

“Moderating Effect of Demographic Variables on Customer Satisfaction”

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Abstract

Customer satisfaction and customer retention is an ultimate objective of every organization in service sector as well as in other sectors. To reduce customer churn, customer satisfaction plays a vital role. Customers classified on the basis of their gender, occupation, income, age group etc. carry a different perspective towards the same organization. The present research was carried out to explore the customer satisfaction towards the public sector Insurer, Life Insurance Corporation of India (LIC). To carry out the research moderating effect of various demographic factors was taken into consideration. Significant difference was observed in the Customer satisfaction of LIC on the basis of gender and profession. However there was insignificant difference in customer satisfaction on the basis of age, household income and marital status was found. The present study is aimed to reveal the level of customer satisfaction on the basis of demographic variables.

Keywords: Customer Satisfaction, demographic variables, life insurance, public sector

Introduction

The life insurance sector imparts an imperative role to provide risk cover of life to every individual. The sector has witnessed a signification transformation in the last decade. With the introduction of private companies in year 2001, the perception of customers towards life insurance and products offered by these companies has changed considerably. There is a significant relationship between the demand for life insurance and various macroeconomic variables H. Sadhak (2006). High growth of GDP induces an economic effect through higher per capita and disposable income and savings, which in turn create a favorable market demand for life insurance. On the other hand, life insurance also provides support to the capital market and savings. Data on Indian life insurance and macroeconomic variables broadly indicate a close relationship and interdependence between macroeconomic variables and life insurance demand. In India, out of 80 million insurable individuals, only 20 million have purchased life insurance, which implies that merely 10 percent of the household families have access to Insurance Parimal and Joshi (2006). India's Insurance market offers immense growth opportunities considering rising disposable income levels of the middle class. India is fast emerging as one of the world's most dynamic insurance markets with significant untapped potential.

The economic reforms initiated in the early 90s paved the way for the growth and opening up of the financial sector, which led to a sustained period of economic growth. The insurance industry was opened up for private players in 2000, and has seen tremendous growth. The total market size of the insurance sector in India was US\$66.4 billion in FY 2013. It is projected to touch US\$ 350-400 billion by 2020.

Customer expectations can be known through the knowledge of satisfaction levels of customers (Jham & Khan, 2009). It has been established that it costs five times as much to attract a new customer as to keep a current one satisfied. Losing a customer means losing the entire stream of purchases over a lifetime of patronage, the customer lifetime value. Customer satisfaction is the key to long term success of any organization (Peppers & Rogers, 2005). Keeping the importance of customer satisfaction in mind, insurers need to maintain stable and close relationships with their customers. Levels of customer satisfaction need to be assessed on different parameters. . The application of the knowledge of customer satisfaction is imperative to establish and maintain a long term relationship with customers and long-term competitiveness (Kumar & Reinartz, 2006). Researchers have found that customer satisfaction has a measurable impact on purchase intentions (Carter, 2010), on customer retention (Voss & Voss, 2008) and firm's financial performance (Chalmeta, 2006).

Review of Literature

Customer Satisfaction

Customer satisfaction is defined as the individual's perception of the performance of the products or services concerning his or her expectations Schiffman & Kanuk (2004). Some authors stated that there is no specific definition of customer satisfaction, and after their studies of several definitions they defined customer satisfaction as customer satisfaction is identified by a response (cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or the associated product) and occurs at a certain time (i.e. post-purchase, post-consumption. (Giese & Cote, 2000, p. 15) This definition is supported by some other authors, who think that consumer's level of satisfaction is determined by his or her cumulative experience at the point of contact with the supplier (Sureshchander et al., 2002, p. 364). It is factual that, there is no specific definition of customer satisfaction since as years passed; different authors come up with different definitions. Customer satisfaction has also been defined by another author as the extent to which a product's perceived performance matches a buyer's expectations (Kotler et al., 2002)

Satisfaction is the consumer's fulfillment response. It is a judgment that a product or service feature, or the product of service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment including levels of under- or over-fulfillment Oliver (1996). Accordingly, customers purchase goods and services with pre-purchase expectations about anticipated performance. When outcome matches expectations, confirmation occurs. Disconfirmation occurs when there are differences between expectations and outcomes. Negative disconfirmation occurs when product/service performance is less than expected. Positive disconfirmation occurs when product/service performance is better than consumer expectations, and dissatisfaction is caused by negative disconfirmation of consumer expectations.

