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Initial Negativity - A Moderator in Customer Satisfaction during the Service Recovery Process in the Life Insurance Context

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Abstract

The research aims to understand how service recovery satisfaction could lead to customer satisfaction by exploring the antecedents of service recovery satisfaction and considering the moderating role played by initial negativity experienced due to service failure. A conceptual model assuming the linkages between interactional fairness, operational fairness & problem solving orientation on customer satisfaction mediated through recovery satisfaction and moderated by initial negativity feel of customers was developed and tested on customers of life insurance products in Kerala. Responses from 250 randomly selected life insurance customers, who had experienced a service failure belonging to the public sector and private life insurance companies were collected using a structured questionnaire, which captured their perceptions on certain relevant indicators capable of measuring the latent variables. A variance based Structural Equation Modelling (SEM) approach was adopted to explore the significant linkages in the proposed model. The critical role of the antecedents of service recovery satisfaction and its mediating effect in creating customer satisfaction would provide strategic insights to practicing managers to retain customers, in the event of a service failure. The study could empirically establish that, initial negativity feel due to service failures had a moderating effect

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on customer satisfaction, which implies that the impact of service failure, can significantly modify the service recovery process. The study gathers significance when evaluated in the light of perceived product failure of Unit linked insurance products.

Keywords: Customer satisfaction, Service recovery satisfaction, Initial negativity, SEM.

1. Introduction

Indian insurance industry is among the most promising emerging insurance markets in the world. The initiative for transformation of the industry was laid in 2000, by the opening of the insurance market to private-sector and foreign players. Currently, the insurance industry in India is the 4th largest in the Asia-Pacific region, holding the position of being the 12th largest life insurance market in the world. With life expectancy reaching 74 years, the insurable population in the country is anticipated to touch 750 million in 2020. The projected share of life insuranceis expected to touch 35 per cent of total savings by the end of the decade, as against 26 per cent in 2009-10. The insurance industry in India is comprised of 53 insurance companies, 24 of which are in life insurance business and 29 in non-life insurance. The market size of the industry in FY-2014 stood at, Life Insurance US$ 52463 Million and General Insurance US$ 13535 Million (Life Insurance and Annuity Industry Outlook-Taking the longer term view, 2015). With about 360 million policies India's life insurance sector is the biggest in the world with expectations to grow at a compounded annual growth rate of 12-15 per cent over the next five years. The insurance market in the country is to expected to quadruple over the next decade to reach US$ 160 billion (Ibef.org, 2015).

The profile of Indian consumers has been ever evolving, with more and more customers actively involved in managing their financial assets, and emerging expectations of integrated financial solutions that offer stability of returns combined with comprehensive protection. Life insurance is fast emerging as an attractive and stable investment alternative that offers total protection for life, health as well as wealth. Increase in the size of the working population would lead to exponential growth of household savings and purchasing power, which would likely increase the demand for insurance products. In India the proportion of working-age population is expected to increase from approximately 58 per cent in 2001 to more than 64 per cent by 2021, with a large number of young persons in the age group of 20-35. Increased disposable incomes as a result of this can be tapped by the financial services sector in general and the insurance sector in particular. The Indian economy has seen a soft positive growth expanding to 7.4% in the year ended March 2015 marginally higher than 6.9% recorded in the previous year. The economy is gaining strength through higher spends on infrastructure and continued reforms in financial and monetary policy. New initiatives by the government may pay the way to a GDP growth rate between 7 to 8.5per cent over the next decade and the insurance industry stands to substantially benefit from this growth (Indiainbusiness.nic.in, 2015). There has been predictions by the IMF and the Moody's Investors Service that India will witness a GDP growth rate of 7.5 per cent in 2016, due to lower food prices, improved investor confidence, and better policy reforms.

2. Problem Statement

Life insurance has always been a savings cum protection tool for the common man, being the second largest contributor to household savings, amounting to almost 3.17 % of the GDP. [(Report of the Working Group on Savings during the Twelfth Five-Year Plan (2012-13 to 2016-17)].

