

INVESTIGATING THE MEDIATING EFFECT OF CUSTOMER SATISFACTION IN THE SERVICE QUALITY – CUSTOMER LOYALTY RELATIONSHIP

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ABSTRACT

This article aims to elaborate on the concepts of service quality, customer satisfaction and customer loyalty and their relationships with the goal of establishing greater clarity on the path of relationship flow in the life insurance industry. The authors propose a model based on a thorough review of the literature and offer an empirical investigation into the mediating role of customer satisfaction in the hypothesized model.

The study begins with an identification of relevant variables and then moves to relationship testing. The authors use Multiple Regression Analysis to test the proposed causal relationships. The results empirically substantiate Customer Satisfaction as an intervening variable that offers directional influence as a mediator of the relationship between Service Quality and Customer Loyalty. The mediation model established in this study is found to be partial and complementary.

The study establishes customer satisfaction as a mediator in a service quality – customer loyalty relationship in the context of the life insurance industry in India.

Keywords: *Service Quality, Customer Satisfaction, Customer Loyalty, Life Insurance Industry in India.*

INTRODUCTION

Customer loyalty has not only found its way into the strategy rooms but it also features as a foremost theme of marketing research in most mid-to-large size organizations. It has turned into an indispensable managerial concern for all and a strategic obsession for some. Apart from intense competitive forces working in the background, the current customer relationship orientation of business has also set up a platform for customer loyalty to emerge as the heart of marketing activities across various industries, and especially ones that deal in services.

Such escalating focus on customer loyalty can be attributed to the significant benefits that it offers to businesses successfully engaged in loyalty practices. Prominent scholars in the field of loyalty research such as Rosenberg and Czepiel (1984) opine that acquiring a new customer can be as much as six times costlier than keeping existing customers. Reichheld (1996) also agreed that retaining a customer is less costly in comparison to acquiring a new one. He also indicated that the growing power of customers made them more demanding and less loyal. It therefore became a matter of immense importance for service providers to build and maintain loyalty among their current customers.

Formation of customer loyalty has been an interesting area of research for over 25 years. Parasuraman et al. (1988) established a causal relationship between service quality perceptions and customer satisfaction. Reichheld and Sasser (1990) established a causal relationship between service quality perceptions and customer loyalty. Bloemer and de Ruyter (1998) ascertained the positive relationship between customer satisfaction and customer loyalty. Apart from directly determining the state of loyalty among customers, satisfaction also influences the relationship between customer loyalty and other cognitive, affective and conative variables as well as customers' evaluative judgements such as service quality which is a major antecedent of loyalty. To more fully understand the relationship among these constructs, it is imperative to understand the conceptual framework of the constructs and then, their relationship along with directional influences.

LITERATURE REVIEW

In order to construct a literature framework, relevant studies have been thoroughly reviewed and are presented to first elaborate the conceptual framework of all three constructs examined in the study. Attention is then focused on exploring the relationship among them from the perspective of service industries in general and the

life insurance industry in particular. Subsequently, the directional flow of the relationships are discerned through literature search and review. These steps then result in the establishment of the research model tested and described in this article.

Service Quality

Kandampully (1998) reflected that a prime objective of any business, either manufacturing or services, is to achieve economic survival by developing and providing offerings that fulfil customer needs which can be understood by analyzing customers' quality evaluations and their decision making criteria in terms of repeat patronage and preference. Leonard & Sasser (1982), Takeuchi & Quelch (1983) and Joseph & Walker (1988) opined that ever-increasing competition and escalating customer expectations pose considerable challenges to organizations. Albrecht & Zemke (1985) noted that customers have grown extremely serious about the quality of services they receive.

Fisk et al. (1993) pointed out that service quality is among the principal themes of research related to services. Swan and Combs (1976) explained that consumers tend to compare their experience of quality with their pre-consumption expectations which forms the above mentioned paradigm. Such comparison, as put by Woodruff et al. (1983), results in emotion based reactions which forms the satisfaction or dissatisfaction with the products or services.

Gronroos (1984) found that extrinsic product related cues such as brand image are used by customers to ascertain service quality. Purer services such as life insurance heavily rely on extrinsic cues as there is hardly any tangible feature that can give an idea of its quality. Insurance is a credence product with high variability in pricing. Such differences in pricing, mainly used to meet customers' specific needs, make comparing different options difficult which again poses a challenge in service quality evaluation. Another notable feature of life insurance is that the consequences of choosing a particular offering typically attain clarity only after a considerable period of time. Therefore, immediate post-purchase evaluation cannot take place which alters the basis for overall satisfaction.

