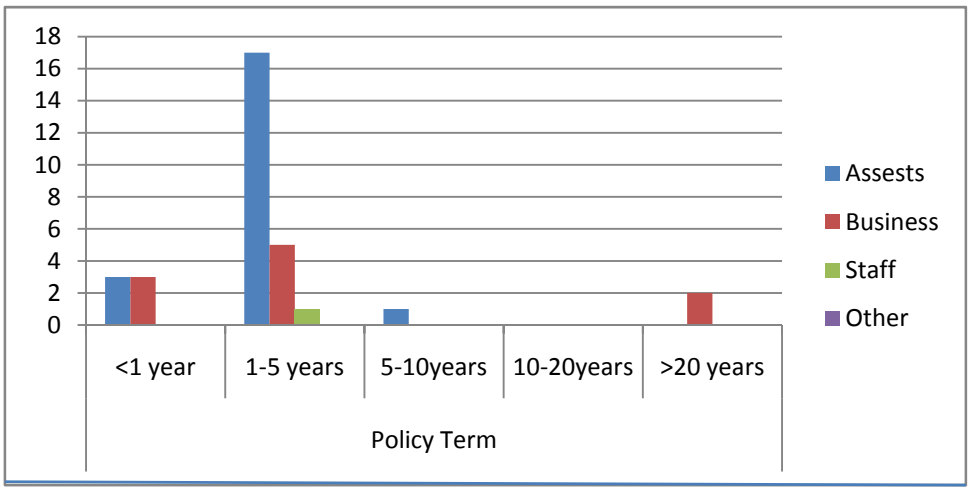

Fig IV: Type of policy purchased by term of policy (Nile)

Finally, table II indicates that 50% of respondents purchased policy with premium amount of 100-5000 birr while around 31% of the respondents purchased 5000-10000 birr policy.

5.1.1. Data Presentation for Nile Insurance

Expectation

Table IV presents the frequencies and percentages of expectation of Nile respondents measured on five point scale (Not important – Very important) on the seven dimensions of service quality.

Table IV indicates that 15 (46.9%) respondents of Nile insurance indicated that location of branches is very important. 15(46.9%) respondents also indicated convenient operating hours is important. 14(43.8%) of the respondent also indicated that not waiting for services is also very important. Modern looking equipment is important for 12(37.5%) of the respondents while 3(9.4%) of the respondents think it is not important. Majority of the respondents indicated that visually appealing physical features are important to them. 19(59.4%) of the customers indicated that keeping promises is a very important attribute. Again, 18(56.3%) indicated that performing service right the first time is very important. 23(71.9%) respondents also think that it is very important to perform services without delay. 6(18.8) customers also think it is an important attribute.

23(71.9%) respondents indicated that both contact and support personnel with the necessary competence in any insurance are very important while 17(53.1%) indicated that it is fairly important. Similarly, majority of the respondents indicated that employee's willingness to help is an important attribute. 24(75.0%) respondents think that understanding the specific needs of customers is very important. The same percentage of individuals (65.6%) believes that problem solving quality is very important for insurance. Finally, majority of the respondents indicated that both credibility of staff and reputation of the insurance are very important attributes for an insurance to have the best service quality.

Table IV: Data Presentation on Expectation for Nile Insurance

Dimensions	Attributes	Expectation										Total	
		Not Important		Less Important		Neutral		Important		Very Important			
		F	%	F	%	F	%	F	%	F	%	F	%
Access Quality	Convenient location of branches	0	0	0	0	4	12.5	13	40.6	15	46.9	32	100
	Convenient operating hours	0	0	0	0	5	15.6	15	46.9	12	37.5	32	100
	Waiting for Services	0	0	1	3.1	4	12.5	13	40.6	14	43.8	32	100
Infrastructure Quality	Modern looking equipment	1	3.1	2	6.3	6	18.8	12	37.5	11	34.4	32	100
	Visually appealing physical features	0	0	3	9.4	7	21.9	15	46.9	7	21.9	32	100
Responsiveness	Provide services at the time they promise to do so	0	0	0	0	3	9.4	10	31.3	19	59.4	32	100
	Staff performing service right the first time	0	0	0	0	4	12.5	10	31.3	18	56.3	32	100
	Services done without delay	0	0	0	0	3	9.4	6	18.8	23	71.9	32	100
Competence	Contact personnel having knowledge to answer questions	0	0	0	0	1	3.1	8	25.0	23	71.9	32	100
	Support personnel having knowledge to answer questions	0	0	0	0	0	0	9	28.1	23	71.9	32	100
Courtesy	Staff willingness to help	0	0	0	0	0	0	12	37.5	20	62.5	32	100
	Staff being polite during service contact	0	0	0	0	0	0	12	37.5	20	62.5	32	100
	Understand the specific needs of customers	0	0	0	1	3.1	0	7	21.9	24	75.0	32	100
Problem Solving Quality	Addresses complaints quickly	0	0	0	0	2	6.3	9	28.1	21	65.6	32	100
	Provides appropriate solutions to problems	0	0	0	0	3	9.4	8	25.0	21	65.6	32	100
Credibility	Contact personnel are honest	0	0	0	0	1	3.1	12	37.5	19	59.4	32	100
	Excellent Reputation	0	0	0	0	4	12.5	10	31.3	18	56.3	32	100

Perception

Table V presents the frequencies and percentages on perception of Nile respondents measured on five point scale (Very dissatisfied – Very satisfied) on the seven dimensions of service quality.

Table V presents the perception of customers of Nile about the insurance. 17(53.1%) of the customers indicated that they are satisfied with the insurance branch locations while 4(12.5%) are dissatisfied and 2(6.3%) of the customers are very dissatisfied. It is also indicated that more than 50% of the customers are satisfied with the operating hour of the company. 10(31.3%) are fairly satisfied with the response time while 8(25%) customer are more than satisfied.

In responsiveness dimension, 2(6.3%) customers are very dissatisfied with providing services at the promised time, 3(9.4%) are very dissatisfied with staff performing service right the first time. More than 50% of the customers are satisfied with employee competence however; around 22% of the customers are dissatisfied with competence of contact and support personnel of the insurance. 8(25%) are dissatisfied with employee willingness to help, 15(40.6%) are satisfied and 9(28.1%) are very satisfied. 17 customers are satisfied with the courtesy of Nile employees whereas, 6(18.8%) are dissatisfied and 1(3.1%) is very dissatisfied. In problem solving quality, more than 50% are dissatisfied and very dissatisfied. However, 29% of the customers are satisfied with the company's problem solving ability. Majority of the respondents indicated that they are satisfied with credibility of the company.

Table V: Data Presentation on Perception for Nile Insurance

Dimensions	Attributes	Perception										Total	
		Very Dissatisfied		Dissatisfied		Neutral		Satisfied		Very satisfied			
		F	%	F	%	F	%	F	%	F	%	F	%
Access Quality	Convenient location of branches	2	6.3	4	12.5	1	3.1	17	53.1	8	25.0	32	100
	Convenient operating hours	1	3.1	4	12.5	7	21.9	11	34.4	9	28.1	32	100
	Waiting for Services	0	0	10	31.3	6	18.8	8	25.0	8	25.0	32	100
Infrastructure Quality	Modern looking equipment	3	9.4	6	18.8	10	31.3	8	25.0	5	15.6	32	100
	Visually appealing physical features	3	9.4	7	21.9	12	37.5	8	25.0	2	6.3	32	100
Responsiveness	Provide services at the time they promise to do so	2	6.3	8	25.0	8	25.0	10	31.3	4	12.5	32	100
	Staff performing service right the first time	3	9.4	9	28.1	8	25.0	8	25.0	4	12.5	32	100
	Services done without delay	1	3.1	10	31.3	6	18.8	10	31.3	5	15.6	32	100
Competence	Contact personnel having knowledge to answer questions	0	0	7	21.9	5	15.6	11	34.4	9	28.1	32	100
	Support personnel having knowledge to answer questions	0	0	7	21.9	3	9.4	15	46.9	7	21.9	32	100
Courtesy	Staff willingness to help	0	0	8	25.0	2	6.3	13	40.6	9	28.1	32	100
	Staff being polite during service contact	1	3.1	6	18.8	8	25.0	9	28.1	8	25.0	32	100
	Understand the specific needs of customers	2	6.3	6	18.8	7	21.9	8	25.0	9	28.1	32	100
Problem Solving Quality	Addresses complaints quickly	4	12.5	13	40.6	6	18.8	7	21.9	2	6.3	32	100
	Provides appropriate solutions to problems	4	12.5	14	43.8	5	15.6	7	21.9	2	6.3	32	100
Credibility	Contact personnel are honest	1	3.1	6	18.8	5	15.6	11	34.4	9	28.1	32	100
	Excellent Reputation	2	6.3	6	18.8	8	25.0	10	31.3	6	18.8	32	100

Loyalty

Table VI presents the frequency and percentage of loyalty dimensions measured on five point scale (Strongly disagree – Strongly agree) for Nile insurance respondents.

As shown in table VI below, 11(34.4%) customers indicated that they agree to the statement 'I plan to continue to be a customer of this insurance', 7(21.9%) strongly agree, 4(12.5%) customers disagree and 4(12.5%) strongly disagree. Again 11(34.4%) customers also responded that they plan to tell about the quality of service of this insurance to others, 7(21.9%) responded they strongly agree while 3(9.4%) respondents disagree and 4(12.5%) strongly disagree.

Table VI: Data Presentation on Loyalty for Nile Insurance

Dimension	**Strongly Disagree**		**Disagree**		**Neutral**		**Agree**		**Strongly Agree**	
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**
I plan to continue to be customer of this insurance	4	12.5	4	12.5	6	18.8	11	34.4	7	21.9
I plan to tell about service quality of this insurance to others	4	12.5	3	9.4	7	21.9	11	34.4	7	21.9
I plan to continue to be customer of this insurance regardless of price increase	4	12.5	10	31.3	7	21.9	7	21.9	4	12.5
I never complain about my insurance regardless of service quality	3	9.4	8	25.0	7	21.9	12	37.5	2	6.3
I am loyal customer to this insurance	2	6.3	4	12.5	9	28.1	11	34.4	6	18.8

4(12.5%) respondents strongly disagree and 10(31.3%) respondents disagree to the dimension 'I plan to continue to be customer of the insurance regardless of price increase' however, 7(21.9%) fairly agree and 4(12.5%) respondents strongly agree to this statement. Around 40% of the respondents indicated agree to the dimension 'I never complain about my insurance regardless of

service quality'. 53.1% of respondents indicated that they are loyal customers while 18.8% disagree being loyal customers.

5.2 Nyala Insurance (S.C)

Nyala Insurance S.C. is established in July 1995 and started operating in general insurance giving financial protection in causality and property. In 2006, it became a composite company by adding Life Assurance to its total business envelops. The company started with paid up capital of 7million.

5.2.1 Sample Profile of Nyala Insurance Respondents

The demographic backgrounds of the sample respondents in seven parameters are presented to understand the customer profiles i.e., gender, age, education, occupation, policy types and terms, and premium amounts. Forty (40) questionnaires were distributed to two branches of Nyala insurance with 20 questionnaires in each branch. A total of 32 questionnaires were returned i.e. 80% of the total distributed questionnaires used for the analysis.

Table VII depicts the sample profile of the respondents for Nyala Insurance. Accordingly about 10(31.3%) of the respondents are females and the rest 22(68.8%) are males. This shows that majority of the respondents are male.

It is also evident from the table that the age group 30-40 years is dominant insurance users which are 53.1% of total respondents. Respondents with age group of less than 30 years account for 25% of total respondents. The rest 18.8% and 3.1% are respondents in the age group of 40-60 and greater than 60 years respectively. The marital status of respondents also shows that 18(56.3%) are married and 12(37.5%) are single while 2(6.3%) persons have a different status.