The opening up of the life insurance industry and entry of private players in 2001, saw a steady increase in insurance penetration growing from 2.15% in 2001 and peaking to 4.6% in 2009 (IRDA Annual Reports). This incredible growth was achieved partly due to the sale of ULIPs (Unit Linked Insurance Plan), which became the poster boy of the Insurance industry with shorter tenure, easy liquidity, flexibility, transparency and promise of dream returns. The ULIPs fast became the favourite of Insurance advisors and a major share was sold by advisors to customers, who both where not educated about the risk return profile of the product. As share markets surged further to all-time highs, the ULIPs championed the cause of mis-selling and were sold promising untenable returns. However when the share markets corrected the ULIPs grossly underperformed and did not deliver returns as expected by the customer, significantly eroding customer satisfaction levels. Some ULIP funds even fell below the investment value & offered negative returns, eating intoinvestors' capital. Loss of investments, led to relationship loss which consequently resulted in the loss of an established relationship between the provider and the user (Shuchi Singhal, Anupam Krishna & Davis Lazarus 2013). When the product did not provide the falsely promised returns, a lot of customers stopped paying, and lost money.

This was reflected in the spike in the lapsation in insurance policies after the introduction of ULIPs in India, leading to a loss of more than a trillion rupees for investors over the 2005-2012 period on account of mis-selling (Halan, Sane, & Thomas 2014).

The impact of erosion in customer trust extended to other life insurance products also. The product failure led to decline in customer satisfaction, which refers to accumulative and comprehensive evaluation of customers in their long-term contact with an enterprise (Homburg, Koschate and Hoyer, 2005). Loss of trust was evident from the fact that the Insurance industry has recorded a growth rate of only 5.4% in FY 2015 compared to the GDP growth of 7.4%. Insurance Penetration in India has come down in 2014 to 3.3% compared to 3.9% in the previous year, this being below the world average of 6.2 percent in 2014 ("Ernst & Young, Voice of the customer – Time for insurers to rethink their relationships", 2015). Studies have shown that the inability to effectively identify the causes of customer loss and to take appropriate measures is the main reason for failure in customer win-back (Smith, Bolton & Wagner, 1999). To win back the lost confidence a proper service recovery mechanism has to be set in place.

However proactive changes in the regulatory framework make the future looks bright, forcing the industry to have a relook in the way it conducts its business and engages with its customers. A growing young middle class, untapped insurable population, nuclear families and increasing awareness of the need for protection and retirement planning will support the growth of Indian life insurance.

This study seeks to provide an exploratory investigation into service recovery efforts in the insurance setting in the wake of a perceived product failure. The current study attempts to help life insurance marketers better understand customer satisfaction in the wake of a perceived product failure by (1) by suggesting ways of effective service recovery (2) exploring the impact of perceived initial negativity feel as a result of the failure on customer satisfaction.

3. Literature Review

A service failure is defined as service performance that falls below a customer's expectations (Hoffman & Bateson, 1997). A product or service failure occurs when a service provider fails to meet the expectations of customers; the resultant disconfirmation can lead to a series of negative outcomes such as defection and negative word-of-mouth. It is the result of a service or product failing to meet customer expectations because of fault in any of the links in the service delivery chain (Mueller, Palmer, Mack, & McMullan, 2003). The consequences of service failure include: losing customers, negative customer appraisals, and customers registering complaints with consumer rights organisations. The presence of these failures can significantly impact customer satisfaction and customer loyalty, which in turn will impact future sales.

Compliant Behaviour

The focus of this research has been to explain the redress seeking behaviour generally prevalent amongst customers who experiences a perceived service failure. Previous research has found that dissatisfied customers seek redressal, involve in negative word-of-mouth behavior, or exit, based on the perceived probability of a successful redressal (Gilly & Gelb, 1982; Folkes, Koletsky & Graham 1987; Singh, 1990). Complaint handling refers to the strategies firms use to resolve and learn from service failure in order to reestablish the organization's reliability (Hart, Heskett & Sasser, 1989). When failures occur, customers often search for explanations for the causes of failures (Folkes, 1984) and make causal attributions to assure why a failure occurred (Weiner, 2000). A complaint is a negative response toward a quality of service (Resnik & Harmon, 1983); they occur for many reasons: seeking redress, emotional release, and assurance of non-recurrence of problems. If not handled appropriately, customer loyalty will be diminished (Oliver, 1987) and company reputation and brand value will be endangered (Morgan & Hunt, 1994).

