

# The Impact of Service Quality On Customer Loyalty To CIMAS In Zimbabwe

By

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## Abstract

*This paper presents the findings of a study carried out to assess the impact of service quality on customer loyalty to medical aid service providers based on a case study by the Cimas Medical Aid Society. The study employed a mixed-methods approach to research applying both qualitative and quantitative methodologies. The population sample was drawn from the University of Zimbabwe employees and students who are registered with Cimas through the society's open fund local packages. The research findings showed that members are satisfied with the services they are getting from the society. Most of the members are not willing to switch from Cimas to another medical aid service provider. Most of the members seem to be dissatisfied about incurring shortfalls and the fact that they are sometimes made to pay cash upfront by medical services providers before they can be attended to. The study recommends that Cimas should eliminate the issue of shortfalls and cash up-fronts. Communication with members and customer care are areas that Cimas should improve upon. The society should expand its healthcare facilities in Harare to the Central Business district to ease congestion on existing facilities. It should also extend its services to small towns and rural areas. Cimas should also engage in loyalty programs to retain its customers and gain more market share. Such programmes could include sponsorships at tertiary institutions like universities.*

**Keywords:** *Service quality, medical aid services, customer loyalty, customer care, medical services provider*

## **INTRODUCTION AND BACKGROUND TO THE STUDY**

Most industries in Zimbabwe, including the medical aid industry, are characterised by stiff competition hence it is of vital importance that organisations be more competitive to lure customers. The first and oldest medical aid society in Zimbabwe was the Premier Services Medical Aid Society (PSMAS) which was established in October 1930 to cater to medical aid facilities for the civil service thus leaving the private sector not served. The need for some form of medical aid cover for the private sector then led to the establishment of the Commercial and Industrial Medical Aid Society (CIMAS) - now Cimas as it is no longer an acronym, in October 1945.

Over the past years, there has been some sort of monopoly in the medical aid industry, with PSMAS and Cimas being the only societies known to provide medical aid cover to the civil service and the private sector respectively. The number of registered providers has since increased to 30 including both closed and open medical aid funds.

Only a 10<sup>th</sup> of the Zimbabwe population is covered by medical aid (Shamu, Loewenson, Machedze, and Mabika, 2010). The medical aid schemes are voluntary and usually, members join through their employers though individual members can also join in the case of open medical aid funds like Cimas. Membership through the employer normally limits the employee's choice of which medical aid society to join as the decision is usually done at the former's management level. However, in some organisations, the employees are given different choices so that they can select a medical aid provider of their own choice. History has it that over the years, members were relatively loyal to their respective medical aid societies and only migrated on change of employment. However, nowadays the system appears to be a bit more flexible as people can easily change membership if they are not satisfied with their current providers. Medical aid societies registered under AHFoZ recognise the movement of members from one society to another by waiving some waiting periods they would have served on their former medical aid provider.

The increase in the number of players in the medical aid industry has given rise to increased competition in the sector. To beat competition, medical aid societies have to ensure that they gain customer loyalty to increase their membership bases. One way that can be employed by medical aid providers to gain customer loyalty is by delivering

high-quality services. This is in agreement with Lovelock, Wirtz, and Chew (2009: 313), delivering service quality is one of the strategies to build a foundation of loyalty. Service quality enhances customer satisfaction which is the true foundation of customer loyalty

## **PROBLEM STATEMENT**

Members of medical aid societies in general, appear to be dissatisfied with the quality of services they are experiencing with their medical aid providers. This is depicted in various member complaints being aired in the editors' columns of the press, complaints on social networks as well as on the radio. Many players have also entered the medical aid industry thus intensifying competition. However, for Cimas to remain competitive in the medical aid sector, it has to gain and retain its members' loyalty. This prompted the researcher to analyse the impact of customers' perceived service quality on their loyalty to Cimas.

## **PURPOSE OF THE STUDY**

The main objective of the study was to analyse the impact of service quality and customer loyalty to medical aid service providers.

## **OBJECTIVES OF THE STUDY**

Specific objectives of this research were to:

1. assess Cimas' service quality as perceived by members of the Society;
2. determine the extent to which Cimas members are satisfied by the Society's service quality;
3. ascertain the likelihood of Cimas members switching to another medical aid provider and
4. identify strategies that Cimas can adopt to improve its quality of services to meet its members' expectations.

