

# The Impact of Antecedent of Service Quality on Customers Satisfaction in Saudi Arabia

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## Abstract

*This study is an attempt to examine the association between antecedents of service quality and customers satisfaction in Saudi Arabia companies. This study applied Statistical Package for the Social Sciences (SPSS) to test the connection between antecedents of service quality and customers satisfaction. The study sample consisted of 339 individuals from Saudi insurance companies and data was obtained from them with the help of questionnaires. The questionnaire was developed based on prior studies as elaborated in the methodology chapter. In addition, this study revealed a positive significant relationship between antecedents of service quality and customer satisfaction. Furthermore, this study is expected to contribute to the theoretical, practical and policy market that may work together to bring about improved customer satisfaction. In the last part of this study, study limitations and future recommendations were enumerated.*

**Keywords:** Antecedent of Service Quality, Customer's Satisfaction and Saudi Arabia Industry.

### ***Introduction***

The delivery of a suitable service quality has a key role in service industry particularly, insurance industry, as service quality is significant to these firms' survival and profitability (Urban, 2010). [1] argued that service quality is a critical issue in securing customer satisfaction in most service industries. Owing to the heightened role of service organizations in the economy, and the significance of services in competitive environments, service organizations like the insurance companies should strategically manage service qualities and clearly comprehend service quality, customer expectations and basic quality specifications [2]. Thus, the primary goal of this study is to examine the service quality in Saudi insurance industry in light of its antecedents and consequences. Accordingly, this chapter is based on achieving the study objectives.

In the context of Australia,[3] evaluated the service quality-customer satisfaction relationship in the car insurance industry. They distributed a total of 384 questionnaires to residences of Melbourne, Australia. On the basis of the Australian Bureau of Statistics, in Melbourne, there are 49 active car insurance companies and hence, the population sample comprise of individual availing the various services from care insurance firms. They found a significant relationship between the following five dimensions of service quality – reliability, empathy, assurance, responsiveness and tangibility, and customer satisfaction and another significant relationship between service quality and customer satisfaction.

The Saudi insurance industry is relatively new compared to those in other developing countries[4]. Prior to 1970, the principle of insurance was largely rejected on religious grounds, and the few insurance activities were largely restricted to the oil industry. A major change occurred in 1983 with the development of the concept of cooperative insurance that made insurance more acceptable religiously. This led to the establishment of the National Company for Cooperative Insurance (NCCI) in 1986, and reforms in Saudi Arabia's insurance industry began in the year 2004 (Ansari, 2011b). Privatization then led to an expansion of the industry and increased competition. Local as well as foreign investments were permitted in March 2005.

### ***Literature review and Hypothesis Development***

#### ***Antecedent of Service Quality and Customers Satisfaction***

Several researchers recommended that quality of service is influenced by a number of factors. Some of these factors are individual in nature such as the demographic characteristics of customers, which include their age, gender, economic level, educational level, and etc. A second set of factors, however, are related to the insurance companies such as communication, ICT, customer knowledge, and their prior experience with the insurance companies. The present study is concerned with the second set of factors, those that are related to the insurance companies. The following section addresses these factors.

Communication refers to the ability to offer expedient, reliable and accurate information. In this regard, good company-created communication refers to communication that is helpful, positive, timely, useful, easy and pleasant, with little to no effort needed for the customer to understand the communication and determine its

usefulness [3]. This may cover personalized letters, direct mail, web site interactions, other machine-mediated interactions, and email. Added to the above, it may also include face-to-face interaction with the customers via the pre-selling, consumption and post consumption phases [2, 5]. Communication was brought forward as an antecedent of trust as opposed to a direct antecedent of loyalty by Morgan and Hunt (1994). In the earlier phases, communication facilitates awareness, creates customer preference, lures potential buyers and motivates them to make their purchase decision [6]. In the later phases, communication entails keeping abreast of customers feedback, providing expedient and accurate information and updates concerning services and products, and to solve related problems.

Communication occurs when two parties are able to provide timely, trustworthy, and accurate information to each other. Good company-created communication has been defined as “helpful, positive, timely, useful, easy, and pleasant”, with little effort required for the customer to understand the information contained within the communication and thus determine its value [3, 7]. Therefore, according to [5, 8], a communiqué can be in many forms, some of which may include face-to-face encounters, letters via postal services or through the Internet (e-mail), website and other machine mediated interactions, and press conferences, between the two parties. In business, these two parties normally involve the firm and its consumers, in activities related to the pre-sales, consumption, and post-consumption stages.