Table VII: Profile of Respondents (Nyala Insurance)

Parameters		**Frequency**	**Percentage**
Gender	Male	22	68.8
	Female	10	31.3
Age			
	<30	8	25
	30-45	17	53.1
	46-60	6	18.8
	>60	1	3.1
Marital Status			
	Married	18	56.3
	Single	12	37.5
	Other	2	6.3
Education			
	Some high School	2	6.3
	High School complete	2	6.3
	Diploma	6	18.8
	Degree	17	53.1
	Graduate degree or above	5	15.6
Occupation			
	Salaried	19	59.4
	Self-employed	12	37.5
	Retired	0	0
	Other	1	3.1
Type of policy purchased	Assets	13	40.6
	Business	9	28.1
	Staff	4	12.5
	Other	6	18.8
Policy Term (in years)	<1year	6	18.8
	1-5years	21	65.6
	5-10years	4	12.5
	10-20years	1	3.1
	>20 years	0	0
Premium Amount (in Birr)	< 100	0	0
	100-5000	22	68.8
	5000-10000	5	15.6
	>10000	5	15.6
All Samples		32	100

It is observed from the same table that, 2(6.3%) respondents have completed some high school, 2(6.3%) respondents have completed high school, 6(18.8%) are diploma holders, whereas 17(53.1%) respondents are first degree holders and 5(15.6%) have masters and above. This indicates that most of the insurance customers are educated and have a good understanding of quality insurance service.

Taking into account the occupation of the customers, salaried persons dominate the sample with 19(59.4%) respondents. 12(37.5%) are self-employed customers and 1(3.1%) respondent with no occupation.

The policy term indicates the customer's service experience with Nyala insurance. More than half of the respondents 21(65.6%) indicated that they have 1-5 years of service experience with the insurance. 5(15.6%) and 6(18.8%) have more than five years and less than one year experience respectively. This indicates the more than 80% of the respondents of the insurance have longer service experience to measure the service quality.

The following table depicts the cross tabulation of two variables; Type of policy purchased and Policy term.

Table VIII: Cross Tabulation of Type of Policy Purchased and Policy Term

		Policy term				
		<1year	**1-5 years**	**5-10 years**	**10-20 years**	**Total**
Type of policy purchased	Assets	1	12	0	0	13
	Business	3	3	2	1	9
	Staff	0	3	1	0	4
	Other	2	3	1	0	6
Total		**6**	**21**	**4**	**1**	**32**

It is indicated in table above that purchase of policy is distributed among all types. However, the most purchased type of policy is Assets with 41% of the total type of policy purchased. As indicated in the table also the most preferred policy term is 1-5 years with 65.6%.

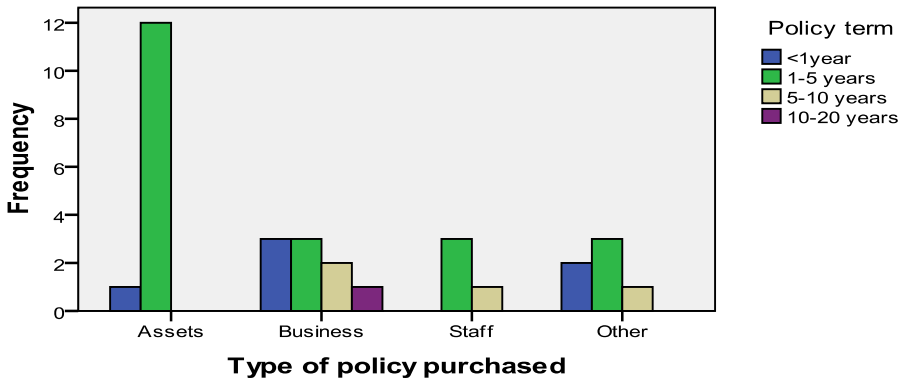

Figure V: Type of policy purchased by term of policy (Nyala)

Finally, table VII indicates that 22 respondents purchased policy with premium amount of 100-5000 birr while 5 respondents purchased 5000-10000birr and 5 purchased more than 10000 birr policy.

5.2.2 Data presentation for Nyala Insurance

Expectation

Table IX presents the description of the frequencies and percentages of responses collected from customers of Nyala insurance. 21(65.6%) of the respondents believe that convenience of location is very important. Majority of the respondents indicated that convenient operating hours and not having to wait for services are also very important attributes. 11(34.4%) respondents indicated that modern looking equipment and visually appealing physical features are not important to measure quality of service for an insurance. 17(53.1%) of the respondents however, indicted that both of the attributes are important. 19%(59.4%) customers think that keeping promises is a very important attribute. 50% of the respondents also think that performing services right the first time is very important. 22(68.8%) respondents believe that attributes of courtesy are very important while 9(28.1%) believe that it is fairly important. Providing appropriate solutions is

very important to 17(53.1%) of the respondents while for 10(31.3%) respondents it is only fairly important. It is also possible to see from the table that majority of the respondents indicated honesty and reputation are very important attributes.

Table IX: Data Presentation on Expectation for Nyala Insurance

Dimensions	Attributes	Expectation										Total	
		Not Important		Less Important		Neutral		Important		Very Important			
		F	%	F	%	F	%	F	%	F	%	F	%
Access Quality	Convenient location of branches	1	3.1	0	0	2	6.3	8	25.0	21	65.6	32	100
	Convenient operating hours	1	3.1	1	3.1	4	12.5	13	40.6	13	40.6	32	100
	Waiting for Services	0	0	2	6.3	2	6.3	11	34.4	17	53.1	32	100
Infrastructure Quality	Modern looking equipment	0	0	6	18.8	5	15.6	14	43.8	7	21.9	32	100
	Visually appealing physical features	0	0	5	15.6	6	18.8	11	34.4	10	31.3	32	100
Responsiveness	Provide services at the time they promise to do so	0	0	0	0	2	6.3	11	34.4	19	59.4	32	100
	Staff performing service right the first time	0	0	0	0	5	15.6	11	34.4	16	50.0	32	100
	Services done without delay	0	0	0	0	3	9.4	12	37.5	17	53.1	32	100
Competence	Contact personnel having knowledge to answer questions	0	0	0	0	4	12.5	5	15.6	23	71.9	32	100
	Support personnel having knowledge to answer questions	0	0	0	0	4	12.5	10	31.3	18	56.3	32	100
Courtesy	Staff willingness to help	0	0	0	0	1	3.1	9	28.1	22	68.8	32	100
	Staff being polite during service contact	0	0	0	0	1	3.1	9	28.1	22	68.8	32	100
	Understand the specific needs of customers	0	0	0	0	1	3.1	9	28.1	22	68.8	32	100
Problem Solving Quality	Addresses complaints quickly	0	0	0	0	2	6.3	12	37.5	18	56.3	32	100
	Provides appropriate solutions to problems	0	0	0	0	5	15.6	10	31.3	17	53.1	32	100
Credibility	Contact personnel are honest	0	0	0	0	2	6.3	8	25.0	22	68.8	32	100
	Excellent Reputation	0	0	0	0	4	12.5	9	28.1	19	59.4	32	100

Perception

Table X presents the frequencies and percentages on perception of Nyala respondents measured on five point scale (Very dissatisfied – Very satisfied) on the seven dimensions of service quality.

As shown on table X, 3(9.4%) respondents are very dissatisfied, 3(9.4%) are dissatisfied, 14(43.8%) are satisfied and 8(25%) are very satisfied with the insurance location. The insurance's operating hour is convenient for more than 50% of the customers. 17(53.1%) are satisfied with customers not having to wait for services.

In infrastructure quality dimension 14(43.8%) customers indicated that they are satisfied with the modern looking equipment the company has. More than 50% of customers are also satisfied with the physical features. However, 8(25%) respondents believed they are dissatisfied with the physical features.

In responsiveness dimension customers are more satisfied with services done without delay attribute. 17(53.1%) customers are satisfied with keeping promises and 16(50%) are satisfied with staff performing service right the first time. However, around 22% of respondents are dissatisfied with keeping promises and also 13% dissatisfied with staff performing service right the first time.

50% of Nyala customers indicated they are very satisfied with competence of contact personnel. Similarly, 25% are also satisfied with contact personnel knowledge. 12(37.5%) customers responded that they are satisfied with politeness during contact and understanding customers' specific need. Similarly, 17(53.1%) individuals are very satisfied with staff willingness to help. More than 50% of respondents indicated that they are satisfied with both addressing complaints and providing appropriate solutions. 15(46.9%) customers are satisfied with credibility, 9(28.1%) are very satisfied whereas, 2(6.3%) customers are dissatisfied.

Table X: Data Presentation on Perception for Nyala Insurance

Dimensions	Attributes	Perception										Total	
		Very Dissatisfied		Dissatisfied		Neutral		Satisfied		Very satisfied			
		F	%	F	%	F	%	F	%	F	%	F	%
Access Quality	Convenient location of branches	3	9.4	3	9.4	4	12.5	14	43.8	8	25.0	32	100
	Convenient operating hours	1	3.1	1	3.1	9	28.1	15	46.9	6	18.8	32	100
	Waiting for Services	2	6.3	2	6.3	6	18.8	17	53.1	5	15.6	32	100
Infrastructure Quality	Modern looking equipment	0	0	5	15.6	11	34.4	14	43.8	2	6.3	32	100
	Visually appealing physical features	0	0	8	25.0	7	21.9	13	40.6	4	12.5	32	100
Responsiveness	Provide services at the time they promise to do so	2	6.3	5	15.6	4	12.5	17	53.1	4	12.5	32	100
	Staff performing service right the first time	2	6.3	2	6.3	5	15.6	16	50.0	7	21.9	32	100
	Services done without delay	1	3.1	1	3.1	5	15.6	20	62.5	5	15.6	32	100
Competence	Contact personnel having knowledge to answer questions	0	0	2	6.3	6	18.8	8	25.0	16	50.0	32	100
	Support personnel having knowledge to answer questions	0	0	3	9.4	5	15.6	10	31.3	14	43.8	32	100
Courtesy	Staff willingness to help	0	0	2	6.3	2	6.3	11	34.4	17	53.1	32	100
	Staff being polite during service contact	0	0	3	9.4	2	6.3	12	37.5	15	46.9	32	100
	Understand the specific needs of customers	0	0	3	9.4	4	12.5	12	37.5	13	40.6	32	100
Problem Solving Quality	Addresses complaints quickly	0	0	5	15.6	8	25.0	17	53.1	2	6.3	32	100
	Provides appropriate solutions to problems	0	0	8	25.0	7	21.9	15	46.9	2	6.3	32	100
Credibility	Contact personnel are honest	0	0	2	6.3	6	18.8	15	46.9	9	28.1	32	100
	Excellent Reputation	0	0	2	6.3	2	6.3	21	65.6	7	21.9	32	100

Loyalty

Table XI presents the frequency and percentage of loyalty dimensions measured on five point scale (Strongly disagree – Strongly agree) for Nile insurance respondents.

As shown in table XI, 17(53.1%) customers indicated that they agree to the statement 'I plan to continue to be a customer of this insurance', 7(21.9%) strongly agree , 1(3.1%) customers disagree and 2(6.3%) strongly disagree. 18(56.3%) customers also responded that they plan to tell about the quality of service of this insurance to others, 3(9.4%) responded they strongly agree while 3(9.4%) respondents disagree and 1(3.1%) respondent strongly disagree.

Table XI: Data Presentation on Loyalty for Nyala Insurance

Dimension	**Strongly Disagree**		**Disagree**		**Neutral**		**Agree**		**Strongly Agree**	
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**
I plan to continue to be customer of this insurance	2	6.3	1	3.1	5	15.6	17	53.1	7	21.9
I plan to tell about service quality of this insurance to others	1	3.1	3	9.4	7	21.9	18	56.3	3	9.4
I plan to continue to be customer of this insurance regardless of price increase	6	18.8	2	6.3	13	40.6	7	21.9	4	12.5
I never complain about my insurance regardless of service quality	6	18.8	4	12.5	7	21.9	12	37.5	3	9.4
I am loyal customer to this insurance	1	3.1	2	6.3	7	21.9	15	46.9	7	21.9

6(18.8%) respondents strongly disagree and 2(6.3%) respondents disagree to the dimension 'I plan to continue to be customer of the insurance regardless of price increase' however, 7(21.9%) fairly agree and 4(12.5%) respondents strongly agree to this statement. Around 40% of the respondents indicated agree to the dimension 'I never complain about my insurance regardless of

service quality'. 69% of respondents indicated that they are loyal customers while 9.4% disagree being loyal customers.

5.3 Awash Insurance (S.C)

Awash Insurance S.C. is established in January 1995 as a share company owned by more than 575 individual and corporate shareholders. The insurance has Subscribed Capital of ETB 80,000,000.00 and Paid-up capital of ETB 55,887,500.00.