## **RESEARCH PROPOSITION**

The study proposes that the level of service quality by an organisation directly affects customer loyalty to that organisation.

## **LITERATURE REVIEW**

Service quality is of significant interest to marketing practitioners as shown in the original work of Parasuraman, Zeithaml, and Berry (1985). The trio studied different types of services and came up with several service dimensions which are reliability, responsiveness, competence, courtesy, communication, credibility, security, tangibility, and knowing or understanding the customer. In 1988, these dimensions were narrowed down to 5 main ones namely tangibility, reliability, responsiveness, assurance, and empathy thus the invention of the SERVQUAL model, which is a scale used to measure service quality.

Parasuraman et al (1988) agree with Zeithaml, Bitner, and Gremler (2006: 117) who suggest that the tangible dimension of a service involves the appearance of physical facilities, equipment, personnel, and written materials. Responsiveness involves a willingness to help customers and provide a prompt response (*ibid*; 2006). (Khan and Fasih: 2014) and Lovelock et al (2009), point out that reliability can be measured in terms of the firm's ability to offer error-free services. Assurance is centred on the service firm's employees' knowledge, courtesy, and ability to inspire confidence and trust among the customers. It also involves credibility, security, competence, and courtesy of the staff members (Zeithaml et al: 2006). Empathy involves caring for the customers and giving them individualised attention.

Zeithaml et al (2006: 81), suggest that the first and most critical step in delivering quality service is knowing the customer's expectations which include beliefs about service delivery that serve as standards or reference points against which service performance is measured. According to Lovelock et al (2009), there are different perspectives from which service quality can be viewed and these are the transcendent view, manufacturing-based approach, user-based approach, and valued-based approach.

According to Lovelock et al (2009), service quality problems can be identified and corrected by using a Gap Model which was initially developed by Zeithaml, Berry, and Parasuraman. The gaps model identifies 5 gaps which are the knowledge gap, policy gap, delivery gap, communications gap, and perceptions gap. The gaps arise from differences between customer expectations and their actual service experience. The model is a conceptual tool to identify and correct service quality problems (*ibid*: 2009). However, Lovelock et al (2009) proposed a sixth gap which is the service quality gap.

This essentially arises from the difference between what the customers expect to receive and their perceptions of the services that are delivered to them. To close the service quality gap, a firm has to close the above-mentioned 5 gaps since the sixth gap is the accumulated outcome of these gaps (*ibid*: 2009).

According to Seth, Deshmukh, and Vrat (2005), the technical and functionality model involves three components which are technical quality, functional quality, and the image. The technical quality entails the quality of what the consumer receives as a result of their interaction with the service firm and is important for their evaluation of the service quality they experience with that firm (Seth et al: 2005). Functional quality involves how the customer gets the technical outcome and this is important for the former's view and evaluation of the service they experience from the firm. The image component is important to the service organisation and it can be expected to be built up from the technical and functional service quality.

Quality can be viewed in four different approaches which are the transcendent view, the manufacturing-based approach, the user-based approach, and the value-based approach. The transcendent view entails people learning to recognise quality through experience gained from being exposed to it. A manufacturing-based approach is a supplier-based approach that looks at quality from the operations perspective. It also focuses on meeting internally developed standards. The user-based approach is essentially based on the belief that quality is subjective since different customers have different needs and want thus different perceptions of quality. Lastly, the value-based approach defines quality in terms of value and price by considering the trade-off between the benefits the customer obtains and the price he/she pays. Quality is then defined as '*affordable excellence*' (Lovelock et al: 2009; 368).

According to Vinita, Kumar, and Vishal (2012), customer loyalty is revealed by repeated purchasing and referring a company to other customers thereby generating positive and measurable financial results. The same idea had been pointed out by Lovelock et al (2009), who postulate that loyalty describes a customer's willingness to continue buying from a firm over the long term and recommending the firm's products to friends and associates. Caruan (2012) suggests that service loyalty is one of the most important constructs in services marketing. Loyal customers who make repeat

purchases are the bedrock of any organisation. For Cimas, loyal customers are those members who stay with the society without switching to other providers.