Service Recovery

Service recovery is the opportunity offered by complaining customers to rectify the misdemeanours of a firm. It refers to the actions a service provider initiates in response to a service failure, and is considered a major component of the overall service quality (Gronroos, 1988). The term service recovery in literature usually refers to organisations response to a service breakdown (e.g., De Matos, Henrique & Rossi, 2007; Smith et al. 1999), studies have involved after-sales services for product repair or product failures also (e.g., Brady, Cronin, Fox & Roehm, 2008). In this study we use the term service recovery to denote the act of providing a recovery in the case of perceived product failure of ULIPs in the life insurance industry.

Service recovery is considered successful to the extent when a complainant continues to patronise, repurchase and engages in positive word-of-mouth communication about the service (Davidow, 2000). Customer satisfaction with service recovery refers to a positive set of emotions perceived by customers in the process and as a result of recovering from the failed service (Kim, T. T., Kim, W. G., & Kim, H. B., 2009). Proper complaint management can result in customer satisfaction and improved financial performance through operational improvement (Johnston & Mehra, 2002). This leads to the recovery paradox (McCollough & Bharadwaj, 1992), which refers to the situation in which a customer's purchases and loyalty increase as a result of satisfactory service recovery. Effective complaint handling and service recovery policies,in order to ensure customer retention has been the focus of both researchers and service organizations.

Theories of Service Recovery and Compliant Management

Justice Theory has been the basis of the dominant theoretical framework for complaint management and service recovery in the past (Liao, 2007). The studies focus on the customers' evaluation of the complaint experience through perceived distributive, procedural, interactional, and informational justice (Colquitt, 2001). It studies complaint handling effectiveness, service recovery tactics and post-complaint behavior in service recovery. Customers' level of satisfaction and their loyalty depend on the perceived justice in the complaint handling process and outcome. Four types of justice are generally assessed in a service recovery context: procedural (the process used to resolve the problem), distributive (the outcome of the recovery process), interactional (the manner and the interaction between the operator and complainant in dealing with the problem), and informational (the candid communication with the complainant). These four factors are proven to be distinct dimensions (Colquitt, 2001).

Fairness Theory (Folger & Cropanzano, 2001) has been found to provide useful insights in extending and explaining customer responses to complaint handling and service recovery. Social identity theory (Tajfel, 1981) and Similarity-attraction theory (Strauss, Murray & Connerly, 2001) suggest that what consumers visually see and face in a service encounter will impact their perceptions and subsequent satisfaction/dissatisfaction. Based on Expectation Discenfirmation Theory (Oliver, 1977) a complainant will compare the actual experience with his or her personal expectations, understandings, or the commitment offered by the service provider to gauge the injury.

Frontline Customer Service Employee

The front-line customer service employees (FSE) critically influence consumers' perceptions of the service encounter and from the customer's point of view, they form the crux of the service (Bitner 1990; Parasuraman, Zeithaml & Berry, 1988). FSE core recovery behavior positively influences the recovery speed and recovery quality (Van der Heijden, Schepers, Nijssen & Ordanini, 2013). Customers expect to receive an explanation resultant of a service failure eager to understand what went wrong, why it went wrong, and what is being done about it (McColl-Kennedy & Sparks, 2003). The usually adopted methods are (1) Excuses, it involves mitigating the circumstances in order to exonerate the organization of responsibility for the adverse outcome (2) justifications, involves acceptance of responsibility, but which attempt to absolve the service firm by legitimizing its actions on the grounds of shared needs and/or higher goals (3) referential, i.e., it seeks to minimize the perceived unfavorabeleness of the failure by soliciting downward comparisons (4) apologies, it involves an admission of failure and an expression of remorse (Bies 1987).

A meta-analysis of 36 studies (Shaw et al. 2003) summed that providing excuses are more effective than justifications. It also established that justifications can result in higher levels of satisfaction than did apologies (Conlon and Ross, 1997).

Some authors (e.g., Colquitt, 2001; Greenberg, 1993) divide interactional justice into two types: interpersonal, which relates to the extent to which the parties are polite, courteous, and respectful of each other; and informational, which relates to the extent to which appropriate and relevant information is communicated between the parties.

Frontline service employees (FSEs) are central to the delivery of recovery services. FSEs may restore justice perceptions and customer satisfaction after a failure (Gremler & Gwinner 2008; Ma & Dube, 2011). Their problem-solving actions minimize hiccups in the customer's operations and help their firm to live up to predefined performance standards (Ulaga & Reinartz 2011). FSE's recovery service role requires core recovery behavior: solving customer problems in a courteous, responsive, and prompt manner (Bettencourt & Brown 2003).