5.3.1 Sample Profile of Nile Insurance Respondents

The demographic backgrounds of the sample respondents in seven parameters are presented to understand the customer profiles i.e., gender, age, education, occupation, policy types and terms, and premium amounts. Forty (40) questionnaires were distributed to two branches of Nile insurance with 20 questionnaires in each branch. A total of 32 questionnaires were returned i.e. 80% of the total distributed questionnaires used for the analysis.

Table XII depicts the sample profile of respondents of Awash Insurance. Accordingly, 6 (18.8%) of the respondents are females and the rest 26(81.3%) are males. This shows that majority of the respondents are male.

It is also evident from the table that the age group 30-40 years is dominant insurance users which are 46.9% of total respondents. Respondents with age group of less than 30 years account for 31.3% of total respondents. The rest 7(21.9%) are respondents in the age group of 40-60. The marital status of respondents also shows that 22(68.8%) are married and 9(28.1%) are single while 1(3.1%) person has a different status.

Table XII: Profile of the Respondents (Awash Insurance)

Parameters		**Frequency**	**Percentage**
Gender	Male	26	81.3
	Female	6	18.8
Age			
	<30	10	31.3
	30-45	15	46.9
	46-60	7	21.9
	>60	0	0
Marital Status			
	Married	22	68.8
	Single	9	28.1
	Other	1	3.1
Education			
	Some high School	1	3.1
	High School complete	2	6.3
	Diploma	8	25.0
	Degree	18	56.3
	Graduate degree or above	3	9.4
Occupation			
	Salaried	13	40.6
	Self-employed	16	50.0
	Retired	2	6.3
	Other	1	3.1
Type of policy purchased	Assets	19	59.4
	Business	12	37.5
	Staff	1	3.1
	Other	0	0
Policy Term (in years)	<1year	5	15.6
	1-5years	22	68.8
	5-10years	2	6.3
	10-20years	3	9.4
	>20 years	0	0
Premium Amount (in Birr)	< 100	0	0
	100-5000	25	78.1
	5000-10000	3	9.4
	>10000	4	12.5
All Samples		32	100

It is evident from the table that the age group 30-40 years is dominant insurance users which is 46.9% of total respondents. Respondents with age group of less than 30 years account for 31.3% of total respondents. The rest 7(21.9%) are respondents in the age group of 40-60. The marital status of respondents also shows that 22(68.8%) are married and 9(28.1%) are single while 1(3.1%) person has a different status.

It is observed from the same table that, 1(3.1%) respondent has completed some high school, 2(6.3%) respondents have completed high school, 8(25.0%) are diploma holders, whereas 18(56.3%) respondents are first degree holders and 3(9.4%) have masters and above. This indicates that most of the insurance customers are educated and have a good understanding of quality insurance service.

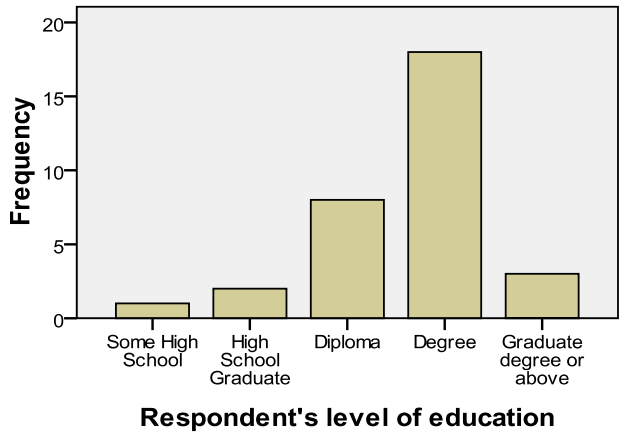

Fig. VI: Educational level of respondents

Taking into account the occupation of the customers, half of the respondents 16(50.0%) are self-employed whereas 13(40.6%) are salaried customers. There are also 2(6.3%) respondents who are retired and 1(3.1%) who does not have occupation.

The policy term indicates the customer's service experience with Awash insurance. More than half of the respondents 22(68.8%) indicated that they have 1-5 years of service experience with the insurance. 5(15.7%) and 5(15.6%) have more than five years and less than one year experience respectively.

The following table depicts the cross tabulation of two variables; Type of policy purchased and Policy term.

Table XIII: Cross tabulation of type of policy purchased and Policy term

		Type of policy purchased			
		Assets	**Business**	**Other**	**Total**
Policy term	<1year	2	2	1	5
	1-5 years	14	8	0	22
	5-10 years	2	0	0	2
	10-20 years	1	2	0	3
Total		**19**	**12**	**1**	**32**

It is indicated in table above that purchase of policy is distributed among all types. However, the most purchased type of policy is Assets with 59.4% of the total type of policy purchased. As indicated in the table also the most preferred policy term is 1-5 years with 68.7%.

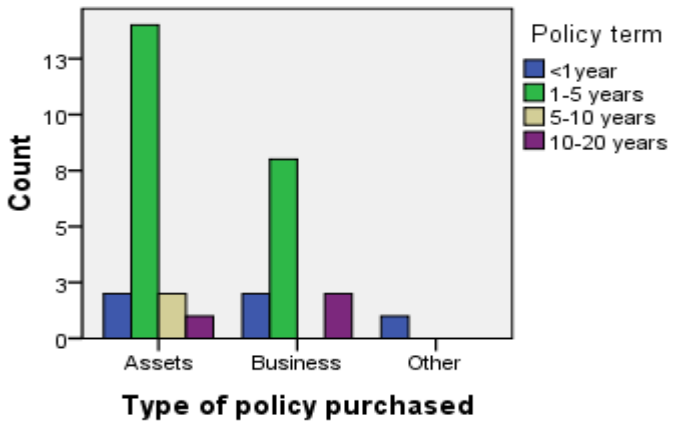

Fig. VII: Type of policy purchased by term of policy (Awash)

5.3.2 Data Presentation for Awash Insurance

Expectation

Table XIV presents the frequencies and percentages of responses of Awash insurance customers. Table XIV indicates that 12(37.5%) respondents of Awash insurance indicated that location of branches is very important. 15(46.9%) respondents also indicated convenient operating hours is very important. 19(59.4%) of the respondent also indicated that not waiting for services is also very important. 12(37.5%) indicated that modern looking equipment is neutral attribute, important for 7(21.9%) of the respondents while less important for 5(15.6) respondents.

Majority of the respondents indicated that visually appealing physical features are fairly important to them. 17(53.1%) of the customers indicated that keeping promises is a very important attribute. Again, 14(43.8%) indicated that performing service right the first time is very important. 19(59.4%) respondents also think that it is very important to perform services without delay.

20(62.5%) respondents indicated that both contact and support personnel with the necessary competence in any insurance is very important while 19(59.4%) indicated that it is fairly important. Similarly, majority of the respondents indicated that employee's willingness to help is an important attribute. 23(71.9%) respondents think that understanding the specific needs of customers is very important. 17(53.1%) respondents believe that problem solving quality is very important for insurance whereas, 8 individuals indicate it is fairly important. Finally, majority of the respondents indicated that both credibility of staff and reputation of the insurance are very important attributes for an insurance to have the best service quality.

Table XIV: Data Presentation on Expectation for Nyala Awash

Dimensions	Attributes	Expectation										Total	
		Not Important		Less Important		Neutral		Important		Very Important			
		F	%	F	%	F	%	F	%	F	%	F	%
Access Quality	Convenient location of branches	0	0	0	0	6	18.8	14	43.8	12	37.5	32	100
	Convenient operating hours	0	0	0	0	6	18.8	11	34.4	15	46.9	32	100
	Waiting for Services	0	0	0	0	4	12.5	9	28.1	19	59.4	32	100
Infrastructure Quality	Modern looking equipment	0	0	5	15.6	12	37.5	7	21.9	8	25.0	32	100
	Visually appealing physical features	0	0	2	6.3	12	37.5	12	37.5	6	18.8	32	100
Responsiveness	Provide services at the time they promise to do so	0	0	0	0	6	18.8	9	28.1	17	53.1	32	100
	Staff performing service right the first time	0	0	1	3.1	5	15.6	12	37.5	14	43.8	32	100
	Services done without delay	0	0	0	0	5	15.6	8	25.0	19	59.4	32	100
Competence	Contact personnel having knowledge to answer questions	0		0	0	5	15.6	7	21.9	20	62.5	32	100
	Support personnel having knowledge to answer questions	0	0	0	0	5	15.6	8	25.0	19	59.4	32	100
Courtesy	Staff willingness to help	0	0	0	0	3	9.4	3	9.4	26	81.3	32	100
	Staff being polite during service contact	0	0	0	0	2	6.3	7	21.9	23	71.9	32	100
	Understand the specific needs of customers	0	0	0	0	3	9.4	10	31.3	19	59.4	32	100
Problem Solving Quality	Addresses complaints quickly	0	0	1	3.1	6	18.8	8	25.0	17	53.1	32	100
	Provides appropriate solutions to problems	0	0	0	0	4	12.5	9	28.1	19	59.4	32	100
Credibility	Contact personnel are honest	0	0	1	3.1	2	6.3	8	25.0	21	65.6	32	100
	Excellent Reputation	0	0	0	0	2	6.3	9	28.1	21	65.6	32	100

Perception

Table XV presents the frequencies and percentages on perception of Awash respondents measured on five point scale (Very dissatisfied – Very satisfied) on the seven dimensions of service quality.

Table XV illustrates that in access quality dimension 15(46.9%) customers are satisfied, 12(37.5%) are very dissatisfied. Majority of the customers are also satisfied with operating hours. 4(12.5%) customers are dissatisfied with having to wait for services. However, more than 70% of respondents indicated that they are satisfied with not having to wait for services.
Many of the respondents are neutral about modern looking equipment of the company and yet 5(15.6%) are very satisfied, 7(21.9%) are fairly satisfied, 5(15.6%) are dissatisfied and 2(6.3%) respondents are very dissatisfied. With visually appealing physical features 15(46.9%) are satisfied and 8(25%) are dissatisfied.

In responsiveness dimension, 11(34.4%) customers responded they are very satisfied while 15(46.9%) responded they are fairly satisfied. Majority of the customers indicated that also they are satisfied with staff performing service right the first time and services done without delay. More than 50% of the respondents indicated that they are satisfied with contact and support personnel knowledge and around 35% are very satisfied. 15(46.9%) customers responded that they are very satisfied with staff willingness to help while 13(40.6%) are fairly satisfied. 17(53.1%) responded they are very satisfied with staff being polite and 7(21.9) indicated they are very satisfied with staff understanding customers' needs.

In problem solving dimension, 18(56.3%) respondents are satisfied while 3(9.4%) are dissatisfied with addressing compliant attribute. 18(56.3%) customers are satisfied and 6(18.8%) are very satisfied with employees providing appropriate solution to problems.
Finally, in credibility dimension, more than 70% of customers indicated that they are satisfied with both personnel honesty and company reputation attributes.

Table XV: Data Presentation of Perception for Awash Insurance

Dimensions	Attributes	Perception										Total	
		Very Dissatisfied		Dissatisfied		Neutral		Satisfied		Very satisfied			
		F	%	F	%	F	%	F	%	F	%	F	%
Access Quality	Convenient location of branches	2	6.3	0	0	3	9.4	15	46.9	12	37.5	32	100
	Convenient operating hours	1	3.1	2	6.3	3	9.4	15	46.9	11	34.4	32	100
	Waiting for Services	2	6.3	2	6.3	6	18.8	11	34.4	11	34.4	32	100
Infrastructure Quality	Modern looking equipment	2	6.3	5	15.6	13	40.6	7	21.9	5	15.6	32	100
	Visually appealing physical features	4	12.5	4	12.5	9	28.1	14	43.8	1	3.1	32	100
Responsiveness	Provide services at the time they promise to do so	1	3.1	3	9.4	2	6.3	15	46.9	11	34.4	32	100
	Staff performing service right the first time	0	0	2	6.3	4	12.5	17	53.1	9	28.1	32	100
	Services done without delay	0	0	0	0	5	15.6	16	50.0	11	34.4	32	100
Competence	Contact personnel having knowledge to answer questions	0	0	2	6.3	4	12.5	16	50.0	10	31.3	32	100
	Support personnel having knowledge to answer questions	0	0	2	6.3	7	21.9	18	56.3	5	15.6	32	100
Courtesy	Staff willingness to help	0	0	0	0	4	12.5	13	40.6	15	46.9	32	100
	Staff being polite during service contact	0	0	1	3.1	3	9.4	11	34.4	17	53.1	32	100
	Understand the specific needs of customers	0	0	0	0	8	25.0	17	53.1	7	21.9	32	100
Problem Solving Quality	Addresses complaints quickly	0	0	3	9.4	11	34.4	9	28.1	9	28.1	32	100
	Provides appropriate solutions to problems	0	0	1	3.1	7	21.9	18	56.3	6	18.8	32	100
Credibility	Contact personnel are honest	0	0	2	6.3	3	9.4	16	50.0	11	34.4	32	100
	Excellent Reputation	0	0	1	3.1	4	12.5	17	53.1	10	31.3	32	100

Loyalty

Table XVI presents the frequency and percentage of loyalty dimensions measured on five point scale (Strongly disagree – Strongly agree) for Nile insurance respondents.