Other researchers also attempted to measure the construct of ICT in service-oriented businesses. For instance, [9] conducted a study that attempted to examine factors affecting provision of service quality in the public health sector in Kenya. The researchers used five-item measure on a 5-point Likert Scale ranging from “strongly disagree” to “strongly agree”. However, [9, 10] study focused more on the use of technologies as a whole and not on using new technologies such as the Internet, social media and new applications on smart phones, which are becoming critical tools in today’s world.

Also, [7, 11] conducted a study that attempted to examine how the advancements of technologies and internet that took place recently influenced customers’ perceptions about service quality. [12, 13] study is critical for the purpose of the current study as it focused not only on technology but also on the use of ICT such as internet and its related usages in businesses and the way such businesses utilize these new technologies in a way that would serve customers’ needs and expectations.

In a related study, [14, 15] argued that insurance is a confusing industry that is particularly difficult to understand for regular and common customers. So, the potential for clients who are not very familiar with the rules, regulations and policies of insurance to make mistakes is very likely to take place. This is why insurance companies normally hire brokers who are called insurance brokers whose job is not only providing customers with the best insurance policies available, but also to take the time to offer their customers advice that will help them understand the insurance world better and not make any missteps along the way.

Normally, insurance brokers have a vast knowledge of insurance rules, regulations and their policy wording and overall industry terminology. Thus, part of their job responsibilities is to transfer this type of knowledge and terminology that is related to insurance policies to their customers who have no idea whatsoever about the meanings and connotations of such terminology. For example, in the case of risk management, insurance companies should inform their clients whether through brokers or directly through different techniques of communication about the all the possible points of risk and the insurance policies that help account for such risks.

In the context of insurance industries, the prior experience of customers is described as their prior interaction with the insurance companies [6, 10] and it is a factor that influences the determination of service quality in the service-centered firms in general, and in the insurance firms in particular, while keeping in mind that individuals are often influenced by their prior experiences with the company, specifically their initial experience[10].

From their study, they revealed that their first and second postulations significantly impacted both customer satisfaction and purchase intentions. As for the third postulation, they revealed no significant impact of service quality on purchase intention. They employed the SERVPREF model in their attempt to examine the stated postulations.

In another related study, the waiting time and service quality's impact on repurchase frequency and customer satisfaction was looked into by [16, 17]. Specifically, they looked into the customer satisfaction-service quality factors relationship in F&D establishments.[8, 12, 13] also stated in their study that service quality significantly impact on customer satisfaction in health industry. They showed that factors including waiting time, staff attitude, seat availability and quality of food significantly affected the return frequency of clients. They also showed these factors to impact the satisfaction of customers indicating that such factors help management in comprehending significant factors affecting satisfaction and loyalty of customers and process enhancement.

Based on above discussion, the hypothesis is formulated as follows;

H: There is a positive relationship between Antecedent of Service Quality and Customers Satisfaction.

### ***Research Method and the Study Models***

In this study, a sample is considered as a group of items, objects or people that is obtained from a more general population for measurement in order to represent the characteristics of the latter and to guarantee that the research findings can be generalized from the research sample[4, 13]. Specifically, the present study uses the Saudi customers as the study population – customers that have insurance policies with the Saudi health insurance firms. In regards to this, there are 26 health insurance companies in the list of the Tadawul Stock Exchange, where the Saudi health insurance sector is predominantly headed by three big firms namely, Tawuniya, Medgulf and Bupa Arabia. The above firms hold almost half of the total market share, at 49.91%, as of 2011 (Capital Standards, 2013) – the division among them being, 23.95% of health insurance customers are covered under Tawuniya health coverage, 15.19% are covered under Medgulf, and 10.77% are covered under Bupa Arabia.

Initially, 400 respondents or clients of Saudi health insurance firms were chosen on the basis of their percentage in each of the top three health insurance providers. The researcher ensured that the study achieved the 400 targeted respondents by distributing the questionnaire to a larger number of respondents, specifically 800 respondents. Eight hundred customers were targeted as respondents as prior studies of the same caliber that addressed Saudi firms' service quality produced a response rate of 77% [2, 18]. Therefore, if 800 respondents were distributed with the questionnaires, the expected response rate is 50%, with 400 respondents expected as the final sample (as recommended by [19, 20].