Studies have found that only in a few cases was there a need for financial compensation it was more likely that the complainant wanted better communications and a more pleasant response to his problem (Fornell & Wernerfelt, 1987).

Initial Negativity

It is argued that one particularly important moderator of the effects of explanations is the severity of the negative event of service failure (Folger & Cropanzano, 1998). Satisfaction with an explanation decreased as problem severity increased (Conlon & Murray, 1996). Extremely costly failures create a situation under which explanations no longer provide any beneficial impacts. The effects of employee behavior on customer evaluations are contingent on the magnitude of the failure (Liao 2007).

However consumer's perceptions at a time when they have just undergone considerable stress and inconvenience are likely to differ from those of consumers who calmly reflect on past events. It is only but reasonable that the severity of the impact of the failure would be more likely result in an affective mannerism, rather than engaging in a calculation of the expected return on effort expended in complaining (Brown & Beltramini, 1989). Thus, salience of the product failure is likely to be an important determinant of consumer response to dissatisfaction.

Service failure provides an opportunity for customers to update their level of accrued satisfaction, and because of this, the negative experience produced by the failure might have an influence of future assessments of satisfaction by the customers (Smith and Bolton, 1998). Previous research indicates that complaining and switching behavior increase with the severity of the problem (Richins, 1985). It has been proposed that magnitude of service failure may impact distinct post complaint customer behaviors differently. Emotions like anger and anxiety are a resultant of larger failures, which also expropriate cognitive capacity (Sengupta & Johar, 2001). Customers' abilityof loss evaluation has an impact on the perceived magnitude of service failure (Michel, 2001). Identifying and understanding the magnitude of service failure is the critical to the service recovery process (Krishna, Dangayach, & Jain, 2011). Evaluating this magnitude may enable the firm in meeting the criteria of good service quality (Gronroos, 1988).

4. Theoretical Framework

From the literature review, it seems plausible that the front-line customer service employee's, core recovery behavior greatly influences the service recovery process.

Perception of consumer satisfaction following a service failure may be partially shaped by their perceptions of fairness during the recovery process. It has been identified that personal interactions play a dominant role to consumer satisfaction and consumer commitment (Czepiel, 1990; Reichheld, 1993).

A three dimensional structure was considered as appropriate and accordingly interactional fairness, operational fairness and problem solving orientation of the front line service staff as perceived by the customer were chosen as capable of explaining the service recovery.

Accordingly following hypotheses were proposed

H_1- Interactional fairness of the front-line customer service employees significantly leads to recovery satisfaction

H_2- Operational fairness of the front-line customer service employees significantly leads to recovery satisfaction

H_3- Problem solving orientation of the front-line customer service employees significantly leads to recovery satisfaction

A proper recovery can reinstate satisfaction levels and promote future purchasereferrels (Goodwin & Ross, 1992). Researchers have also linked service recovery to consumer satisfaction (Gilly, 1987; Kelley & Davis, 1994; Singh & Wilkes, 1996).

The study conceptualized recovery satisfaction as a reflective multidimensional and hierarchical construct formed from three first order (latent) dimensions. The first order latent dimensions were measured using reflective (manifested) indicators. An 18-item instrument was developed for measuring the latent dimensions, the outcome of service recovery was assumed to creating or nullifying customer satisfaction. Hence following hypotheses were proposed

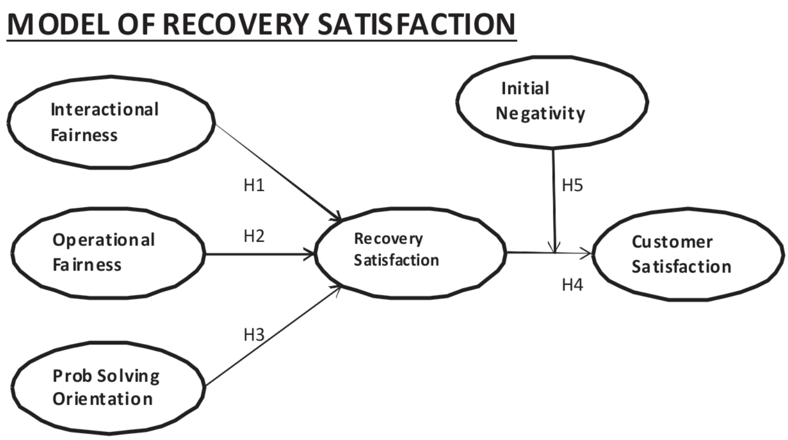
H_4- There is significant link between recovery satisfaction and customer satisfaction