Vavra's (1997) stated that customer satisfaction characterizes satisfaction as the end- state resulting from the experience of consumption. That may be a cognitive state of reward, an emotional response to an experience or a comparison of rewards and costs to the anticipated consequences. Kotler and Armstrong (1999) defended the

customer satisfaction as their pre-purchase expectations compared with post-purchase perception. Customer satisfaction is customers' evaluation of services after purchase as opposed to their expectation (Oliver, 1997; Zeithaml and Bitner, 2000). Baker and Crompton (2000) defended satisfaction as a personal experience and mentality related to the variation between personal expectation and actual receive. Customer satisfaction is overall evaluation of services a reflection that customers make to their previous purchase.

Thus, when a customer is contented with either the product or services it is termed Satisfaction (Kotler & Keller, 2009, p. 789). Satisfaction can also be a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations (Levy 2009)

There exist two conceptualizations of customer satisfaction; transaction-specific and cumulative (Boulding, et al., 1993; Andreassen, 1994). Following the transaction-specific, customer satisfaction is viewed as a post-choice evaluation judgment of a specific purchase occasion (Oliver, 1980) until present date, researchers have developed a rich body of literature focusing on this antecedents and consequences of this type of customer satisfaction at the individual level (Yi, 1990). Cumulative customer satisfaction is an overall evaluation based on the total purchase and consumption experiences with a product or service over time. (Fornell, 1992, Johnson & Fornell 1996) This is more fundamental and useful than transaction specificity customer satisfaction in predicting customer subsequent behavior and firm's past, present and future performances. It is the cumulative customer satisfaction that motivates a firm's investment in customer satisfaction.

Customers satisfaction can be combination of elements comprised of satisfaction; perception of service quality, price, product quality, personal factors and situational Zeithaml, Bitner & Gremler (2009); this is illustrated in **Figure-1** as below.

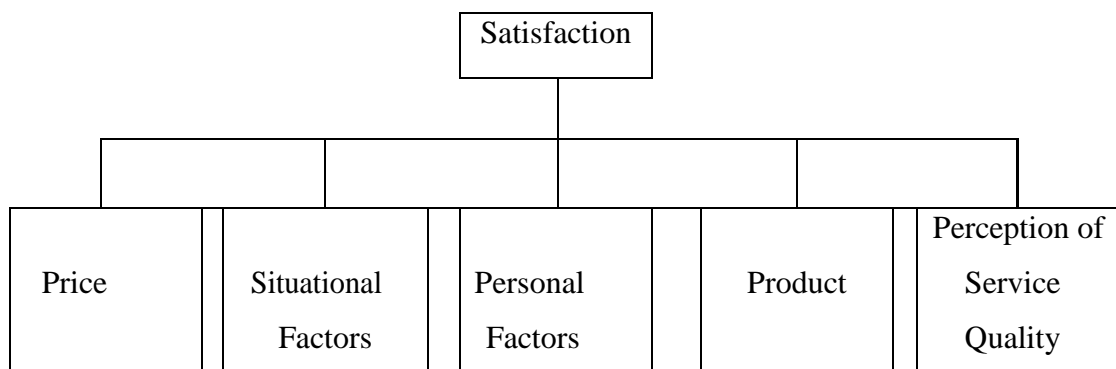


Figure 1: Satisfaction Components

Source: Zeithaml, Bitner and Gremler (2009)

2.1 Moderating effect of Demographic Variables and Situational factors on Customer Satisfaction:

Demographic information allows researchers to obtain characteristics of their sample, therefore, making the classification of the data more meaningful (Elanain, 2003). Other studies found that there are differences in shopping behavior when it involves gender (Foucault & Scheufele, 2002). Gender is important in the Arab world, for instance, females prefer to go to banks that have dedicated female branches. Other research supports the need to have banks that are in line with the social and religious values of the customer (Jabnoun & Khalifa, 2005). Women-only branches are preferred because they are in line with social and religious values for some customers.

Bryant et al. (1996) conducted a study on 400 companies using the American Customer Satisfaction Index (ACSI) and demonstrated that there is significant relationship and consistent differences in the levels of satisfaction among demographic groups

Palvia and Palvia (1999) found out that age is a significant determinant of satisfaction with the information technology industry. Oyewole (2001) reported that gender, occupation, education, and marital status have a significant influence on customer satisfaction, while age and household income had no significant influence.

According to Ogden & Ogden (2005), the most important demographic information is 'marital status' because it shows if customers are buying for themselves, for a spouse, or a family with children. Education level is an important demographic information because as customers become more educated they demand different products and different levels of service (Kent & Omar, 2003). Demand for quality products increase with increase in level of education Kotler & Armstrong (2010). Income has a direct relationship with purchasing decisions; high-income customers gather every information before buying a product and this may have an influence on satisfaction (Homburg & Giering, 2001).