Johnston et al. (1984) posited that sporadic purchase and usage of credence products make it difficult for customers to form service expectations

due to limited understanding and awareness about the service. However, as Berry (1995) suggested, customers look for long-term association with the life insurance provider and agents so as to reduce the perception of financial risks and other uncertainties. Given the above mentioned aspects of life insurance services, it is likely that they entail distinct expectations as suggested by Toran (1993).

Sherden (1987) pointed that delivery of high quality services where customers' expectations are exceeded is unusual in the life insurance industry though increasingly demanded by the customers. Toran (1993) offered the opinion that quality should be treated as the core element of the insurance industry's operations. Walker and Baker (2000) suggested that expectations act as standards or reference points for service evaluation and thus, agents need to understand customers' expectations of their services.

Siddiqui and Sharma (2010) posited that although a good number of empirical studies related to service quality have been conducted in various service industries, service quality modelling has not been fully examined in the context of life insurance services.

Customer Satisfaction

Oliver (1997) stated that satisfaction is the consumer fulfilment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfilment, including levels of under- or over-fulfilment. Johnson (2001) proposed that there are mainly two conceptualizations of customer satisfaction. The first category of conceptualization can be represented by Oliver (1980) who suggested that measurement of satisfaction should be based on particular product or service transactions which can be defined as post-selection evaluative judgements related to specific buying decisions. Another conceptualization was established by such researchers as Anderson et al. (1994); Garbarino and Johnson (1999); Mittal et al. (1999) who perceived satisfaction in terms of a consumer's total cumulative experiences with a firm, product or service.

According to Yu and Dean (2001) and Bennett and Rundle-Thiele (2004) the antecedents of satisfaction can be emotional or cognitive. Solomon et al. (2002) posit that satisfaction is largely determined by the feelings or attitudes

about a product or service generated post purchase or consumption. Rai (2013) defined satisfaction as “a buyer’s emotional or cognitive response post-subjective assessment and comparison of pre-purchase expectations and actual performance subsequent to the consumption of the product or service, meanwhile evaluating the costs incurred and benefits reaped in a specific purchase even or over time in course of transacting with an organization” (p. 105).

There have been limited published studies that investigate various forms and roles of satisfaction in a life insurance context. Joseph et al. (2003) in their study suggested that life insurance agents should constantly monitor the satisfaction levels among their customers through routine dialogue and never fail to communicate with them as more and more clients expect their agents to recognize them personally and communicate accordingly. These authors further reiterated that customer satisfaction is essential to survival of agents in the volatile insurance climate and thus, agents should try to maintain a high level of customer satisfaction by providing free or minimally charged services such as offering routine insurance evaluation updates, customized estate planning services, suggesting tax saving investment products, and so on.

Customer Loyalty

Yi (1990), Hallowell (1996) and Homburg and Giering (2001) have noted that initially, customer loyalty has been perceived to be a behavioral concept entailing repeat buying of product or service measured as the series or share of purchases, referrals, magnitude of relationship or all of the above mingled together. Day (1969) found the behavioral conceptualization of loyalty is insufficient for distinguishing true loyalty from fake loyalty and suggested that loyalty should be evaluated through both behavioral and attitudinal measures. Researchers such as Jacoby and Kyner (1973), Dick and Basu (1994), Oliver (1997) and Berne´ et al. (2001) have highlighted the attitudinal dimension of loyalty. The need of incorporating an attitudinal component of loyalty has been emphasized by Bandyopadhyay and Martell (2007) who revealed that situational factors like unavailability of stock, individual factors like resistance to change and socio-cultural factors like social bonding differentiate behavioral loyalty from attitudinal loyalty. Fournier and Yao (1997),

Macintosh and Lockshin (1997), Pritchard et al. (1999), Bowen and Chen (2001), Rundle-Thiele and Mackay (2001), Wong and Sohal (2003), Koo (2003) and Kumar and Shah (2004) recommend to combine the behavioral and attitudinal measures of loyalty. Rai and Srivastava (2012) stated that “a customer can express his degree of loyalty towards a service provider by either displaying a positive attitude or indulging in favorable actions or making conscious evaluations and finding a particular service worth sticking to.” (pp. 66).