The impact of the feel of initial negativity due to the failure to moderate customer satisfaction in spite of the presence of recovery satisfaction was examined in this study. Hence following hypotheses were proposed

H_5- Initial negativity significantly moderates customer satisfaction

The following model as illustrated in fig -1 was conceptualized as capable of testing the theory proposed in this study. The initial negativity feel created as a result of the perceived service failure was assumed to moderate customer satisfaction. The paths between each latent constructs are assumed as hypotheses to be tested in this study. Analysis was conducted, both including and removing the construct of initial negativity to critically evaluate the moderating role played in the nomological framework.

Exhibit. 1: Theoretical Model



5. Research Methodology

A preliminary study was conducted by way of interviews with focus groups, to identify specifically the relevant indicators to be considered for measuring the variables in the study. The design adopted for the study is quantitative research that involves variables which measure perception and attitude of individuals. All life insurance customers in the state of Kerala, who had reported a grievance with performance of ULIPs form the population of the study. Though the population is finite, it is not manageable and approachable hence a sample survey method is ideal to draw conclusions about the population.

Since the study requires a statistical estimation probability based sampling is more appropriate. Simple random sampling method was adopted to collect primary data using the structured questionnaire.

Based on the insights of the focus group and literature review, a structured questionnaire was developed. Data from 213 respondents were collected using

Exhibit. 2

Sl.No	Construct	Nature	Definition with indicators summary
1	Interactional fairness	Reflective	The frontline insurance service employee's quality of honesty, politeness, empathy, genuineness, offer of apology & offer of explanation exhibited during interaction with customers during the service recovery process.
2	Operational fairness	Reflective	The frontline insurance service employee's offer of fund change advice, switching options, response speed, flexibility, efficiency and promise of follow action during the service recovery process.
3	Problem solving orientation	Reflective	The frontline insurance service employee's behavior of solving customer problems by assuming responsibility, offering referrals, trust assuming arguments, communication, education & third party assurances, during the service recovery process.
4	Recovery satisfaction	Reflective	The positive feel of emotion perceived by insurance customers in the process and result of recovering from the perceived failed service measured in terms of satisfaction with compliant handling measured in terms of whether organization initiated service recovery or customer initiated
5	Initial negativity	Reflective	The perceived negativity feel exhibited by insurance customers as a result of the negative experience produced by the service failure measured with regard to type of failure & magnitude of failure
6	Customer satisfaction	Reflective	The satisfaction as perceived by Insurance customers from their respective service expressed in the form of trust, WOM customer loyalty

the questionnaire from policy holders of life insurance companies in the state of Kerala, who had reported a grievance with performance of ULIPs. The samples were selected on a random basis after visiting different branches of various life insurance companies in the major cities of Kerala without any prejudice on considering or rejecting a particular respondent. The randomness was achieved as selection from all the customers reporting a grievance present in the life insurance company's branch at the time of visit was purely by chance and not by prior decision. A total of 250 persons were met in person and 213 usable responses were obtained. The questions were designed as closed ended, where the respondents were expected to make their response on a 5 point Likert scales ranging from strongly disagree to strongly agree.

6. Data Analysis

The data collected was screened for missing values and normality. The assumption of randomness, independence and normality to consider the data good for statistical estimation, was verified by performing runs, Durbin-Watson statistic, univariate and multivariate normality tests. A reliability analysis was done, the high values of reliability coefficient emphasized on the appropriateness of the reflective indicators.