From this literature review, it is suggested that consumers differ in behaviors and attitudes and one of the factors responsible for this difference is demographics. It is, therefore, necessary to investigate the moderating effect of demographic factors (age, gender, type of employment, marital status and income) on customer satisfaction.

Model and Hypotheses

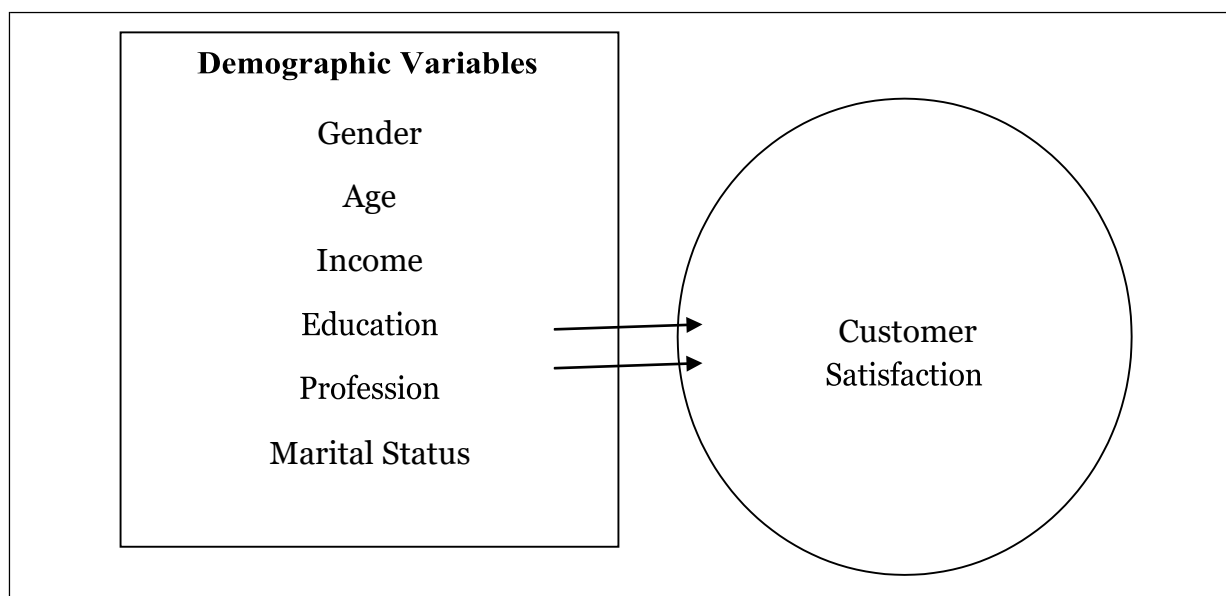


Figure-2 Research Model for Customer Satisfaction and the moderating effect of Demographic Variables

Hypotheses

The study considered the moderating effect of variables which included 6 demographic factors: (i) Gender (ii) Age (iii) Income (iv) Education (v) Occupation and

(vi) Marital Status. The review of the literature indicated that the customers differ in their satisfaction levels.

The difference may be due to some demographic factors. The hypotheses were formulated as under:

H1: There is a significant difference in the Customer satisfaction for LIC, customers based on **gender**.

H2: There is a significant difference in the Customer satisfaction for LIC, customers based on **age**.

H3: There is a significant difference in the Customer satisfaction for LIC, customers based on **income**.

H4: There is a significant difference in the Customer satisfaction for LIC, customers based on **educational background**.

H5: There is a significant difference in the Customer satisfaction for LIC, customers based on **Occupation**.

H6: There is a significant difference in the Customer satisfaction for LIC, based on **marital status**.

Methodology

For the present research data was collected through convenient random sampling technique from the four towns of Himachal Pradesh namely Shimla, Kullu, Mandi, and Dharamsala. Some questionnaires were administered to customers visiting the branch, the help of insurance agents was also sought to identify the customers. A total of four hundred questionnaires were collected, but some of these were non-qualified and were rejected. So, the final sample consisted of three hundred and thirty-seven customers from different towns. Customer Satisfaction was operationalized by 12 items which measured overall satisfaction. It included items related to concern for customers' needs, fair charges, services as value for money, procedures of the Insurer and overall delight in choosing the Insurer. All items were measured on five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Thus the score ranged from (12-65). The validity of the questions for measuring customer satisfaction was checked through reliability coefficient Cronbach's alpha (the value was .887). To accomplish the objectives, T-test and Anova have been applied.

Results and Discussions

The Demographic characteristics of customers

The demographic characteristics of customers of the public sector Insurer were analyzed and the results are presented in Table-1. Results of the description showed that the sample consisted of a greater percentage of male customers (67.4%) than female customers. Majority of the respondents (58.5%) have age more than 35 years. Majority of the respondents belonged to the income group of more than 5 lacs (57.3%) per annum. Most of the customers were Graduates (52.5%). Most of the respondents were govt. employees (48.1%) followed by own business category (21.1%), private employees (16.9%) and others (13.09%). Majority of the respondents were married (65.0%).