Guillen et al. (2008) noted that the number of empirical studies on customer loyalty in the insurance sector is low. They contended that it is important to monitor customer loyalty and business risk for life insurance companies due to reasons such as access to information related to the quality of portfolio, effective handling of customer recruitment and retention strategies, evaluation of competitiveness in the insurance sector and a company’s position in that market. Lombardi (2005) stated that keeping customers is crucial for life insurers as a long-lasting association with those customers results in greater instances of cross-selling and positive recommendation intentions.

Slattery (1989) stated that the agent’s relationship with his customers and quality of his service are decisive factors in selling a policy and retaining the customers. Toran (1993) believed that an agent’s perceived integrity and the quality of his advice plays a major role in customers’ decision for life insurance services. Solomon et al. (1985); Grönroos (1990) found that customer’s discernment of face-to-face interaction with the service employee is taken as a significant determinant of customer loyalty.

Putting this all together, then, Customer Loyalty in the context of insurance services can be comprehended as a psychological construct formed by sustained satisfaction of the customer coupled with emotional attachment formed with the service provider that leads to a state of willingly and consistently being in the relationship with preference, patronage and premium.

CAUSAL MODELS AND HYPOTHESES

The concepts discussed above provide a base for creating relational models involving service quality, customer satisfaction and customer loyalty which depict the causal as well as directional flow that these constructs obey. The

relationships among the principal constructs form three different paths, each of which are discussed in the following sections.

Path 1: The Service Quality – Customer Loyalty Relationship:

Service Quality → **Customer Loyalty**

Zeithaml et al. (1996) found a positive relationship between service quality and willingness to pay more as well as loyalty. Baker and Crompton (2000) reported a positive relation between service quality and willingness to pay higher prices and to customer loyalty. Chow et al. (2007) carried out their study in restaurant industry and found that frequent patronage of guests is related to high levels of service quality. Wong and Sohal (2003) attempted to assess the impact of service quality dimensions on customer and found that there is a positive association between service quality and customer loyalty.

Cronin and Taylor (1992) stated that service quality has no significant effect on repurchase intentions. Cronin et al. (2000) posited that the association of perceived service quality with behavioral intentions differs from industry to industry. Bei and Chiao (2001) also posited that high levels of perceived service quality had an indirect but significant positive effect on customer loyalty via customer satisfaction. Olorunniwo et al. (2006) reported that in the context of a service factory, the indirect effect of service quality on behavioral intentions with customer satisfaction mediating the effect is stronger than the direct effect of service quality on behavioral intentions. Tsoukatos and Rand (2006) verified the findings of Parasuraman et al. (1988), Reichheld and Sasser (1990), Fornell (1992), Cronin and Taylor (1992) and Anderson and Sullivan (1993) about the causal relations between service quality perceptions, satisfaction and loyalty and accepted the path service quality – customer satisfaction – loyalty to be valid in the Greek insurance industry. Caceres and Paparoidamis (2007) empirically verified the mediating role of relationship satisfaction in a business to business context and asserted that the relationship between functional and technical dimensions of service quality and business loyalty is mediated by relationship satisfaction whereas no support has been found for the direct effect of service/product performance on customer loyalty.

Juga et al. (2010) studied and supported a satisfaction-loyalty model (Oliver, 1980) in a logistics outsourcing context and stated that instead of directly influencing loyalty, service perceptions influence loyalty through the shipper's overall satisfaction with the service provider.

Based upon the above discussion, the following hypothesis is proposed:

H1: There exists a significant relationship between Service Quality and Customer Loyalty in the context of Insurance Services.

Path 2: The Service Quality – Customer Satisfaction Relationship:

Service Quality → **Customer Satisfaction**

Hurley and Estelami (1998) posited that a customer's level of satisfaction with an organization or a service provider is determined by the evaluation of service quality along with other factors. Murray and Howat (2002) reviewed Crompton & MacKay (1989), Oliver (1993), Buttle (1996), De Ruyter, Bloemer & Peeters (1997) and Liljander & Strandvik (1997) and noted that substantial amounts of discussions have been undertaken about the distinctiveness of service quality and customer satisfaction as constructs as well as whether satisfaction is an antecedent or an outcome of service quality. Their findings suggested that service quality acts as an antecedent to satisfaction.