Customer loyalty is often associated with repeated purchasing although loyal customers tend to make repeated purchases, those who purchase repetitively do not always necessarily do so out of loyalty. In some cases, this may be due to a lack of an alternative offering. Customer loyalty is usually strengthened as a result of satisfaction with the product or service received from the seller and high customer loyalty is important for a seller's profitability (*ibid*: 2013). Lawfer (2004: 16) suggests that repeat customers are the only source of profit for any business and that it is not until a customer buy from the firm a second, third, or fourth time that any profit is earned. Companies with a loyal customer base enjoy greater profitability in good economic times and depend on their loyal customers to help them survive difficult financial conditions. The value of customer loyalty is not situational or temporary as customers are always valuable (*id*: 2010).

Lawfer (2010) argues that customers have no interest whatsoever in loyalty but they only buy products and services that satisfy their own needs. Customer loyalty is a response to how a business presents its products or service.

According to Khan and Fasih (2014), customers are not inherently loyal to an organisation. The organisation has to rather give its customers a reason to be loyal and this happens by satisfying them. An important way to satisfy customers in a service firm is by providing quality service. This is in agreement with Lovelock et al (2009: 313) and Vinita et al (2012) who suggest that quality service is one of the strategies to build a foundation for loyalty and that service quality and customer satisfaction are the pre-requisites of loyalty and that the later can determine the long-term success of a service organisation. Quality directly influences the performance of a product or service thus affecting customers' satisfaction and hence their loyalty.

## **RESEARCH DESIGN, METHODOLOGY**

An explanatory research design was used in this study. A mixed approach of both quantitative and qualitative research approaches was applied. A quantitative approach was used in the sense that the researchers made use of numbers that represented the opinions of respondents through the use of Likert scales. Perceptions of customers

on the impact of service quality on loyalty are subjective and based on their opinions hence the use of the qualitative approach. For this reason, both open and close-ended questionnaires were used.

## **POPULATION AND SAMPLING**

The research was confined to a specific institution which is the Cimas Medical Aid Society as a case study. The population targeted in the research were Cimas members at the University of Zimbabwe (U.Z) and these included both employees and students and both principal members and dependants were considered.

Convenience sampling was employed. The sampling frame consisted of the Faculty of Commerce, Faculty of Arts, and Faculty of Social Studies. Simple random sampling was used by the researcher to select the respondents from these faculties. A sample size of 70 which included both UZ employees and students was considered convenient.

## **DATA ANALYSIS**

The data were analysed through the use of the Statistical Package for Social Sciences (SPSS) computer software package.

To ensure credibility and reliability of findings. the questionnaires were pilot tested on 5 respondents. Cranach's Alpha was applied to the results of the study and a result of 0.85 was obtained thus showing that the results were reliable.

## **FINDINGS AND DISCUSSION**

### **To assess Cimas' service quality as perceived by members of the Society**

This objective was achieved by the findings in the SERVQUAL attributes section of the questionnaire. The results obtained were analysed by using mean scores as shown below:

**Table 1: Perceived service quality- SERVQUAL dimensions n=58**

<b>Variable</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Cranach's Alpha if an item deleted</b>
Cimas is a reliable medical aid provider	<b>1.95</b>	<b>0.605</b>	<b>0.845</b>
Cimas staff members offer prompt responses to my needs and enquiries	<b>2.28</b>	<b>0.615</b>	<b>0.832</b>
I have trust and confidence in Cimas	<b>2.03</b>	<b>0.529</b>	<b>0.840</b>
Cimas staff members are caring and can give individualised attention to members	<b>2.24</b>	<b>0.823</b>	<b>0.816</b>
Cimas' physical facilities are up to standard	<b>1.81</b>	<b>0.576</b>	<b>0.870</b>
Cimas communicates well with its members	<b>2.19</b>	<b>0.760</b>	<b>0.855</b>
Cimas employees are well-skilled in their duties	<b>2.12</b>	<b>0.623</b>	<b>0.822</b>
<b>Overall Cranach's Alpha</b>			<b>0 .861</b>

The research used a 4-point Likert scale of 1 representing strongly agree, 2- agree, 3- disagree and 4- strongly disagree hence the mid-point used by the researcher was:  $1+2+3+4 = 10/4 = \underline{2.5}$ . Therefore, variables that score a mean of 2.5 and below mean that majority of the respondents were agreeing with those variables, and those variables that score more than 2.5 show that most of the respondents were disagreeing with them. The research, therefore, found that most members were positive about Cimas' servqual dimensions.