Exhibit. 3

Sl. No	Dimension	No: of Items	Cronbach's alpha
1	Interactional fairness	6	0.810
2	Operational fairness	6	0.817
3	Problem solving orientation	6	0.801
4	Recovery satisfaction	6	0.798
5	Customer satisfaction	6	0.857
6	Initial negativity	5	0.732 & 0.910

To analyse causal relationships between the constructs, the structural equation modelling approach was adopted. The model was analysed using Partial Least Square (PLS) based software, Warp PLS 5.0. PLS does not require any priori distributional assumptions and relatively small sample size is acceptable (Chin, Marcolin & Newsted, 2003).). The analysis offers validity considerations of the scales used to measure variables of interest in the study. The preprocessing of the data included in Warp PLS 5.0 confirmed the quality of data for further analysis with regard to missing values, zero variance and so on. The validity of the model was evaluated with the various fit indices. As recommended that the 'p' values for both the average path coefficient (APC) and the average R-squared (ARS) was lower as 0.05 and also the average variance factor (AVIF) was lower than 5. Since these 3 criteria were met the model had an acceptable predictive and explanatory quality as the data was well represented by the model. Two separate estimations were done, the first one with the presence of the moderating variable initial negativity and the second without considering the moderating variable of initial negativity. The estimated models with all the path coefficients and corresponding p values are illustrated in Exhibit-4 and Exhibit-5.