Dabholkar et al. (2000) and Santouridis et al. (2009) found that service quality has been quoted as the most influential predictor of customer satisfaction in the literature. Arasli et al. (2005) and Al-Hawari et al. (2009) noted that service quality has been the focal point of recent inquiries into the parameters affecting degree of customer satisfaction in the context of financial services. Kassim and Abdullah (2010) in their study conducted among the customers of Malaysia and Qatar agreed that service quality is an antecedent of customer satisfaction. Chen et al. (2012) confirmed the well-established relationship between service quality and customer satisfaction and suggested that although service quality can increase customer satisfaction both directly and indirectly... but in a financial services context,

service fairness is also considered along with service quality while forming satisfaction levels.

Based upon the above discussion, following hypothesis is proposed:

H2: There exists a significant relationship between Service Quality and Customer Satisfaction in the Context of Insurance Services.

Path 3: Customer Satisfaction – Customer Loyalty Relationship:

Customer Satisfaction → Customer Loyalty

Henning-Thurau and Klee (1997) partitioned studies related to customer satisfaction – loyalty link into three groups:

1. Studies originating from literature of service management investigating the relationship at an aggregated, company-wide level. Here, satisfaction has been considered as an antecedent of customer loyalty, which is capable of influencing firms' profitability (e.g., Rust and Zahorik, 1993; Anderson et al., 1994; Heskett et al., 1994).
2. Studies accepting the impact of satisfaction on loyalty while questioning the assumption of a linear and symmetric structure of the relationship between the two (e.g., Anderson and Sullivan, 1993; Oliva et al., 1995; Mittal et al., 1998).
3. Studies analyzing the satisfaction loyalty link on an individual level with real purchasing data (e.g., Bolton, 1998; Mittal and Kamakura, 2001).

Over the years, several researchers such as Ganesan (1994), Mittal et al. (1998), Mittal and Kamakura (2001) and others have portrayed customer satisfaction to be influencing the factors that link to the long-term orientation of a relationship. Geyskens et al. (1999) considered customer satisfaction as an essential factor responsible for the long-term association between suppliers and buyers. It has often been stated that the affect component of satisfaction could stimulate a satisfied customer to patronize the service provider as well as referring its services to

others. The positive effect of customer satisfaction on these dimensions of loyalty has been repeatedly voiced in the literature.

Heskett et al. (1997) posited that a rapid increase in customer loyalty can be expected once customer satisfaction crosses a definite threshold. In other words, the relationship between customer satisfaction and customer loyalty experiences rising returns to scale. Oliver et al. (1997) reflected the threshold argument in their research findings pertaining to customer delight which suggested that "tremendously satisfied" or "delighted" customers have a stronger tendency to stay with the organization than merely "satisfied" ones.

Oliver (1999) and Bennett and Rundle-Thiele (2004) pointed out that satisfaction in commercial relationships could act as a proxy. Oliver (1999) perceived customer satisfaction as a "seed" which may produce customer loyalty in certain conditions but not always. Egan (2000) and McIlroy and Barnett (2000) suggested that though a necessary requisite, customer satisfaction is not sufficient for loyalty building. Egan (2000) noted that satisfied customers are likely to switch if they are convinced of receiving better value, whether in terms of convenience or quality, somewhere else.

Noordhoff et al. (2004) regarded satisfaction as an important factor that may affect customer loyalty in retailing industries characterized with growth. Keh and Lee (2006) analyzed the moderating effect of satisfaction on rewards in loyalty programs and found that satisfaction does affect the effectiveness of rewards.

Based upon the above discussion, the following two hypotheses are proposed:

H3: There exists a significant relationship between Customer Satisfaction and Customer Loyalty in the context of Insurance Services.

H4: Customer Satisfaction mediates the relationship between Service Quality and Customer Loyalty in the context of Insurance Services.