As shown in table XVI, 12(37.5%) customers indicated that they agree to the statement 'I plan to continue to be a customer of this insurance', and 17(53.1%) customers strongly agree. 15(46.9%) customers also responded that they plan to tell about the quality of service of this insurance to others, 13(40.6%) responded they strongly agree while 2(6.3%) respondents disagree.

Table XVI: Data Presentation on Loyalty for Awash

Dimension	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	F	%	F	%	F	%	F	%	F	%
I plan to continue to be customer of this insurance	0	0	0	0	3	9.4	12	37.5	17	53.1
I plan to tell about service quality of this insurance to others	0	0	2	6.3	2	6.3	15	46.9	13	40.6
I plan to continue to be customer of this insurance regardless of price increase	1	3.1	3	9.4	13	40.6	11	34.4	4	12.5
I never complain about my insurance regardless of service quality	3	9.4	2	6.3	10	31.3	11	34.4	6	18.8
I am loyal customer to this insurance	0	0	2	6.3	4	12.4	14	43.8	12	37.5

1(3.1%) respondent strongly disagree and 3(9.4%) respondents disagree to the dimension 'I plan to continue to be customer of the insurance regardless of price increase' however, 11(34.4%) fairly agree and 4(12.5%) respondents strongly agree to this statement. 11(34.4%) of the respondents indicated agree to the dimension 'I never complain about my insurance regardless of service quality' while 5(15.6%) disagree to this statement. 14(43.85) respondents indicated that they are loyal customers and again 12(37.5%) respondents strongly agreed to the statement.

5.4 Comparative Analysis of Service Quality Gap

This part of the paper presents a comparative analysis of perception-expectation gap among the three insurances based on customers' survey. The general objective of this study is to conduct a comparative analysis of service quality among the selected insurances and to determine the relationship between service quality and loyalty.

The mean expectation, the mean perception and the gap on all the 17 statements (attributes) for the three insurances are presented. Gap = Perception – Expectation. Note also that Perception is measured on a scale 1-5 where; 1= Very dissatisfied and 5= Very satisfied. And Expectation is measured on a scale 1-5 where; 1= Not important and 5= Very important

The Perception and Expectation on Access Quality

Table XVII illustrates the mean score of attributes in Access Quality dimension in term of perception and expectation for the three insurances. Each attribute score shows large gap between perception and expectation. Starting with expectation of respondents of the three insurances, it is attribute 1 or 'insurance location is convenient' which scores highest indicating that location is very important. The mean score of perception indicate that, Attribute 1 has the highest score for Nile and Awash indicating that customers are fairly satisfied with the insurances' locations. However, respondents of Nyala insurance indicated attribute 2 or 'insurance operating hours' satisfied them more than the other attributes. The lowest perceived attribute for Nile and Awash is customers do not have to wait for services indicting that they are dissatisfied.

It is also presented in the table below that the largest gap is found on attribute 3(customers do not have to wait for services) for Nile and Awash respondents with mean score of 0.78 and 0.63 respectively. This indicates that the customers of the insurances do not have access to fast service during transaction. On the other hand, for customers of Nyala insurance the largest gap is on attribute 1(insurance location is convenient) which indicates that the insurance has branch locations which are not convenient for customers.

Table XVII: Means of Perception and Expectation on Access Quality

Attributes	Nile			Nyala			Awash		
	Perc.	**Expec.**	**Gap(-)**	**Perc.**	**Expec.**	**Gap(-)**	**Perc.**	**Expec.**	**Gap(-)**
1. The insurance location is convenient	3.78	4.34	0.56	3.66	4.50	0.84	4.09	4.19	0.1
2. The insurance operating hours is convenient	3.72	4.22	0.5	3.75	4.12	0.37	4.03	4.28	0.25
3. Customers do not have to wait for services	3.44	4.22	0.78	3.66	4.34	0.68	3.84	4.47	0.63
Average score of dimension	**3.64**	**4.26**	**0.62**	**3.69**	**4.32**	**0.63**	**3.99**	**4.31**	**0.32**

The Perception and Expectation on Infrastructure Quality

Infrastructure Quality dimension shows large gap between perception and expectation for the three insurances indicating that the customers are dissatisfied with this service quality dimension. As shown in table XVIII the largest score on expectation for Nyala and Awash insurance is attribute 2 or 'visually appealing physical features' with mean score of 3.81 and 3.69 respectively. However, for customers of Nile insurance modern looking equipment is more important. When measuring perception of respondents, attribute 1 or 'modern looking equipment' is more satisfying for all the respondents of the three insurances. The table also shows that huge gap exists between perception and expectation for this dimension in all of the insurances in attribute 1 or 'insurance has modern looking equipment'.

Table XVIII: Means of Perception and Expectation on Infrastructure Quality

Attributes	Nile			Nyala			Awash		
	Perc.	**Expec.**	**Gap(-)**	**Perc.**	**Expec.**	**Gap(-)**	**Perc.**	**Expec.**	**Gap(-)**
The insurance has modern looking equipment	3.19	3.94	0.75	3.41	3.69	0.28	3.25	3.56	0.31
The insurance's physical features are visually appealing	2.97	3.81	0.84	3.41	3.81	0.4	3.13	3.69	0.56
Average score of dimension	**3.08**	**3.875**	**0.795**	**3.41**	**3.75**	**0.34**	**3.19**	**3.625**	**0.435**

The Perception and Expectation on Responsiveness

As illustrated in Table XIX, attribute 3 or 'Services are done without delay' score highest both in Nile and Awash insurance while for Nyala insurance attribute 1 score highest or is more important. Customers' of the three insurances are more satisfied with attribute 3 or 'Services are done without delay'. However, the lowest perceived attribute for Nyala and Awash is attribute 1 whereas, for Nile insurance is attribute 2. The gap score columns in this table shows that for Nile insurance the largest gap is on attribute 2 indicating that customers have to repeatedly visit the insurance to complete a single transaction. For Nyala and Awash, attribute 1 scores highest indicating that employees do not keep promises. The gap scores of the other two attributes for all of the insurances also demonstrate that response times are not as expected by customers.

Table XIX: Mean of Perception and Expectation on Responsiveness

Attributes	Nile			Nyala			Awash		
	Perc.	**Expec.**	**Gap(-)**	**Perc.**	**Expec.**	**Gap(-)**	**Perc.**	**Expec.**	**Gap(-)**
1. When insurance promises to do something by a certain time, it does so.	3.19	4.50	1.31	3.50	4.53	1.03	4.02	4.34	0.32
2. The insurance performs the service right the first time.	3.03	4.44	1.41	3.75	4.34	0.59	4.03	4.22	0.19
3. Services of the insurance are done without delay	3.25	4.62	1.37	3.84	4.44	0.6	4.19	4.44	0.25
Average score of dimension	**3.16**	**4.52**	**1.36**	**3.69**	**4.43**	**0.74**	**4.08**	**4.33**	**0.25**

The Perception and Expectation on Competence

Table XX illustrates the mean scores of the two attributes selected in competence dimension in terms of perception and expectation. It is more desirable for Nyala and Awash customers that contact personnel have the competence to their jobs. While for Nile customers the competence of support personnel is more important. What is perceived in all of the insurances is that contact personnel competence is fairly satisfying.

Table XX: Mean of Perception and Expectation on Competence

Attributes	Nile			Nyala			Awash		
	Perc.	**Expec.**	**Gap(-)**	**Perc.**	**Expec.**	**Gap(-)**	**Perc.**	**Expec.**	**Gap(-)**
1. Contact personnel in insurance have the knowledge to answer your questions	3.69	4.69	1.00	4.19	4.59	0.4	4.06	4.47	0.41
2. Support personnel in the insurance have the knowledge to answer your questions	3.69	4.72	1.03	4.09	4.44	0.35	3.81	4.44	0.63
Average score of dimension	**3.69**	**4.705**	**1.015**	**4.14**	**4.515**	**0.375**	**3.935**	**4.455**	**0.52**

The above table also shows that the largest gap exists on attribute 2 which is 'support personnel in the insurance have the knowledge to answer your questions' for Nile and Awash. The gap between perception and expectation of contact personnel attribute is large for Nyala insurance. This demonstrates that customers need personnel who are knowledgeable and those who are able to solve their problems because it is important in transaction efficiency.

The Perception and Expectation on Courtesy

As shown in table XXI, the expectation of attribute 3 or 'the insurance has employees who understand individual customer's need' for Nile customers scores high. The table also shows attributes 3 score low on perception which resulted a high gap score for this insurance. This shows that employees of Nile insurance do not understand the specific needs of their customers.

Table XXI: Means of Perception and Expectation on Courtesy

Attributes	Nile			Nyala			Awash		
	Perc.	**Expec.**	**Gap(-)**	**Perc.**	**Expec.**	**Gap(-)**	**Perc.**	**Expec.**	**Gap(-)**
1. Employees are willing to help customers	3.72	4.62	0.9	4.34	4.66	0.32	4.34	4.72	0.38
2. Employees are consistently polite during service contact	3.53	4.62	1.09	4.22	4.66	0.44	4.38	4.66	0.28
3. The insurance has employees who understand individual customer's need	3.50	4.72	1.22	4.09	4.66	0.57	3.97	4.50	0.53
Average score of dimension	**3.58**	**4.65**	**1.07**	**4.22**	**4.66**	**0.44**	**4.23**	**4.626**	**0.396**

Similarly, in Nyala and Awash insurance the perception of respondents indicates that the lowest mean score is on attribute 3 or 'the insurance has employees who understand individual customer's need'. The gap scores also indicate that the lowest score is again on attribute 3.

The Perception and Expectation on Problem Solving Quality

As shown on table XXII the perception of Nile and Nyala customers is low for attribute 2 or 'the insurance provides appropriate solutions to problems' indicating that customers believe that employees are less experienced in solving the customer's problem. However, for Awash insurance perception is lower on attribute 1 or 'the insurance addresses complaints quickly'. Attribute 1 is very important for both Nile and Nyala insurance customers while attribute 2 is important for Awash customers.

Table XXII: Means of Perception and Expectation on Problem Solving Quality

Attributes	Nile			Nyala			Awash		
	Perc.	**Expec.**	**Gap(-)**	**Perc.**	**Expec.**	**Gap(-)**	**Perc.**	**Expec.**	**Gap(-)**
1. The insurance addresses complaints quickly	2.69	4.59	1.9	3.50	4.50	1.00	3.75	4.28	0.53
2. The insurance provides appropriate solutions to problems	2.66	4.56	1.9	3.34	4.37	1.03	3.91	4.47	0.56
Average score of dimension	**2.675**	**4.575**	**1.9**	**3.42**	**4.435**	**1.015**	**3.83**	**4.375**	**0.545**

Table XXII shows also that the gap score is higher for Nyala and Awash insurance in attribute 2 indicating that customers are dissatisfied with the way problems are handled. And for Nile insurance both attributes have large negative gap score indicating that customers are dissatisfied with this dimension in general.

The Perception and Expectation on Credibility

The last dimension is Credibility with two attributes measuring the trustworthiness of the insurance. It is evident from the table that both the expectation and perception of attribute 1 which is 'The insurance contact personnel are honest' is high for Nile insurance. However, the gap score is high on attribute 2 or 'the insurance has an excellent reputation' which is 1.07. Perception is low for attribute 1 for Nyala and Awash insurance indicating that customers question the honesty of contact personnel. Generally perceived credibility is not as desired by customers.