Exhibit. 4: Estimated Model with Initial Negativity

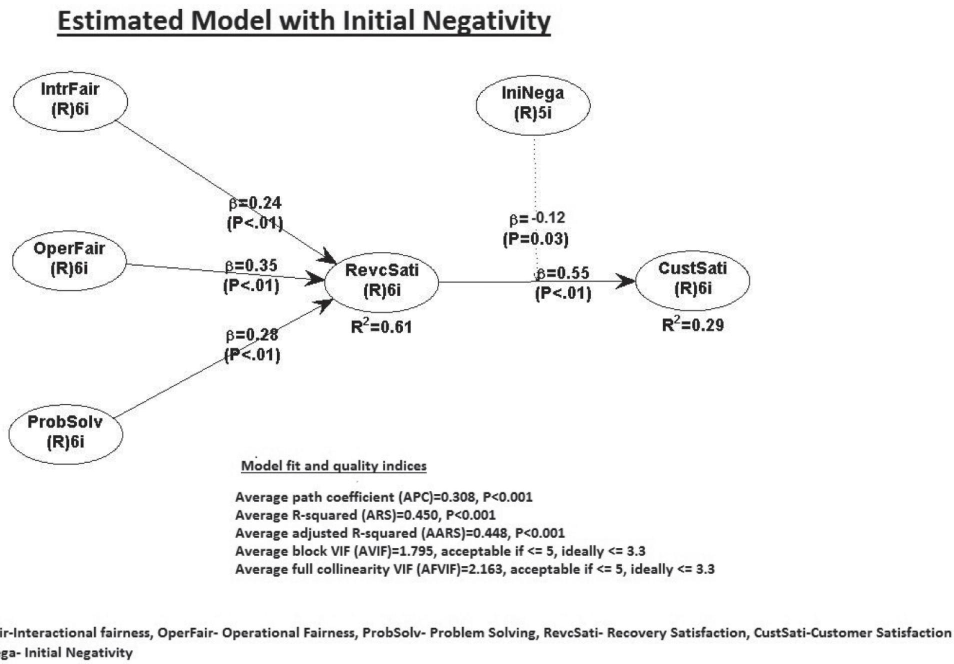


Exhibit. 5: Estimated Model without Initial Negativity

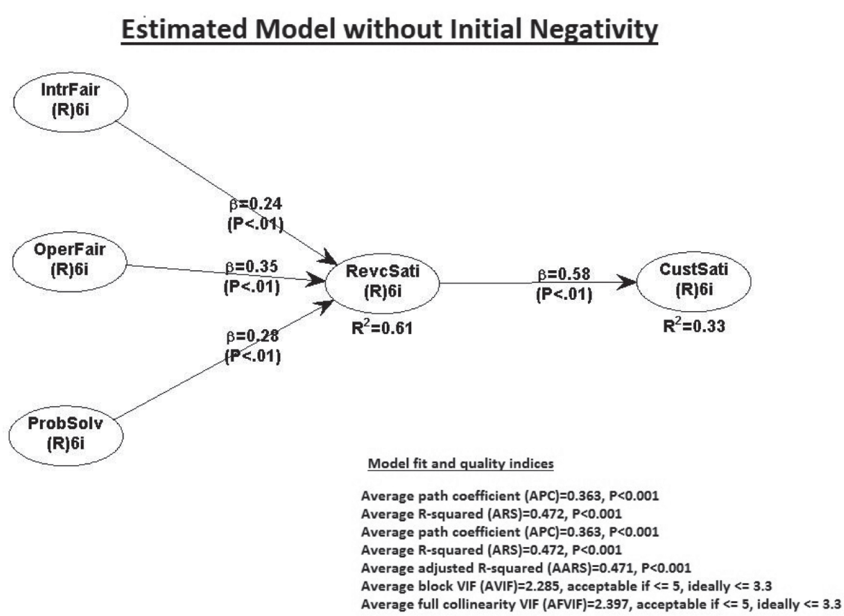
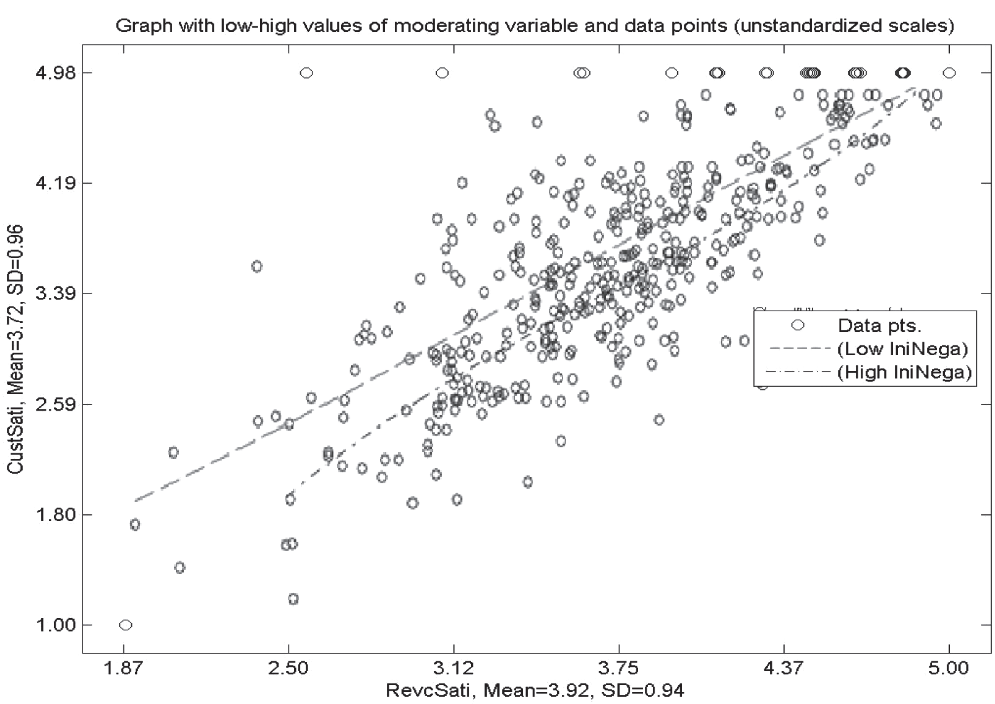


Exhibit. 6: Results of Hypothesis Testing

Sl.No	Hypothesis	‘β’ Value	‘p’ Value	Result
1	Interactional fairness of the front-line customer service employees significantly leads to recovery satisfaction	0.24	<0.01	Accepted at 0.01 level
2	Operational fairness of the front-line customer service employees significantly leads to recovery satisfaction	0.35	<0.01	Accepted at 0.01 level
3	Problem solving orientation of the front-line customer service employees significantly leads to recovery satisfaction	0.28	<0.01	Accepted at 0.01 level
4	There is significant link between recovery satisfaction and customer satisfaction	0.58	<0.01	Accepted at 0.01 level
5	Initial negativity significantly moderates customer satisfaction	-0.12	0.003	Accepted at 0.01 level

Exhibit. 7: Two Dimensional Plot of Initial Negativity



7. Discussions and Conclusions

The study could empirically conclude about the critical variables that resulted in service recovery satisfaction in the life insurance context. All the hypotheses tested were found significant and the causality assumptions were found statistically valid. The results of the model estimates revealed the relative importance of each of the dimensions that contribute to service recovery in the life insurance context. The study indicated that among the various service recovery satisfaction dimensions, Operational fairness (β value=0.35) as the best predictor, followed by Problem solving orientation (β value=0.28) & Interactional fairness of the frontline customer service employee (β value=0.24). Thus the study established the fact that all the dimensions considered for the study had a significant impact on service recovery satisfaction.