RESEARCH METHODOLOGY

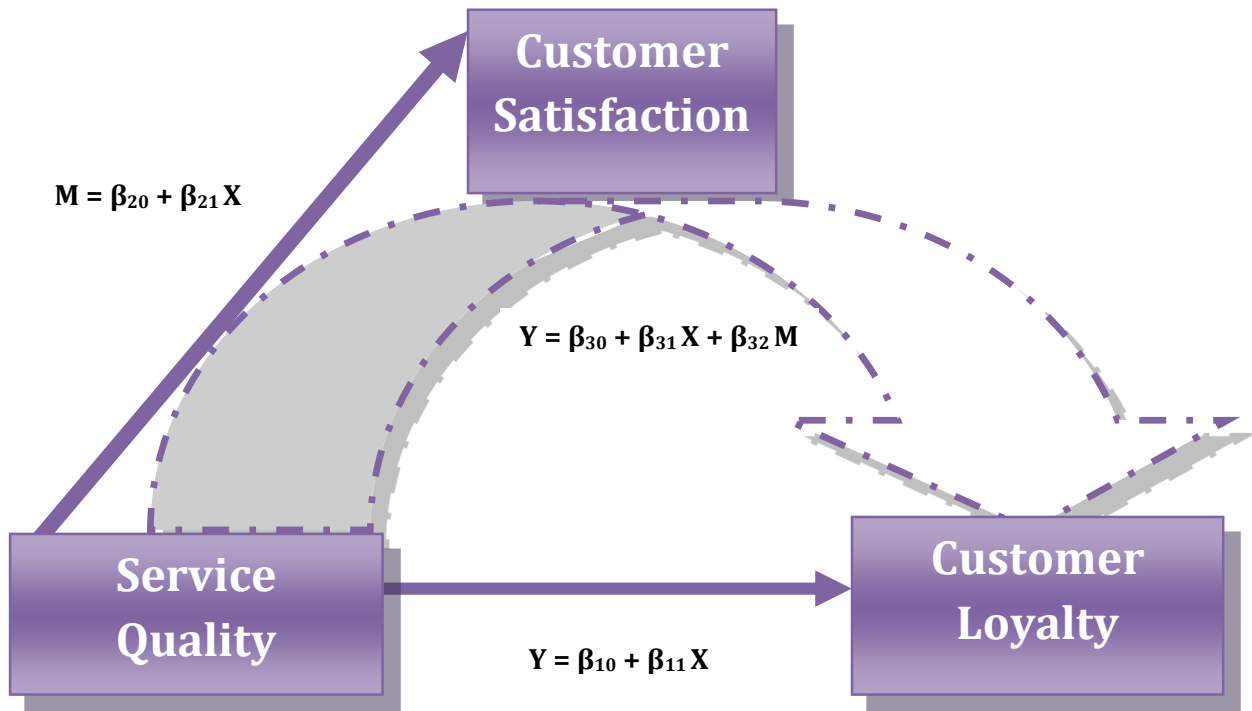
The research method and tools employed in this study are detailed in the following sections.

The Research Problem

A comprehensive survey of such literary sources as were highlighted in the previous sections of this article revealed that the relationships between service quality, customer satisfaction and customer loyalty have been examined by numerous scholars, in many studies conducted in varied business/services settings. A thorough review of these studies led the author to look more closely at the possible mediating role of customer satisfaction in the quality - loyalty link.

Some work of this type has been conducted, but virtually no published work has been found in the context of life insurance industry.

Also, the form and strength of the mediating role of customer satisfaction has not been paid adequate attention to in most of the studies that have examined mediation. This, in this author's opinion, establishes the need for testing the relational impact of Service Quality on Customer Loyalty as well as the directional influence of Customer Satisfaction on this relationship in the context of the life insurance industry. The proposed conceptual research model of the study is given below.



Where, Y = dependent variable (customer loyalty), X = independent variable (service quality) and, M = mediating variable (customer satisfaction).

Baron and Kenny (1986) provide guidelines for establishing indirect effects and declare the following three conditions as requisites for establishing mediation.

1. **The independent variable must affect the mediator in the first equation;**
2. **The independent variable must be shown to affect the dependent variable in the second equation; and**
3. **The mediator must affect the dependent variable in the third equation.**

The Research Objectives

The objectives that determine the direction of the study follow.

1. **To explore the relationship between service quality and customer loyalty and ascertain the strength.**
2. **To examine the role and impact of customer satisfaction as an upshot of service quality and predecessor of customer loyalty.**
3. **To investigate the mediating role of customer satisfaction in the relationship of service quality and customer loyalty.**

The Research Design

The research is both exploratory and descriptive: the identification of variables for the study is the initial step, and relationship testing follows.