Table XXIII: Means of Perception and Expectation of Credibility

Attributes	Nile			Nyala			Awash		
	Perc.	**Expec.**	**Gap(-)**	**Perc.**	**Expec.**	**Gap(-)**	**Perc.**	**Expec.**	**Gap(-)**
1. The insurance contact personnel are honest	3.66	4.56	0.9	3.97	4.62	0.65	4.13	4.53	0.4
2. The insurance has an excellent reputation	3.37	4.44	1.07	4.03	4.47	0.44	4.13	4.59	0.46
Average score of dimension	**3.515**	**4.5**	**0.985**	**4.00**	**4.545**	**0.545**	**4.13**	**4.56**	**0.43**

Table XXIV below presents the gap on all the 17 statements for the three insurances. Examining each statement will give more insights on the differences in the service quality among the insurances. A negative value of unweighted scores for all insurances indicates shortfall in service quality.

Table XXIV: A Comparison on Service Quality Gap at NI, NYI, and AI

			NI	NYI	AI
Dimensions	**Q**	**Attributes**	**Gap (-) score**	**Gap(-) score**	**Gap(-) score**
Access Quality	1	Convenient location of branches	0.56	0.84	0.1
	2	Convenient operating hours	0.5	0.37	0.25
	3	Waiting for Services	0.75	0.68	0.63
		Average score of dimension	**0.62**	**0.63**	**0.32**
Infrastructure Quality	4	Modern looking equipment	0.75	0.28	0.31
	5	Visually appealing physical features	0.84	0.4	0.56
		Average score of dimension	**0.795**	**0.34**	**0.435**
Responsiveness	6	Provide services at the time they promise to do so	1.31	1.03	0.32
	7	Staff performing service right the first time	1.41	0.59	0.19
	8	Services done without delay	1.37	0.6	0.25
		Average score of dimension	**1.36**	**0.74**	**0.25**
Competence	9	Contact personnel having knowledge to answer questions	1.00	0.4	0.41
	10	Support personnel having knowledge to answer questions	1.03	0.35	0.63
		Average score of dimension	**1.015**	**0.375**	**0.52**
Courtesy	11	Staff willingness to help	0.9	0.32	0.38
	12	Staff being polite during service contact	1.09	0.44	0.28
	13	Understand the specific needs of customers	1.22	0.57	0.53
		Average score of dimension	**1.07**	**0.44**	**0.396**
Problem Solving Quality	14	Addresses complaints quickly	1.9	1.00	0.53
	15	Provides appropriate solutions to problems	1.9	1.03	0.56
		Average Score of dimension	**1.9**	**1.015**	**0.545**
Credibility	16	Contact personnel are honest	0.9	0.65	0.4
	17	Excellent Reputation	1.07	0.44	0.46
		Average score of dimension	**0.985**	**0.545**	**0.43**
Unweighted Score			**1.106**	**0.584**	**0.414**

Access Quality

In access quality dimension Awash insurance has a negative gap score of (0.32). However, compared to the scores of Nile insurance (0.62) Nyala insurance (0.68), it is the lowest. This indicates that customer of Nile and Nyala are very dissatisfied with the locations, operating hours, and waiting times of their insurances.

Infrastructure Quality

The negative gap scores of 0.795, 0.34, 0.435 for Nile, Nyala and Awash respectively indicates that their customers are dissatisfied with this dimension of service quality. The lowest gap score is at Nyala insurance (0.34). The largest gap score is seen at Nile insurance (0.795), this implies that the customers are dissatisfied with the company's equipment and physical features.

Responsiveness

All three of the insurances have a negative gap score which is interpreted as customers' dissatisfaction in the response time of the companies. Compared to the other two insurances, Nile insurance has the largest gap score of (1.36). This indicates that customers are dissatisfied with the response time of the company. The least score is at Awash insurance indicating a better ability to convey trust and confidence with its employee's knowledge.

Competence

Again in competence dimension Nile insurance has the largest gap score of (1.015). This implies that customers are dissatisfied with the competence of contact and support personnel knowledge. The least gap score is at Nyala insurance (0.375) indicating that the company has better employees in terms of competence of employees.

Courtesy

Negative gap scores of 1.07, 0.44, 0.396 at Nile insurance, Nyala insurance, Awash insurance respectively indicates that customers are dissatisfied with employees being less caring, and

lacking individualized attention for their customers. The largest gap score of 1.07 is seen at Nile insurance. Compared to the other two insurances, Awash insurance has the lowest gap score of (0.396) implying that employees of Awash are more caring, willing to help and polite.

Problem Solving Quality

In this dimension Awash insurance has the lowest gap score of (0.545). This is interpreted as being able to address complaints and provide appropriate solutions to problems compared to Nile and Nyala insurance. The largest gap is seen at Nile insurance with gap score of (1.9).

Credibility

Measured form credibility dimension, Nile insurance experiences largest gap score. This indicates that credibility of the company is in question. Awash insurance however, has the smallest gap score of (0.43). This implies that the company has better reputation and credibility than Nyala and Nile insurance.

Generally, the unweighted gap score of the three insurances indicates negative scores. This implies that customers' of these insurances are in general dissatisfied with the service quality of their respective insurances. The lowest unwighted gap score is seen at Awash insurance whereas, the largest is seen at Nile insurance.

5.5 Analysis of Service Quality- Loyalty Relationship

5.5.1 Factor Analysis and Correlation Analysis

In this part of the analysis, the factor analysis of individual insurance is conducted. The factor analysis technique has been used to extract relevant dimensions from the 17 statements on service-quality. The purpose of using the factor analysis in this context is to first determine the dimensions of service quality of insurance sector in the context of Ethiopia and second, to reduce the number of independent variables for the dependent variable based on their relative importance. This study primarily used seven dimensions namely, Access Quality, Infrastructure Quality, Responsiveness, Competence, Courtesy, Problem solving Quality, and Credibility to measure service quality that comprised of 17 questions both for expectation and perception.

5.5.1.1 Factor Analysis for Nile Insurance

The factor analysis has been used for Nile insurance to test whether the dataset exactly detects the said dimensions. The output of factor analysis (see Table XXV) was obtained by using principal components analysis with varimax rotation. Table XXV shows the final statistics comprising the communality for all the 17 statements on perception. The factor analysis could detect only four components which together account for 73 per cent of the total variance (information contained in the original 17 statements) see Annex-b. The inspection of factor loadings highlighted in the table revealed the values that fall within the 0.7 to 0.9 range. And it also shows those loading falling below 0.5 which are eliminated.

The factor analysis helped us to identify four critical components (dimensions) instead of seven dimensions as presumed earlier in the model. The four factors (dimensions) include;

1. Competence
    - Contact personnel in the insurance have the knowledge to answer your questions
    - Support personnel in the insurance have the knowledge to answer your questions
2. Problem solving and Credibility
    - The insurance addresses complaints quickly

- The insurance provides appropriate solutions to problems
- The insurance contact personnel are honest

3. Access and Infrastructure Quality
    - The insurance location is convenient
    - The insurance has operating hours convenient to its customers
    - The insurance has modern looking equipment
    - The insurance's physical features are visually appealing
4. Responsiveness
    - When the insurance promises to do something by a certain time, it does so.
    - The insurance performs the service right the first time.
    - Services of the insurance are done without delay

Table XXV: Output of Factor Analysis(Nile)

Attributes	Component			
	1	2	3	4
Perception of insurance location	.208	-.012	.839	-.058
Perception of operating hours	.523	-.044	.711	-.014
Perception of waiting for services	.650	-.011	.251	.363
Perception of modern equipment	.242	.075	.660	.466
Perception of insurance physical features	-.007	.275	.688	.530
Perception of insurance keeping promises	.198	.396	.159	.736
Perception of service done right the first time	.304	.175	.014	.835
Perception of service done without delay	.660	.164	.068	.550
Perception of contact personnel knowledge	.707	.209	.192	.279
Perception of support personnel knowledge	.756	.119	.346	.051
Perception of employee's willingness to help customers	.642	.602	.181	.004
Perception of employee's politeness during service	.518	.580	.129	.185
Perception of employee understanding customers' need	.601	.399	.110	.248
Perception of addressing complaints	-.030	.905	-.155	.157
Perception of providing solutions to problems	.064	.866	.085	.214
Perception of contact personnel honesty	.459	.669	.056	.153
Perception of insurance reputation	.478	.579	.191	.160

5.5.1.2 Correlation Analysis for Nile Insurance

Based on the result of the factor analysis, the extracted factors (dimensions) are considered to determine the relationship between service quality dimensions and loyalty dimensions. Using the result is important because dimensions which can be explained by another dimension will be eliminated as a result eliminating variables which could affect the correlation result. Loyalty dimensions include; repurchase intention, word of mouth, price sensitivity, and complaining behavior.

The result of the correlation analysis is presented in table XXVI. The table shows that for Nile insurance only competence and credibility dimensions are related to loyalty dimensions. 'Support personnel knowledge' is positively correlated with 'I am a loyal customer of this insurance' (0.608). This indicates that as competence of employees increases or decreases loyalty also increases or decreases in the same direction. 'The insurance addresses complaints quickly' is positively correlated to 'I am loyal customer of this insurance' (0.705) indicating that ability to solve problems increases the loyalty of customers and the reverse is also true.

'Contact personnel honesty' is positively correlated with, 'I plan to continue to be a customer of this insurance' (Repurchase Intention). The figure 0.612 with zero level of significance shows that credibility is positively related indicating that as credibility increases intention to repurchase policy also increase and vice versa. The attribute 'contact personnel honesty' is also positively correlated with the attribute 'I plan to tell others about the quality of service of this insurance' (Word of mouth) this indicates that as credibility increases positive word of mouth will also increase and vice versa. Again 'contact personnel honesty' is positively correlated with loyalty attribute 'I am a loyal customer of this insurance'. However, 'Contact personnel honesty' is negatively correlated with 'I plan to continue to be customer of this insurance regardless of price increment' (price sensitivity) this indicates that as credibility increases the price sensitivity of customer decreases. Other service quality dimensions do not have any relationship with loyalty dimensions.

Table XXVI: Output of Correlation Analysis (Nile)

Attributes		Respondent's Repurchase Intention	Respondent's word of mouth	Respondent's sensitivity to price	Respondent's complaining behavior	Respondent's loyalty to insurance
Perception of insurance location	Pearson Correlation Sig. (2-tailed) N	.293 .103 32	.325 .070 32	-.141 .441 32	.232 .201 32	.326 .608 32
Perception of operating hours	Pearson Correlation Sig. (2-tailed) N	.322 .072 32	.357 .045 32	.258 .154 32	-.0295 .101 32	.261 .150 32
Perception of modern equipment	Pearson Correlation Sig. (2-tailed) N	.561 .001 32	.484 .005 32	.290 .107 32	.275 .128 32	.331 .083 32
Perception of insurance physical features	Pearson Correlation Sig. (2-tailed) N	.568 .000 32	.480 .005 32	.385 .029 32	.484 .005 32	.360 .043 32
Perception of insurance keeping promises	Pearson Correlation Sig. (2-tailed) N	.481 .005 32	.442 .001 32	.483 .005 32	.461 .008 32	.400 .023 32
Perception of service done right the first time	Pearson Correlation Sig. (2-tailed) N	.338 .059 32	.302 .094 32	.472 .006 32	-.542 .001 32	.319 .075 32
Perception of service done without delay	Pearson Correlation Sig. (2-tailed) N	.458 .008 32	.461 .008 32	-.547 .001 32	.550 .001 32	.519 .002 32
Perception of contact personnel knowledge	Pearson Correlation Sig. (2-tailed) N	.351 .049 32	.276 .127 32	.415 .018 32	.346 .052 32	.550 .001 32
Perception of support personnel knowledge	Pearson Correlation Sig. (2-tailed) N	.440 .012 32	.503 .003 32	-.535 .002 32	.473 .006 32	.608 .000 32
Perception of addressing complaints	Pearson Correlation Sig. (2-tailed) N	.589 .000 32	.550 .001 32	.577 .001 32	-.560 .001 32	.705 .000 32
Perception of providing solutions to problems	Pearson Correlation Sig. (2-tailed) N	.447 .006 32	.450 .010 32	.379 .033 32	.378 ..029 32	.432 .016 32
Perception of contact personnel honesty	Pearson Correlation Sig. (2-tailed) N	.612 .000 32	.672 .000 32	- .672 .000 32	.595 .000 32	.667 .000 32

5.5.1.3 Factor Analysis for Nyala Insurance

The factor analysis has been used for Nyala insurance to test whether the dataset exactly detects the said dimensions. However, the analysis only resulted in four dimensions. The output of factor analysis (see Table XXVII) was obtained by using principal components analysis with varimax rotation. Table XXVII shows the final statistics comprising the communality for all the 17 statements on perception. The factor analysis could detect only four components which together account for 72 per cent of the total variance (information contained in the original 17 statements) see Annex – b. The inspection of factor loadings highlighted in the table revealed the values that fall within the 0.7 to 0.9 range. And it also shows those loading falling below 0.5 which are eliminated.