Table-1: Demographic profile of respondents

Particulars	Frequency	Percent
Gender		
Male	227	67.4
Female	110	32.6
Age		
≤ 35 yrs	140	41.5
> 35 yrs	197	58.5
Income		
≤ 5 Lac	144	42.7
> 5 Lac	193	57.3
Education		
Graduate and Below	177	52.5
Post Graduation and Higher	160	47.5
Profession		
Govt. Employee	162	48.1
Private Employee	57	16.9
Own Business	71	21.1
Others	47	13.9
Marital Status		
Married	219	65.0
Unmarried	118	35.0

Difference in the customer satisfaction of LIC customers for different categories of demographic factors:**Table-2: T-test for the difference in the customer satisfaction of LIC Customers based on Gender, age, annual household income, educational qualification, and marital status**

Group Statistics					
	Customer Satisfaction	N	Mean	S.D.	t-value
Gender	Male	227	52.04	10.866	2.121*
	Female	110	54.95	12.248	
Age	≤ 35 Years	140	52.74	10.715	.356
	Above 35 Years	197	53.18	11.886	
Household Income	≤ 5 Lacs	144	53.01	11.726	.027
	Above 5 Lacs	193	52.98	11.180	
Educational Qualification	Graduate and Below	177	53.11	11.368	.201
	PG and Above	160	52.86	11.469	
Marital Status	Married	219	53.61	11.315	1.357
	Unmarried	118	51.85	11.516	

*0.05 level of significance

Difference in the customer satisfaction of LIC customers based on Gender

Independent t-test reveals (Table-2) that there was a significant difference in the customer satisfaction of LIC customers based on gender ($t=2.121$). The calculated t-value is greater than the table value. Thus, Hypothesis H1 for significant difference based on gender was accepted.

Difference in the customer satisfaction of LIC customers based on Age

Independent t-test reveals (Table-2) that there was no significant difference in the customer satisfaction of LIC customers based on age ($t=.356$). The calculated t-value is less than the table value. Thus, Hypothesis H2 for significant differences based on age was rejected.

Difference in the customer satisfaction of LIC customers based on Income

Independent t-test revealed (Table-2) that there was no significant difference in the customer satisfaction of LIC customers based on income ($t=.027$). The calculated t-value is less than the table value. Thus, Hypothesis H3 for significant difference based on income was rejected.

Difference in the customer satisfaction of LIC customers based on Educational Qualification

Independent t-test reveals (Table-2) that there was no significant difference in the customer satisfaction of LIC customers based on qualification ($t=.201$). The calculated t-value is less than the table value. Thus, Hypothesis H4 for significant difference based on educational qualification was rejected.

Difference in the customer satisfaction of LIC customers based on Marital Status

Independent t-test reveal (Table-2) that there was no significant difference in the customer satisfaction of LIC customers based on marital status ($t=1.357$). The calculated t-value is less than the table value. Thus, Hypothesis H6 for significant differences based on marital status was rejected.

Table-3: ANOVA for the difference in the customer satisfaction of LIC Customers based on Profession

ANOVA					
	Customer Satisfaction	Sum of Squares	df	Mean Square	F
Profession	Between Groups	811.499	3	270.500	2.102*
	Within Groups	42852.489	333	128.686	
	Total	43663.988	336		

*0.05 level of significance

Difference in the customer satisfaction of LIC customers based on Profession

The ANOVA test indicated (Table-3) that there was a significant difference in the customer satisfaction of LIC customers based on profession. (F calculated is greater than the table value at 5% level of significance). Hence, Hypothesis H5 for significant difference based on profession was accepted.

Conclusion

When customer satisfaction was analyzed it was observed that there was a significant difference in the Customer satisfaction of LIC customers based on gender and profession. The female customers of LIC were more delighted and pleased as compared to male customers. And when the satisfaction levels were analyzed on the basis of profession it was observed that Govt. Employees and the respondents from Own Business were more satisfied as compared to respondents from Others group and Private Employees'. No significant difference was observed on the basis of age, household income, educational backgrounds, and marital status.

Thus, it can be concluded that customer satisfaction is one of the most important factors in the public sector Insurer. The finding reinforces the need for managers to place an emphasis on satisfying the customers and take

into account the moderating effect of demographics. The managers should periodically assess and monitor customer satisfaction levels and recognize its importance in developing and maintaining an enduring relationship with their customers as crucial parameters leading to increased performance.

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