Development of the Survey Instrument

A thorough review of the customer loyalty literature revealed seven factors that can be considered antecedents of customer loyalty. These seven antecedents served as the basis for construction of the survey instrument used in this study. In order to design a questionnaire to assess loyalty among customers, individual scales of these antecedents have been found and reviewed. Items which were considered most relevant in the context of present research have been taken from these scales and put together to form a new questionnaire. The total number of items at the initial stage was 77. This pool of items was again

scanned to remove irrelevant or redundant items with the goal of achieving parsimony, validity and objectivity. After thorough examination, 38 items were found to be appropriate for the questionnaire. These items were then pilot tested by academicians, industry experts, loyalty practitioners and some of consumers drawn from the population of life insurance customers. Based upon the feedback received, the questionnaire was redesigned. 35 items were chosen to be included in the actual questionnaire used in the study.

Data and Sample

The data acquired for testing the proposed research model was collected through a survey among the customers of the top three life insurance companies (based on their relative shares of the market of life insurance policies in India. These companies were: the Life Insurance Corporation of India; ICICI Prudential Life Insurance; and SBI Life. For the selection of respondents, Snowball Sampling was used since the target population consisted of only those customers who hold one or more policies worth Rs. 5 lakh or above for a minimum period of 5 years.

Prospective respondents were requested to register their responses to measurement items (see **Appendix A**) in the questionnaire designed to observe their evaluative judgements and emotional reactions towards their life insurance service provider and consequently, their loyalty intentions. All of the measurement items were anchored on a seven point Likert scale (1 = strongly disagree, 7 = strongly agree). A total of 400 usable questionnaires were obtained from a possible 450 customers, a response rate of 88 percent, and the average age of the respondents was 33 years. Of these, 70 percent were male and 30 percent female. These 400 customers broke down as follows: 220 were customers of LIC of India; 107 were customers of SBI Life; and 73 were customers of ICICI Prudential.

The internal consistency of the 35 items scale used in this study was determined by computing Cronbach's coefficient alpha which came out to be .955. The items were presented in English as well as Hindi to remove language related hindrances.

The data collected was subjected to Multiple Regression Analysis so that the relationships among the primary constructs under study i.e., service quality, customer

satisfaction and customer loyalty and any possible directional influence over these relationships can be tested. The results of the analysis and detailed discussion are presented in the section of findings.

Scope of the Study

The present study is centered on investigating and establishing a relationship between customers' evaluative judgements of life insurance services and their relational outcomes. It is focused on the relationship between service quality and customer loyalty with customer satisfaction exerting indirect effects on the aforementioned relationship. There may be other variables that play potentially strong roles in the inter-relationships of service quality, customer satisfaction and customer loyalty. However, for purposes of this particular inquiry, they have largely been assumed to have a null effect in the above depicted research model. Notably, this study has taken into account the responses of Indian life insurance customers only, thus limiting the generalizability of any results. The study also does not include the whole insurance industry (auto; home; health, etc.) thus limiting the generalizability of any results.

RESULTS

The study's findings have been partitioned into three sections in line with the aforementioned conditions of Mediation analysis:

a) The dependent variable Customer Loyalty has been regressed on the independent variable Service Quality. The result substantiated that the independent variable, service quality, is a significant predictor of the dependent variable, customer loyalty.

The relationship between service quality and customer loyalty was examined through linear regression analysis, the test results which are presented in **Table 1**. The value of R^2 (.829) suggests the model to be very strong. H1 proposed that service quality and customer loyalty would share a significant relationship. The significance value of β_{11} was found to be smaller than the default value of .05 thus demonstrating that a

significant relationship between service quality and customer loyalty exists.

b) The mediating variable Customer Satisfaction has been regressed on the independent variable Service Quality in an attempt to establish Service Quality as a significant predictor of customer satisfaction.

H2 was related to the effect of service quality on customer satisfaction and to assess this, linear regression analysis was undertaken. As can be seen in **Table 1**, the value of R^2 (.495) suggests the model to be moderately strong. $\beta_{21} = 1.142$ which is significant as the value of significance is smaller than the default value (.05) thus demonstrating that customer satisfaction is significantly related to service quality.

c) Regressing the dependent variable on both the mediator and independent variable confirmed that the mediator is a significant predictor of the dependent variable. Also, as per the conditions laid down by Baron & Kenny (1986), the coefficient of the independent variable in a multiple regression equation where the dependent variable was regressed on both mediator and independent variable should be smaller than the coefficient of independent variable in the first equation.