The factor analysis helped us to identify four critical components (dimensions) instead of seven dimensions as presumed earlier in the model. The four factors (dimensions) include;

1. Responsiveness
    - When the insurance promises to do something by a certain time, it does so.
    - The insurance performs the service right the first time.
    - Customers do not have to wait for services

2. Competence and Courtesy
    - Contact personnel in the insurance have the knowledge to answer your questions
    - Support personnel in the insurance have the knowledge to answer your questions
    - Employees are willing to help customers
    - Employees understand individual customer's need

3. Problem solving quality
    - The insurance addresses complaints quickly
    - The insurance provides appropriate solutions to problems

4. Access and Infrastructure Quality
    - The insurance location is convenient
    - The insurance has modern looking equipment

Table XXVII: Output of Factor Analysis (Nyala)

Attributes	Component			
	1	2	3	4
Perception of insurance location	.063	.207	-.025	.739
Perception of operating hours	.540	.031	.261	.283
Perception of waiting for services	.796	.016	.125	.143
Perception of modern equipment	.066	.003	.413	.755
Perception of insurance physical features	.391	.221	.237	.607
Perception of insurance keeping promises	.741	.305	.047	-.034
Perception of service done right the first time	.827	.123	.154	.094
Perception of service done without delay	.552	-.009	.664	.018
Perception of contact personnel knowledge	.034	.834	.305	.146
Perception of support personnel knowledge	-.082	.843	.193	.110
Perception of employee's willingness to help customers	.550	.725	-.013	.145
Perception of employee's politeness during service	.599	.644	-.170	.170
Perception of employee understanding customers' need	.487	.697	-.067	.141
Perception of addressing complaints	.002	.174	.836	.244
Perception of providing solutions to problems	.080	.032	.758	.273
Perception of contact personnel honesty	.485	.404	.527	-.337
Perception of insurance reputation	.454	.458	.558	-.178

5.5.1.4 Correlation Analysis for Nyala Insurance

The result of the correlation analysis is presented in table XXVIII. The highlighted values are the correlated dimensions (attributes) in the table. The table shows that for Nyala insurance only Responsiveness dimension is related to loyalty dimensions. Here it is important to note here the relationship indicates that both dimensions of service quality and loyalty move in the same direction and not necessary a cause effect relationship.

'Customers do not have to wait for services' is positively correlated to 'I plan to continue to be a customer of this insurance' (Repurchase Intention). The interpretation is that the more responsive the insurance is, the more loyal the customer will be and vice versa. Attribute 'Customers do not have to wait for services' is also positively correlated with 'I plan to tell others about the quality of service of this insurance' (Word of mouth) which indicates that customers will spread positive word of mouth if the company is responsive to them.

It can also be seen from the table below that the third attribute of responsiveness which is 'The insurance performs service right the first time' is positively correlated to attribute 'I plan to tell about the quality of service of this insurance to others'. This implies that timeliness contributes to positive word of mouth and the reverse is true. Other service quality dimensions do not have any relationship with loyalty dimensions.

Table XXVIII: Output of Correlation Analysis (Nyala)

Attributes		Respondent's Repurchase Intention	Respondent's word of mouth	Respondent's sensitivity to price	Respondent's complaining behavior	Respondent's loyalty to insurance
Perception of insurance location	Pearson Correlation	.252	.130	.319	.014	.230
	Sig. (2-tailed)	.164	.478	.075	.940	.205
	N	32	32	32	32	32
Perception of waiting for services	Pearson Correlation	.724	.771	.380	.233	.498
	Sig. (2-tailed)	.000	.000	.032	.199	.004
	N	32	32	32	32	32
Perception of modern equipment	Pearson Correlation	.091	.181	.018	-.084	-.085
	Sig. (2-tailed)	.620	.321	.921	.648	.643
	N	32	32	32	32	32
Perception of insurance keeping promises	Pearson Correlation	.255	.304	.197	.180	.523
	Sig. (2-tailed)	.160	.091	.280	.324	.002
	N	32	32	32	32	32
Perception of service done right the first time	Pearson Correlation	.305	.616	.244	.174	.560
	Sig. (2-tailed)	.089	.000	.178	.342	.001
	N	32	32	32	32	32
Perception of contact personnel knowledge	Pearson Correlation	.264	.273	.527	.223	.422
	Sig. (2-tailed)	.145	.131	.002	.220	.016
	N	32	32	32	32	32
Perception of support personnel knowledge	Pearson Correlation	.207	.221	.309	.246	.155
	Sig. (2-tailed)	.257	.224	.044	.175	.398
	N	32	32	32	32	32
Perception of employee willingness to help	Pearson Correlation	.437	.347	.138	.124	.513
	Sig. (2-tailed)	.012	.052	.451	.498	.003
	N	32	32	32	32	32
Perception of understanding customers' need	Pearson Correlation	.279	.302	.237	.073	.401
	Sig. (2-tailed)	.122	.093	.191	.692	.023
	N	32	32	32	32	32
Perception of addressing complaints	Pearson Correlation	.223	.315	.259	.266	.177
	Sig. (2-tailed)	.220	.079	.152	.141	.333
	N	32	32	32	32	32
Perception of providing solutions to problems	Pearson Correlation	.169	.207	.237	.168	.120
	Sig. (2-tailed)	.354	.256	.191	.358	.512
	N	32	32	32	32	32

5.5.1.5 Factor Analysis for Awash Insurance

The factor analysis has been used for Awash insurance to test whether the dataset exactly detects the said dimensions. The output of factor analysis (see Table XXIX) was obtained by using principal components analysis with varimax rotation. Table XXIX shows the final statistics comprising the communality for all the 17 statements on perception. The factor analysis could detect only five components which together account for 76.5 per cent of the total variance (information contained in the original 17 statements) see Annex - b. The inspection of factor loadings highlighted in the table revealed the values that fall within the 0.7 to 0.9 range. And it also shows those loading falling below 0.5 which are eliminated.

The factor analysis helped us to identify five critical components (dimensions) instead of seven dimensions as presumed earlier in the model. The five factors (dimensions) include;

1. Competence and Courtesy
    - Support personnel in the insurance have the knowledge to answer your questions
    - Employees are willing to help customers
    - Employees understand individual customer's need
2. Responsiveness
    - When the insurance promises to do something by a certain time, it does so.
    - The insurance performs the service right the first time.
    - Services of the insurance are done without delay
3. Problem solving quality
    - The insurance addresses complaints quickly
    - The insurance provides appropriate solutions to problems
    - Customers do not have to wait for services

4. Access and Infrastructure Quality
    - The insurance operating hour is convenient
    - The insurance's physical features are visually appealing
    - The insurance has modern looking equipment

5. Credibility

- The insurance contact personnel are honest

Table XXIX: Output of Factor Analysis (Awash)

Attributes	Component				
	1	2	3	4	5
Perception of operating hours	.077	.050	.089	.923	-.021
Perception of waiting for services	.032	.129	.756	.195	-.370
Perception of modern equipment	.753	.173	-.215	.240	.288
Perception of insurance physical features	.255	-.078	.701	.102	.199
Perception of insurance keeping promises	.277	.857	.057	-.052	-.078
Perception of service done right the first time	.162	.816	.011	.023	.043
Perception of service done without delay	-.062	.823	.046	.220	.107
Perception of support personnel knowledge	.801	-.091	.319	.003	.062
Perception of employee's willingness to help customers	.687	.500	.155	.111	.159
Perception of employee's politeness during service	.618	.486	.247	.008	.017
Perception of employee understanding customers' need	.674	.313	.333	-.139	.048
Perception of addressing complaints	.146	.013	.807	.075	.281
Perception of providing solutions to problems	.068	.085	.885	-.123	-.124
Perception of contact personnel honesty	.235	.179	.086	-.059	.898

5.5.1.6 Correlation Analysis for Awash Insurance

Table XXX presents the result of the correlation analysis. The highlighted values are the magnitude of the correlated dimensions (attributes) in the table. The table shows that responsiveness dimension and courtesy dimension of service quality is related to loyalty dimensions. Specifically ‘when the insurance promises to do something by a certain time, it does so’ is positively correlated with loyalty dimension ‘I plan to tell others about the quality of service of this insurance’ or positive word of mouth. This indicates that if the insurance is more responsive, the positive word of mouth will also increase in the same direction. Similarly courtesy attribute ‘Employees are willing to help customers’ is positively related to ‘I plan to tell others about the quality of service of this insurance’ or positive word of mouth with correlation value of 0.631. The last courtesy attribute is related to loyalty dimension ‘I am a loyal customer of this insurance’ with correlation value of .609. This implies that when employees of the insurance respect and have consideration for the customer, they are more able to retain the customer to the insurance.

Table XXX: Output of Correlation Analysis (Awash)

Attributes		Respondent's Repurchase Intention	Respondent's word of mouth	Respondent's sensitivity to price	Respondent's complaining behavior	Respondent's loyalty to insurance
Perception of insurance operating hours	Pearson Correlation	-.118	.030	.223	-.013	.070
	Sig. (2-tailed)	.522	.869	.219	.994	.705
	N	32	32	32	32	32
Perception of waiting for services	Pearson Correlation	.090	.202	.210	.008	.147
	Sig. (2-tailed)	.623	.267	.230	.967	.423
	N	32	32	32	32	32
Perception of modern looking equipment	Pearson Correlation	.501	.394	.292	.357	.335
	Sig. (2-tailed)	.004	.026	.105	.045	.061
	N	32	32	32	32	32
Perception of visually appealing physical features	Pearson Correlation	.099	.251	.255	.180	.253
	Sig. (2-tailed)	.591	.166	.159	.325	.163
	N	32	32	32	32	32
Perception of insurance keeping promises	Pearson Correlation	.184	.733	.195	.318	.354
	Sig. (2-tailed)	.313	.000	.285	.076	.046
	N	32	32	32	32	32
Perception of service done right the first time	Pearson Correlation	.267	.320	.147	.389	.355
	Sig. (2-tailed)	.139	.075	.421	.028	.046
	N	32	32	32	32	32
Perception of service done without delay	Pearson Correlation	.165	.206	-.080	.128	.227
	Sig. (2-tailed)	.366	.257	.664	.487	.211
	N	32	32	32	32	32
Perception of support personnel knowledge	Pearson Correlation	.348	.214	.158	.100	.226
	Sig. (2-tailed)	.051	.239	.388	.586	.215
	N	32	32	32	32	32
Perception of employee willingness to help	Pearson Correlation	.426	.631	.349	.429	.609
	Sig. (2-tailed)	.015	.000	.050	.014	.000
	N	32	32	32	32	32
Perception of understanding customers' need	Pearson Correlation	.377	.403	.462	.258	.220
	Sig. (2-tailed)	.033	.022	.008	.154	.226
	N	32	32	32	32	32
Perception of addressing complaints	Pearson Correlation	.123	.266	.259	.190	.188
	Sig. (2-tailed)	.504	.141	.152	.297	.302
	N	32	32	32	32	32
Perception of providing solutions to problems	Pearson Correlation	.086	.246	.246	.242	.170
	Sig. (2-tailed)	.639	.175	.175	.182	.351
	N	32	32	32	32	32
Perception of contact personnel honesty	Pearson Correlation	.362	.378	.174	.270	.200
	Sig. (2-tailed)	.042	.033	.342	.134	.272
	N		32	32	32	32

Chapter Six

Findings, Conclusions and Recommendations

In this study the author tried to measure the perception of service quality from the customers' perspective and also determine the relationship between service quality and loyalty by conducting a multi dimensional analysis. In this chapter major finding, conclusions and recommendations are presented based on the analysis and interpretations made at the pervious chapter.