Figure 1 Research Framework

### ***Measurements of Instruments***

The study aims to investigate several variables and the relationships between them. The primary focus of this investigation is to examine antecedents and consequences of service quality, framed against the insurance industry of Saudi Arabia. This examination is explored through the moderating influence of corporate image. There are four antecedent variables for service quality in the study and they include communication, ICT, customer knowledge, and customers' prior experience.

This study adopts a 6-item measure from [8, 16]A who examined the way technology and internet development affected the perceptions of customers about service quality. His study is consistent with the present study in that the latter examines the customers' perceptions concerning ICT advancement brought about by the technology and internet developments.

In measuring communication, insurance customers were asked about their evaluation of the communication received from their insurance providers whether through their agents or directly through their insurance company. In the insurance industry, the people who play the role as link between insurance companies and customers are widely known as agents [7]. Thus, a 14-item measure was adapted from [4, 18] who conducted a study that attempted to compare marketing communication perceptions.

Information and Communications Technologies can be measured through a 6-item measurement taken from [19, 20] who examined the way technologies and internet advancement impact customer's perceptions concerning quality of service.

For measuring customer's level of knowledge (one of the independent variables), a five-item measure was used, with the variable referring to customers' level of knowledge about the rules, regulations and policies of the insurance companies in Saudi Arabia. The items to measure the construct of knowledge in this study were adopted from Ensign and [16, 17, 20].

With regards to prior experience, in this study it is measured by the dimensions of customer's prior experience in Urban's (2010) study where he determined whether or not the intensity of prior experiences by the customer with the firm and other firms impact the quality of service. His work is entitled, "Customers' Experiences as a Factor Affecting Perceived Service Quality". He made use of three dimensions of customer's prior experience namely length of experience, frequency of experience with the current firm, and frequency of experience with other firms. His measurement is utilized in the present study as it assesses the perceptions of customers of their prior experiences with their

current insurance providers and their prior experiences with other insurance providers and this is what the present study is attempting to determine.

**Data Analysis and Results**

The researcher employed IBM SPSS for analysis of data and to provide data description and hypotheses testing.

*4.1 Descriptive Statistic*

The descriptive statistics of the continuous variables are listed in Table 1 and they cover mean, standard deviation, minimum and maximum values obtained with the help of SPSS.

*Table 1*

*Descriptive Statistics of Continuous Variables*

Variables	Minimum	Maximum	Mean	Std. Deviation
Antecedent Variable of Service Quality	1.37	4.51	3.20	0.90
Customers' Satisfaction	1.75	5.00	3.51	0.93

*Correlation Analysis*

A summarized version of the correlation analysis results are presented in Table 2. According to the findings, the correlations are less than 0.90 indicating that it satisfies the criterion established by [6, 20]. They contended that the correlation matrix should not exceed 0.90 in order to guarantee that the multicollinearity issue is non-existent.

*Table 2*

*Results of Pearson Correlation Analysis*

Variable	1	2
1) PSQ	1	.
2) Customer Satisfaction	0.852***	1

Notes:

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

\*\*Correlation is significant at the 0.05 level (2- tailed).

\*Correlation is significant at the 0.1 level (2- tailed).

*Testing the Normality of the Error Terms*

Linearity refers to the residuals that present a straight line relation with dependent variables' predicted scores [14](Pallant, 2011). In the present study, linearity is determined through scatterplots, where normality was determined via the use of a histogram as well as normality probability plot (p-p plots) of the regression standard residual via kamagorovsmiron, and the values of skeweness and kurtosis. The distribution of data showed no significant deviation from the normal curve as evidenced in Figure 1 and thus, data is deemed to have normal distribution.