In order to assess the mediating role of customer satisfaction, its' effect on customer loyalty has been tested through regression analysis while controlling for service quality. As revealed in **Table 1**, the model is very strong given the value of R^2 (.959). Also, $\beta_{32} = .360$ which is significant and the value of significance is smaller than the default value (.05) thus demonstrating that there is a statistically significant relationship between customer satisfaction and customer loyalty.

H4 proposed that there would be a mediating role of customer satisfaction in the service quality – customer loyalty relationship. The third condition of Baron & Kenny's (1986) mediation model also holds true in the present study as $\beta_{31} (.636) < \beta_{11} (1.047)$...thus the implication that Customer Satisfaction mediates the relationship between Service Quality and Customer Loyalty.

TABLE 1
Results of Multiple Regression Analysis

Models (Steps in Mediation Analysis)	Service Quality	Customer Satisfaction	R²
<u>Model 1</u>			
(DV = Customer Loyalty IV = Service Quality)	1.047*	-	.829
<u>Model 2</u>			
(DV = Customer Satisfaction IV = Service Quality)	1.142*	-	.495
<u>Model 3</u>			
(DV = Customer Loyalty IV = Service Quality MV = Customer Satisfaction)	.636*	.360	.959

* p value < 0.005

Also the VIF values for service quality and customer satisfaction were found to be well within the prescribed limit of 5 which suggests that there is no problem of multicollinearity between the predictors in this model.

The result of Sobel’s Test are presented in **Table 2**. This result suggests that the proposed mediation model is statistically significant since the p-value of Sobel test statistic is smaller than the default value of .05.

TABLE 2
Sobel Test Statistic

Test Statistic	Std. Error	p-value
17.27469982	0.02379897	0

The Predictive Equation for the entire model is:

$$CL = -.183 + .636 SQ + .360 CS$$

(.360 is significant as the value of significance is lower than the default value of .05; β_{31} (.636) < β_{11} (1.047). Thus, Baron and Kenney’s third condition also holds true.)

DISCUSSION AND IMPLICATIONS

Customer Satisfaction has been found to be a significant predictor of Customer Loyalty in the context of life insurance in India. The p-values associated with β_{11} (1.047) and β_{21} (1.142) indicate a statistically significant relationship of Service Quality with Customer Loyalty and Customer Satisfaction respectively, which in turn is significantly associated with Customer Loyalty ($\beta_{32} = .360$). Also, the role of Service Quality in determining Customer Loyalty diminishes

significantly ($.636 < 1.047$) once the intervening variable Customer Satisfaction enters the equation. Baron and Kenny (1986) recommended Sobel's test to examine the significance of mediation model. They stated that "Sobel (1982) provided an approximate significance test for the indirect effect of the independent variable on the dependent variable via the mediator." The Sobel Test statistic for the mediation proposed in this study is **17.27469982** with a significant p-value. The significance of Sobel test statistic validates the proposed mediation model.

Thus, present study corroborates the literature that suggests Customer Satisfaction to play a greater role than just being a prominent antecedent to Customer Loyalty. The study empirically demonstrates Customer Satisfaction as an intervening variable that offers directional influence to the relationship between the constructs Service Quality and Customer Loyalty. Another interesting finding stems from the statistical significance of the direct relationship between service and customer loyalty which implies that customer satisfaction only partially mediates the aforementioned relationship.

To examine whether the mediation established in this study is complementary or competitive in nature, the sign of product of all three coefficients needs to be determined. By following the procedure stated by Zhao et al. (2010), the mediation established in this study is classified as complementary mediation.

It can be concluded that Indian customers' evaluation of superior service quality of their life insurance provider leads them to satisfaction and continued episodes of customer satisfaction will result in a solid base of loyal customers for the life insurers. Thus, Customer Satisfaction enhances the relationship between Service Quality and Customer Loyalty.

Life insurers all across the world are in a fix as the industry dynamics have vastly changed and retaining a customer is becoming increasingly difficult. According to World Insurance Report (2007) by Capgemini, the Insurance industry has become more transparent due to the increased usage of the internet which enables customers to have easier access to product and price related information, thereby increasing their bargaining capacity. This information transmission has made customers self-reliant, more price sensitive and less loyal. Guillén et al. (2009) opined that customer defection poses a very real threat to companies

operating in the insurance industry. Though defection can be compensated for by new customer acquisition, this alone is not a good solution because of government regulations around the world: typically, in the event of contract cancellation, the composition and quality of insurance risks are distorted leading to a negative impact on the judged solvency of the company and thus the rating of that company. So, life insurers have endeavored to enhance customer loyalty among their existing customer base. With an understanding of the two major antecedents of customer loyalty i.e., service quality and customer satisfaction, customer loyalty can be more effectively managed and sustained. Also, the directional influence established in this study offers a framework to the loyalty practices of the life insurers who can plan and implement a sequence of activities and allocate their limited marketing resources accordingly.