6.1 Major Findings

- ♣ Demographic background of the sample indicates the age group of 30-40 years is dominant- Nile (56.3%), Nyala (53.1%), and Awash (46.9%). Majority of the respondents are male for the three insurances. Most of the respondents are well educated with majority having diploma and higher educational level. Moreover, the results of the study reveal that the respondents have an average policy term of 1-5 years – Nile (71.9%), Nyala (65.6%), and Awash (68.8%). Most respondents purchased Asset policy type for the three insurances.
- ♣ At Nile insurance the analysis revealed negative unweighted gap score. The largest gap is at problem solving quality dimension (1.9). Responsiveness (1.36) and Courtesy (1.07) dimensions are with the second and third largest gap scores. Competence, Credibility, Infrastructure quality and Access quality are also revealed with gap scores of (1.015), (0.985), (0.795), and (0.62) respectively.
- ♣ At Nyala insurance the analysis revealed negative unweighted gap score. The largest gap is at problem solving quality dimension (1.015). Responsiveness (0.74) and Access Quality (0.63) dimensions are with the second and third largest gap scores. Credibility, Courtesy, Competence and Infrastructure quality are also revealed with gap scores of (0.545), (0.44), (0.375), and (0.34) respectively.
- ♣ Similarly, at Awash insurance the analysis revealed negative unweighted gap score. The largest gap is at problem solving quality dimension (0.545). Competence (0.52) and Infrastructure quality (0.453) dimensions are with the second and third largest gap scores.

Credibility, Courtesy, Access quality and Responsiveness are also revealed with gap scores of (0.43), (0.396),(0.32), and (0.25) respectively.

- The factor analysis detected four components that fall within the range of 0.7 to 0.9 for Nile insurance which together accounted for 73 per cent of the total variance. The factors revealed are Competence, Problem solving quality and Credibility, Access and Infrastructure quality, and Responsiveness.
- Similarly, for Nyala insurance the factor analysis detected four components that fall within the range of 0.7 to 0.9 which together accounted for 72% of the total variance. The factors revealed are Responsiveness, Competence and Courtesy, Problem solving quality and Access and Infrastructure quality.
- Five factors are revealed after the factor analysis which account for 76.5% of the total variance. The factors include; Competence and Courtesy, Responsiveness, Problem Solving quality, Access and Infrastructure quality, and Credibility.
- The correlation analysis for Nile insurance revealed that Competence and Credibility dimensions are correlated with loyalty dimensions- repurchase intention, word of mouth, price sensitivity and loyalty to insurance.
- Responsiveness dimension is only related to loyalty dimensions in Nyala insurance. 'Customers do not have to wait for services' is positively correlated to 'I plan to continue to be a customer of this insurance' (Repurchase Intention).Attribute 'Customers do not have to wait for services' is also positively correlated with 'I plan to tell others about the quality of service of this insurance' (Word of mouth). Similarly, 'The insurance performs service right the first time' is positively correlated to attribute 'I plan to tell about the quality of service of this insurance to others'.
- For Awash insurance responsiveness dimension and courtesy dimension of service quality is related to loyalty dimensions- word of mouth and loyalty to insurance.

6.2 Conclusions

Delivering customer satisfaction is at the heart of every service provider. The most important aspect of the relationship between service providers and customers is that there is a disconnect between what customers want and what service providers offer. This is particularly true in case of services like insurances. The present study has been undertaken to measure the perception of service quality from the customers' perspective and also determine the relationship between service quality and loyalty. Based on analysis of the data and findings the following conclusions are drawn:

- ♣ The study demonstrates that the unweighted average gap scores of the three insurances are negative for each dimension/ attributes which indicates that the insurances are not able to meet customers' expectation or the customers are not satisfied with the services offered.
- ♣ At Nile insurance the unweighted average gap score is -1.106 indicating that the customers' expectations are not met. Problem solving quality is with the largest gap (1.9) indicating that customers are not satisfied with how personnel address complaints and solve problems. Customers are not satisfied with Responsiveness dimension indicated with a gap score of (1.36). This implies the insurance's ability to respond well and at a reasonable speed is not as desired by the customers. Courtesy dimension is also with the third largest gap score of (1.07) this indicates that the politeness, respect and consideration for customer of the contact personnel and of the entire organization are not as expected by the customer. The competence of contact personnel and support personnel is also questionable in the eyes of the customers.
- ♣ At Nyala insurance the unweighted average gap score is -0.584 indicating that customer's expectations are not met. Problem solving quality dimension has the largest gap score of (1.015). This implies that customers are not satisfied with how personnel address complaints and solve problems. Responsiveness dimension is also with a large gap score of (0.74) implying that the company's ability to respond well and at a reasonable time is not satisfactory for the customer. Access Quality of the company is also with a large gap score of (0.63) which indicates that the company's locations, operating hours and waiting time for services is not as expected by the customers.

- At Awash insurance the unweighted average gap score is -0.414 indicating that customer's perceptions are less than their expectations. The largest gap score is seen on problem solving quality (0.545) indicating that customers are not satisfied with how personnel address complaints and solve problems. Competence dimension is the second largest gap score (0.52). This implies that knowledge and skills not only of the contact personnel but also of the support personnel is not as desired by the customer. Infrastructure quality of the company including appearance of physical facility and people delivering the service is not as desired.
- When we compare the unweighted gap score of the three insurances Awash insurance has a better service quality whereas, Nile insurance has the poorest service quality measured on similar seven dimensions. Problem solving quality seems to be the first dimension all of the three insurances they need to address.
- For Nile insurance, Competence and Credibility dimensions are related to loyalty dimensions. For Nyala insurance, Responsiveness dimension is related to loyalty dimensions. For Awash insurance, Responsiveness and Courtesy dimensions are related to loyalty dimensions.
- The results found from the analysis support the findings of Oh (1999), that perceived service quality is related to repurchase intention and word of mouth dimensions of loyalty. The findings also suggest that service providers need to satisfy their customers in order to improve their loyalty levels.

6.3 Recommendation

Given the recent situation that customers are becoming more aware of their expectations, and demand higher standards of services, insurance companies should be able to consider measuring their service quality and understand what factors contribute to customer satisfaction and more over loyalty. The present study contributes to our knowledge by providing support for the contention that there is a link between service quality and loyalty and how service quality is measured. Based on the findings of this study the following recommendations are proposed to help improve service quality at the three insurances.

- ♣ To overcome the observed service quality gap between customers' expectation and perception in the three insurances managers should implement customer oriented strategies and also show commitment to quality.
- ♣ To improve human dimension of service quality (i.e. responsiveness, courtesy) the insurances should provide training programs on these areas.
- ♣ The insurances should provide appropriate solutions to customers' problems in a timely manner and providing right solutions to problems by increasing the competence of employees.
- ♣ Front line employees should be motivated and trained to understand customers' needs, provide individual attention and demonstrate caring behavior.
- ♣ Employees should keep the promise to customers, show a sincere interest in solving client problem, inform users of the time required to perform transaction, and perform service right the first time.
- ♣ Finally, making sure that physical surroundings are visually appealing.

Recommendations for Nile Insurance

- ♣ Based on the findings of this study, Nile insurance should work on problem solving quality by providing appropriate solutions to customers' problems in a timely manner.
- ♣ To improve the responsiveness quality, the insurance should motivate and train its employees.
- ♣ Courtesy of employees can also be improved by providing them training on communication skills and human relationship dimensions.

- ♣ The company should also strive to improve and maintain its reputation by devoting more time on continuous monitoring and controlling their level of service delivery.
- ♣ To retain its existing customers and attract new ones, the company should devote more time working on competence of personnel and credibility of its personnel and the organization itself.

Recommendations for Nyala Insurance

- ♣ Based on the findings of this study, Nyala insurance should similarly work on problem solving quality by providing appropriate solutions to customers' problems.
- ♣ To improve the Responsiveness dimension of Awash insurance service quality, trainings should be given focusing on fast response from employees to customers' requests, prompt service, and willingness of the employees to help customers.
- ♣ The insurance should also improve the access quality for instance, making locations of branches convenient for customers, convenient operating hours and making services accessible. It is also important that the company work on its reputation by building more positive image by providing what customers desire.
- ♣ To improve the loyalty of its customers, Nyala insurance should focus more on Responsiveness dimension of service quality.

Recommendations for Awash Insurance

- ♣ Based on the findings of this study, Awash insurance should improve problem solving quality dimension by solving problems in a timely manner and providing right solutions.
- ♣ To improve the competence of contact and support personnel the company should invest in training programs related to insurance operations. Customers' also desire the infrastructure to be more modern and visually appealing.
- ♣ Finally based on this study it is recommended that, to retain its existing customers and attract new ones, the company should focus especially on responsiveness and courtesy dimensions of service quality.

References

[1] Ary, D., Jacobs, L. C., & Razavieh, A. (2002). *Introduction to research in education*. Belmont, CA: Wadsworth/Thomson Learning.

[2] Asubonteng, P., McCleary, K. J. & Swan, J. E. (1996). SERVQUAL Revisited: A critical Review of Service Quality. *Journal of Services Marketing*, 10(6), 62-81.

[3] Babakus, E and Boller, G W (1992). An Empirical assessment of the Servqual Scale. *Journal of Business Research*, 24(3), 253-68.

[4] Babakus, E and Mangold, W G (1989). Adapting the Servqual scale to Hospital Services: An Empirical Investigation. *Health Service Research*, 26(6), 767-80.

[5] Barbara R. Lewis, Jayne Orledge & Vincent-Wayne M. (1994). Service Quality: Students' Assessment of Banks and Building Societies. *International Journal of Bank Marketing*, Vol. 12 No. 4, 1994, pp. 3-12

[6] Baumann, C., Burton, S., Elliott, G. and Kehr, H.M. (2007), "Prediction of attitude and behavioral intentions in retail banking", *International Journal of Bank Marketing*, Vol. 25 No. 2, pp. 102-16.

[7] Bloemer, J.M., de Ruyter, K. and Peeters, P. (1998), "Investigating drivers of bank loyalty: the complex relationship between image, service quality and satisfaction", *International Journal of Bank Marketing*, Vol. 16 No. 7, pp. 276-86.

[8] Brady, M. K., & Cronin, J. J. (2001). Some new thoughts on conceptualizing perceived service quality: A hierarchical approach. *Journal of Marketing*, *65*(July 2001), 34- 49.

[9] Brogowicz, A.A., Delene, L.M. and Lyth, D.M. (1990), "A synthesized service quality model with managerial implications", *International Journal of Service Industry Management*, Vol. 1 No. 1, pp. 27-44.

[10] Boulding, W., Kalra, A., Staelin, R., Zeithaml, V.A. (1993), "A dynamic process model of service quality: from expectations to behavioral intentions", *Journal of Marketing Research*, Vol. 30 pp.7-27.

[11] Buzzell, r.d. & gale, b.t. (1987) *the pims principles. Linking strategy to performance* (New York, Free press).

[12] Carman, J. M. (1990). Consumer Perception of Service Quality: An Assessment of the SERVQUAL Dimensions. *Journal of Retailing*, 66(spring), 33-55.

[13] Chelladurai, P., & Chang, K. (2000). Targets and standards of quality in sport services. *Sport Management Review, 3*, 1-22.

[14] Churchill, C A and Surprenant, C (1982). An Investigation into the Determinants of Customer Satisfaction. *Journal of Marketing Research*, 19 (November), 491-504.

[15] Cronin, J.J., Brady, M.K. and Hult, G.T.M. (2000), "Assessing the effects of quality, value, and customer satisfaction on consumer behavioral intentions in service environments", *Journal of Retailing*, Vol. 76 No. 2, pp. 193-218.

[16] Dabohlkar, P., Thorpe, D. I., & Rentz, J. O. (1996). A measure of service quality for retail stores. *Journal of the Academy of Marketing Science, 24*(1), 3-16.

[17] Day, G.S. (1969), "A two-dimensional concept of brand loyalty", *Journal of Advertising research*, Vol. 9, pp. 29-36.

[18] Dick, S.A., Basu, K. (1994), "Customer loyalty: toward an integrated conceptual framework", *Journal of the Academy of Marketing Science*, Vol. 22 No.2, pp.99-113.

[19] Edvardsson, B., Thomasson, B. and Ovretveit, J. (1994), *Quality of Service*, Barrie Dale, London.

[20] Finn, D W and Lamb, C W (1991). An Evaluation of the SERVQUAL Scale in a Retailing Setting in Holman, R and Solomon, M R (eds.), *Advances in Consumer Research*, UT: Association for Consumer Research, Provo, PP. 480-93.

[21] Fornell, C. (1992), "A national customer satisfaction barometer: the Swedish experience", *Journal of Marketing*, Vol. 56 No. 1, pp. 6-21.

[22] Frost, F.A. and Kumar, M. (2000), "INTSERVQUAL: an internal adaptation of the GAP model in a large service organization", *Journal of Services Marketing*, Vol. 14 No. 5, pp. 358-77.