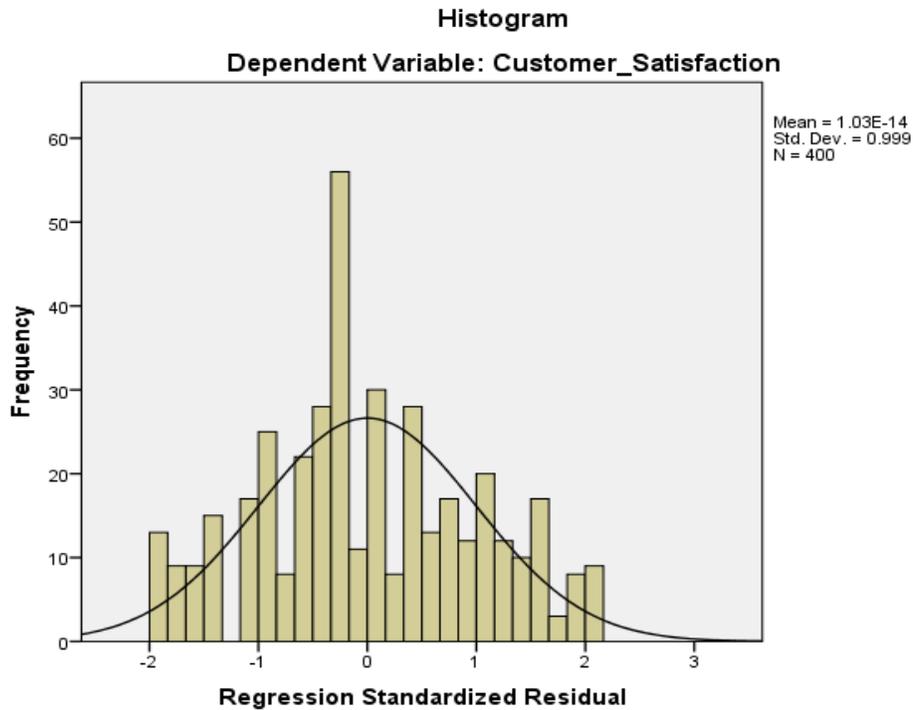


Figure 1 Histogram of the Regression Residuals

4.4 Regression Results of Model (Based on Customer Satisfaction)

Table 3

Regression Results of Model (Dependent= Customer Satisfaction)

Variables	Standardized Coefficients	t-value	Sig.
	Beta		
PSQ	0.852	32.434	0.000
R <sup>2</sup>			0.726
Adjusted R <sup>2</sup>			0.725
F-value			1051.988
F-Significant			0.000

The regression analysis results obtained from customer loyalty are listed in Table 3, where  $R^2$  value is listed as 0.726; this indicates that the model was able to explain 72% of the performance variance measured by customer satisfaction. Added to this, the adjusted coefficient of determination ( $R^2$ ) reveals that the independent variables explained the variation in the dependent variable by 0.72% indicating that the performance variation measured by customer satisfaction was accounted for by the regression equation. Table 3 lists the significance and validity of the model as it obtained a significant value of F ( $F=1051.988$ ,  $p<0.01$ ).

## ***Discussion***

### ***Antecedent of Service Quality and Customers Satisfaction***

Based on the prior empirical studies and theories provided earlier, a positive association between perceived service quality and customer satisfaction was proposed. According to the generated results, the finding confirmed a positive and significant relationship between perceived service quality and customer satisfaction at the 0.01 level of significance ( $\beta= 0.852$ ,  $t=32.434$ ,  $p<0.01$ ). Hence, H1 is supported. The outcome of this study is similar to previous studies' that confirmed positive and significant relationship between perceived service quality and customer satisfaction. The finding here is expected since the customers are expected to be more satisfied if they highly perceive the quality of the service they are offered [15]. The quality of the services is deemed as a tool for competition management, indicating that it is of a significance importance for a company to achieving competitive advantage.

## ***Conclusion, Limitations and Recommendations***

In this study, the researcher attempted to examine the relationship between service quality antecedents and customer satisfaction in the context of Saudi insurance firms. Accordingly, SPSS test was employed to test the relationship. The study sample consisted of 399 customers of insurance companies in Saudi Arabia and data was gathered with the help of questionnaires. The questionnaire items were adopted from prior authors. The results of the analysis showed that a significant and positive relationship exists between service quality antecedents and customer satisfaction.

This study is similar to previous studies in that it provides limitations and suggestion for future researchers. First, this study examined the directly relationship between antecedents of service quality and customers satisfaction as a group so future studies could take individual variables such as communication, information & communications technology, customer knowledge and prior experience. Secondly, this study was applied in Saudi Arabia and thus, future research could replicate this relationship in other countries like Kuwait and Oman. Thirdly, this study examined direct relationship, and thus, future studies could study the relationships through third variables such as, corporate image, customer loyalty and culture perspective.

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