In order to achieve desirable and effective results, life insurers need to establish performance standards for all three constructs analyzed in this study. Such benchmarking will provide them direction and focus required to outperform the competition and ensure a better service experience for their customers. A regular monitoring of customer loyalty can serve as a yardstick and help in managing business risks while ensuring long-term profitability.

LIMITATIONS OF THE STUDY

The study is confined to the geographical boundaries of Varanasi city in India which affects the generalizability of the results. Also, the findings are restricted to the information furnished by the respondents which suffers from the risk of biasness and human errors. While assessing the mediating role of customer satisfaction, it has been assumed that customer satisfaction is directly related to service quality as well as customer loyalty which means that the possibility of multiple mediations in the research model has been ignored. However, these potential relational or directional influences may have a huge role to play in the context of commercial relationships. The study is conducted in the context of the life insurance industry in India which restricts the results from being extrapolated to other service industries with different sets of entry and exit barriers, switching costs, relationship tenure and customer responses.

FUTURE RESEARCH

Scholars in the future may explore the possibilities beyond the main mediation model established in the present study by testing the existence of other variables and their potential effects on the relationships discussed and demonstrated here. It would be interesting to see if the relationships of customer satisfaction with service quality and customer loyalty are also mediated through some other variables such as perceived value, trust, switching costs, etc. Also, the possibility of some variables exerting moderating influences on the mediating relationship discussed in the present study cannot be discarded without testing. Such variables and their exact effects need to be identified in order to generate a comprehensive understanding of the aforementioned relationships. Future studies may enhance the explanatory power and predictability of the above model by testing and verifying the existence of multiple mediations as well moderated mediation in the model.

The present study can be replicated in varied service contexts such as entertainment and recreational services, postal services, etc. in other cultural settings. Future studies can also concentrate on identification of other mediating variables that provide directional influence to service quality – customer loyalty link.

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APPENDIX A**MEASUREMENT ITEMS**

1. The company provides sufficient range of life insurance products (children plans, joint life plan, pension plans, and special plan for women with different benefits options).
 2. The company's cost of policy is reasonable.
 3. The company's service delivery process is highly standardized and simple.
 4. The company has technological capability and innovative processes to meet your expectations.
 5. The company shows willingness to help and is always ready to respond to request.
 6. The company's branch location is convenient.
 7. The ambience of the company's branch premises gives positive impression.
 8. The company does ensure confidentiality of its clients.
 9. The company provides timely and trustworthy information.
 10. Company will point out the best alternative for you at any time.
 11. The company gives appropriate advice (related to investments /tax benefits etc.) at critical times.
 12. Services of the company are reliable and dependable.
 13. The company is concerned with the customers.
 14. The company is honest to you.
 15. The company can be trusted in what it says and does.
 16. The company is firmly established and stable.
 17. The company deserves your repeat purchasing as well as recommendations.
 18. The company never fails to fulfil your expectations.
 19. The company has never disappointed you so far.
 20. The company appoints well-trained agents.
 21. The agents are able to instil confidence through their behaviour.
 22. The agents are knowledgeable and competent enough to answer specific queries and requests.
 23. The agents' approach is empathetic and reassuring.
 24. The agents have professional appearance.
 25. You feel that your decision to choose this company for life insurance solutions was wise.
 26. You are contented with your decision of choosing your present life insurance provider.
 27. Overall, you are satisfied with your life insurance provider.
 28. You feel a strong sense of belongingness to the company.
 29. You stay with company because you are happy to be their customer.
 30. Company has a great deal of personal meaning to you.
 31. You stay with the company because it would be too costly to leave it.
 32. You stay with the company because it provides greater benefits in comparison of other available options.
 33. You are not sure that the policy charges of a new life insurance provider will be better for you.
 34. You should compare all life insurance providers in order to switch to a new company.
 35. Comparing the life insurance providers with one another takes a lot of energy, efforts and time even if all the information is available.
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