The indicator which has the greatest impact on Operational fairness was identified as the response speed of the insurance customer service employee in being proactive to customer needs (β=0.901). Thus insurance service providers need to have sufficient data extracted at the front end, so as to ensure customized service to customer queries and complaints. The improved performance on the most important dimension may be helpful in providing recovery satisfaction which would in-turn lead to customer satisfaction.

The problem solving orientation was measured using indicators such as assuming responsibility, offering referrals, trust assuming arguments, communication, and education and third party assurances. The best sought indicator of problem solving orientation was trust assuming arguments (β=0.892) and the best sought indicator for interactional fairness was offer of apology (β= 0.884).

The graphs (Exhibit 7 & 8) help in evaluating the effect of the independent value at different values of the moderator. It illustrates the relationship among latent variables and the moderating variable. The path coefficient of the moderating effect of initial negativity on relation between service recovery satisfaction and customer satisfaction has a value of -0.12 at p=0.03. Since it is a negative path coefficient, the relationship between service recovery satisfaction and customer satisfaction will go down in value as influence of initial negativity increases. The causal power of service recovery satisfaction in predicting customer satisfaction will go down in value as the result of high initial negativity feel due to perceived service failure. The graphs illustrate the relationship among these three latent variables. In this case, a higher level of customer satisfaction from service recovery satisfaction are noticed when influence of modifiers are perceived from high to low. In general, it can be interpreted that moderating effect on relationship between service recovery satisfaction and customer satisfaction remain constantly higher when modifiers are perceived at a lower level. Service recovery satisfaction could help in development of customer satisfaction at a higher rate due to decrease in modifying factors. Reciprocally, in a situation when there is no feeling of initial negativity customer satisfaction would tend to increase.

8. Managerial Implications

The study statistically established that, feel of initial negativity due to service failure is a significant factor that moderates customer satisfaction in life insurance context. The negative feel of customers directly linked to perceived service failure of ULIPS has made the job of customer satisfaction a herculean task for life insurance service providers. The mis-selling of ULIPs had aggravated the magnitude of the failure and as evident from the study, it becomes all the more difficult for the customer service team to generate customer satisfaction from service recovery. Effective service recovery can produce many benefits for service providers, including increased customer satisfaction thereby negating the effects of service failure.

Service recovery which is a critical factor for retaining customers was measured using the dimensions of interactional fairness, operational fairness and problem solving orientation of the front line service staff. The study could establish that operational fairness forms the most important factor in enhancing satisfaction, and that being proactive to customer needs by increasing response speed should be given prime importance. Organisations should educate and train all employees to fulfil customer needs and address their grievance. Emphasis should be laid on providing trust assuming arguments, so as to enable the customer keep faith in the service provider and prevent lapsation. An apology is viewed as a valuable reward that redistributes esteem in an exchange relationship (Walster, E., Berscheid, E., & Walster, G. W., 1973) and should be extensively used to pacify aggrieved customers. The frontline customer service team should be drawn from employees who are efficient, honest, polite, exhibit empathy & are flexible in their approach. They should be trained to offer fund change advice, switching options, referrals and be willing to follow-up on customer complaints. Sufficient back up of data should enable the service personnel to provide education, provide referrals, & third party assurances.

It should be realized that a company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the market place. The researchers posit that insurance companies need to be proactive and enhance customer satisfaction experience, so as not to be caught unawares to lose customers to generic competition.

9. Limitations and Future Directions

This study and their results have several limitations and also indicate directions for further research. The study can be strengthened by increasing the sample size and including participants from other geographical areas. With an increased sample size, a more detailed empirical analysis among the independent variables and the variables that have multiple categories can be performed. The study did not take into account length of association of the customer with the insurance service provider, which would have been a good measure of negativity feel and customer satisfaction. The intensity and volume of loss due to the perceived service failure which would have created an impact on the moderator was not accounted for. Future studies could also check on service recovery effectiveness considering the impact of varied magnitudes of service failure. Also, the present study did not examine personal factors, brand involvement, brand associations and brand personality. Overall, we still need to develop a more detailed understanding of the relationship between initial negativity and other relationship marketing related variables. The researchers did not examine personal factors as personality traits of customers and their reactions to failures and recovery. Future research could study the linkages between the critical variables in different settings across industries to generalize the theory established.

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