[23] GALE, T.B. (1990). The role of marketing in total quality management. In: *QUIS-2 Quality in Services Conference Proceedings* (University of St John's).

[24] Gremler, D.D. and Brown, S.W. (1996), "Service loyalty; its nature, importance and implications", in Edvardsson, B., Brown, S.W., Johnston, R. and Scheuing, E. (Eds), QUIS V: *Advancing Service Quality*: A Global Perspective, ISQA, New York, NY, pp. 171-81.

[25] Gronroos, C. (1984). A service-oriented approach to marketing of services. *European Journal of Marketing*, 12(8), 588-601.

[26] Grönroos, C. (1990). *Service Management and Marketing: Managing the moments of truth in service competition*. Toronto: Lexington Books.

[27] Gronroos, Christian (1983). Strategic Management and Marketing in the Service Sector, Marketing Science Inst., Boston.

[28] Hailu Zeleke 2007. Insurance in Ethiopia: Historical Development, Present Status and Future Challenges. Addis Ababa: Master Printing Press.

[29] Haywood-Farmer, J. (1988), "A conceptual model of service quality", *International Journal of Operations & Production Management*, Vol. 8 No. 6, pp. 19-29.

[30] Jarvis, L.P., Wilcox, J.B. (1977), "True vendor loyalty or simply repeat purchase behavior?", *Industrial Marketing Management*, Vol. 6 pp.9-14.

[31] Kandampully, J. (1998). Service quality to service loyalty: A relationship which goes beyond customer services. *Total Quality Management, 9*(6), 431-443.

[32] Keaveney, S.M. (1995), "Customer switching behavior in service industries: an exploratory study", *Journal of Marketing*, Vol. 59 No.2, pp.71-82.

[33] King, C. (1992). Agents/Policy owners split on service. National Underwriter, 41(October), 7.

[34] Ko, Y. J., & Pastore, D. (2004). Current issues and conceptualizations of service quality in the recreation and sport industry. *Sport Marketing Quarterly, 13*(2), 159-167.

[35] Kotler, P. (2003); *Marketing Management*, Prentice Hall of India, New Delhi.

[36] Lehtinen, U &Lehtinen, J. R. (1991). Two Approaches to Service Quality Dimensions. *The Service Industries Journal*, 11(3), 287-305.

[37] Lewis, R.C, Booms, B.H (1983), "The marketing aspects of service quality", in Berry, L, Shostack, G, Upah, G (Eds),*Emerging Perspectives on Services Marketing*, American Marketing, Chicago, IL, pp.99-107.

[38] Llosa, S., Chandin, J. L., & Orsingher, C. (1998). An empirical study of SERVQUAL's dimensionality. *The Services Industries Journal, 18*(2), 16-44.

[39] Macintosh, G. and Lockshin, L.S. (1998), "Retail relationships and store loyalty; a multilevel perspective", International Journal of Research in Marketing, Vol. 14, pp. 487-98.

[40] Milbourn, G. J. (1998). Quality service makes happy customers and greater profits. *Business Forum, 23*(3/4), 15-18.

[41] Mishra, B. B. and Sarangi, M. K. (2000), "Customer needs and Satisfaction: A Comparative Analysis of Public and Private sector Banks in Orissa", Advantage South Asia; published by AMDISA, Hyderabad; pp. 386-394.

[42] National Bank of Ethiopia Annual Report 2009/10

[43] Oh, H. (1999), "Service quality, customer satisfaction and customer value: a holistic perspective", *International Journal of Hospitality Management*, Vol. 18, pp. 67-82.

[44] Oliver, R.L. (1993), "A conceptual model of service quality and service satisfaction: compatible goals, different concepts", *Advances in Service Marketing and Management*, Vol. 2, pp. 65-85.

[45] Parasuraman, A, Zeithaml, V A and Berry, L L (1988). SERVQUAL: A Multiple Item Scale for Measuring Consumer Perceptions of Service Quality. *Journal of Retailing*, 64(1), 12-40.

[46] Philip, G. and Hazlett, S.A. (1997), "The measurement of service quality: a new P-C-P attributes model", *International Journal of Quality & Reliability Management*, Vol. 14 No. 3, pp. 260-86.

[47] Pointek, S. (1992). Outside interests: making the move from lip service to real service. *National Underwriter*, 96(44), 34.

[48] Richard, M. D. & Allaway, A. W. (1993). Service Quality Attributes and Choice Behavior. *Journal of Services Marketing*, 7(10), 59-68.

[49] Rust, R. T., & Oliver, R. L. (1994). Service Quality: Insights and managerial implications from the frontier'. In R. T. Rust & R. L. Oliver (Eds.), *Service Quality: New directions in theory and practice* (pp. 1-19). Thousand Oaks, CA: Sage.

[50] Sachdev, S.B. and Verma, H.V. (2004), "Relative importance of service quality dimensions: a multi-sectoral study", *Journal of Services Research*, Vol. 4 No. 1, pp. 93-117.

[51] Salkind, N. J. (2000). *Exploring Research* (Fourth ed.). Upper Saddle River, NJ: Prentice-Hall.

[52] Takeuchi, H. and Quelch, J.A. (1983), "Quality is more than making a good product", *Harvard Business Review*, July-August, pp. 139-45.

[53] Toran, D. (1993). Quality Service (quality everything!). LIMRA'S Market Facts, 12(2), 10-11.

[54] Zeithaml, V A, Parasuraman, A. and Berry, L L (1993), *Delivering Service Quality: Balancing Customer Perceptions and Expectations.* The Free Press, New York.

[55] Zhou, L. (2004), "A dimension-specific analysis of performance-only measurement of service quality and satisfaction in China's retail banking", *The Journal of Services Marketing*, Vol. 18 Nos. 6/7, p. 534.

ANNEXES

Annex - a

Questionnaire

This questionnaire is prepared to collect data about perceived service quality and customer loyalty form customers of selected insurance companies. The data collected is confidential and will only be used for analysis of the study and not for any other purpose. This questionnaire consists three sections. The first section consist 7 questions regarding demographic information. The second section consist 17 attributes which are to be measured on a five point Likert scale to measure perception and expectation of customers' of insurances. The last section (section III) consist five questions to indicate customers' judgment of satisfaction and loyalty measured in five point Likert scale.

Section I: Demographic Information

1. Gender: a)Male b)Female
2. Age : a) < 30 b) 31-45 c)46-60 d) > 60
3. Marital Status: a)Married b)Single c)Other _____

4. Highest Level of Education: a) Some High School
   b) High School Graduate
   c) Diploma
   d) Degree
   e) Graduate degree or above

4. Occupation: a) Salaried b)Self-employment c)Retired d)Other _____
5. Type of policy purchased: a)Assets b)Business c) Staff d)Others _____

6. Policy Term(in years): a)less than one b)1-5
   c) 5-10 d) 10-20 e) >20 _____
7. Premium Amount(in Birr): a)less than 100 b)100-5000 c)5000-10000
   d)More than 10000

Section II: Please indicate on a five point scale the extent to which you find the following statements important by ticking on the box in the first column and also indicate on a five point scale the extent to which you are satisfied or dissatisfied in the second column with the following statements.

Expectations:

1= Not Important 2= Less Important 3= Neutral 4=Important 5= Very important

Perceptions:

1= very dissatisfied 2= dissatisfied 3= Neutral 4= Satisfied 5= Very satisfied

	Expectations					**Perceptions**				
	How important is this item to you					**Level of satisfaction with this item**				
	1	2	3	4	5	1	2	3	4	5
Access Quality										
The insurance location is convenient	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
The insurance company has operating hours convenient to all its customers	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Customers do not have to wait for services	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Infrastructure Quality										
The insurance has modern looking equipment	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
The insurance's physical features are visually appealing	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Responsiveness										
When the insurance promises to do something by a certain time, it does so.	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
The insurance performs the service right the first time.	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Services of the insurance are done without delay	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Competence										
Contact personnel in the insurance have the knowledge to answer your questions	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

Support personnel in the insurance have the knowledge to answer your questions	☐ ☐ ☐ ☐ ☐	☐ ☐ ☐ ☐ ☐
Courtesy		
Employees are willing to help customers	☐ ☐ ☐ ☐ ☐	☐ ☐ ☐ ☐ ☐
Employees are consistently polite during service contact	☐ ☐ ☐ ☐ ☐	☐ ☐ ☐ ☐ ☐
The insurance has employees who understand individual customer's need	☐ ☐ ☐ ☐ ☐	☐ ☐ ☐ ☐ ☐
Problem Solving Quality		
The insurance addresses complaints quickly	☐ ☐ ☐ ☐ ☐	☐ ☐ ☐ ☐ ☐
The insurance provides appropriate solutions to problems	☐ ☐ ☐ ☐ ☐	☐ ☐ ☐ ☐ ☐
Credibility		
The insurance contact personnel are honest	☐ ☐ ☐ ☐ ☐	☐ ☐ ☐ ☐ ☐
The insurance has an excellent reputation	☐ ☐ ☐ ☐ ☐	☐ ☐ ☐ ☐ ☐

Section III: Please indicate on a seven point scale the extent to which you find the following statements important by indicating the number that best shows your judgment.

Please rank each statement as follows:

Strongly Disagree **Strongly agree**

1 2 3 4 5

Statement	**Score**
I plan to continue to be a customer of this insurance	
I plan to tell about the quality of service of this insurance to others	
I plan to continue to be a customer of this insurance regardless of price increment	
I never complain about my insurance service regardless of quality of service	
Overall, I am a loyal customer to my insurance	

Annex - b

Total Variance Explained[a]

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.709	45.345	45.345	7.709	45.345	45.345	3.925	23.086	23.086
2	2.360	13.881	59.225	2.360	13.881	59.225	3.567	20.984	44.070
3	1.296	7.621	66.847	1.296	7.621	66.847	2.501	14.711	58.781
4	1.099	6.462	73.309	1.099	6.462	73.309	2.470	14.528	73.309
5	.923	5.429	78.738						
6	.735	4.324	83.062						
7	.655	3.854	86.916						
8	.473	2.782	89.698						
9	.436	2.566	92.264						
10	.349	2.054	94.317						
11	.261	1.538	95.855						
12	.196	1.153	97.008						
13	.170	1.000	98.008						
14	.135	.791	98.799						
15	.125	.738	99.537						
16	.043	.255	99.792						
17	.035	.208	100.000						

Extraction Method: Principal Component Analysis.

a. Insurance ID number = Nile

Total Variance Explained[a]

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.691	39.358	39.358	6.691	39.358	39.358	3.978	23.400	23.400
2	2.204	12.963	52.321	2.204	12.963	52.321	3.437	20.216	43.617
3	1.785	10.497	62.818	1.785	10.497	62.818	2.805	16.498	60.114
4	1.518	8.929	71.748	1.518	8.929	71.748	1.978	11.633	71.748
5	.954	5.611	77.359						
6	.866	5.097	82.456						
7	.760	4.469	86.924						
8	.479	2.818	89.742						
9	.423	2.489	92.231						
10	.401	2.358	94.589						
11	.300	1.763	96.353						
12	.207	1.215	97.568						
13	.144	.845	98.413						
14	.116	.682	99.095						
15	.079	.463	99.558						
16	.052	.304	99.862						
17	.023	.138	100.000						

Extraction Method: Principal Component Analysis.

a. Insurance ID number = Niyala

Total Variance Explained[a]

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.903	34.724	34.724	5.903	34.724	34.724	3.563	20.958	20.958
2	2.749	16.173	50.897	2.749	16.173	50.897	3.344	19.668	40.626
3	1.810	10.649	61.546	1.810	10.649	61.546	3.107	18.279	58.905
4	1.521	8.946	70.493	1.521	8.946	70.493	1.578	9.284	68.189
5	1.033	6.078	76.571	1.033	6.078	76.571	1.425	8.381	76.571
6	.875	5.147	81.718						
7	.746	4.386	86.104						
8	.573	3.368	89.472						
9	.411	2.417	91.889						
10	.352	2.068	93.958						
11	.311	1.832	95.790						
12	.222	1.303	97.093						
13	.179	1.051	98.144						
14	.139	.819	98.963						
15	.077	.455	99.418						
16	.069	.404	99.822						
17	.030	.178	100.000						

Extraction Method: Principal Component Analysis.

a. Insurance ID number = Awash