**To analyse whether Cimas members are satisfied with the Society’s service quality.**

The findings on whether Cimas members are satisfied by the Society’s level of service quality were presented in Table 2 as shown below:

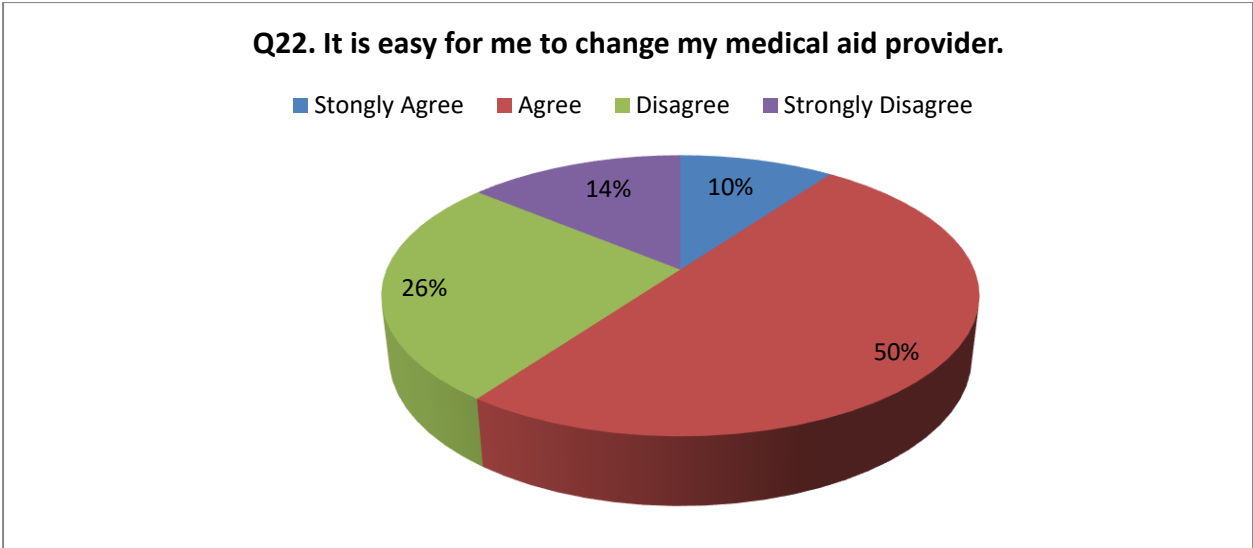
**Table 2: Satisfaction of Cimas members**

<b>Satisfaction Variable</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
Services offered by Cimas are exactly what I expect as a member	9%	59%	27%	5%
It is easy to get treatment using the Cimas card	14%	74%	12%	-
Shortfalls are incurred when I get treatment using the Cimas card	45%	31%	21%	3%
Medical service providers demand cash upfront from Cimas cardholders	19%	28%	34%	19%
I get value for my money from the services offered by Cimas	9%	63%	19%	9%
Cimas should improve its services	40%	46%	12%	2%

The research established that the majority of the Cimas members have their service expectations met by the organisation, it is easy for them to access treatment using their medical aid cards, they incur shortfalls, and they do not pay cash up front, they get value for their money and that they feel that Cimas should improve its services.

**To assess the ability and willingness of members to switch to other medical aid providers.**

To present the findings that answer this objective, the researcher made use of pie charts as shown in Figure 1 below:



**Figure 1: Ability of members to switch to other medical services providers**

The study found that sixty percent of the members would not face difficulties in changing their medical aid provider. The rest indicated that it was not easy for them to switch to another medical aid services provider.

***The willingness of the members to switch to another medical aid provider***

The obtained results on the members' willingness to switch to other medical aid providers are shown in table 3 below:

**Table 3: Willingness of members to switch from Cimas**

Strongly Agree	9%
Agree	10%
Disagree	69%
Strongly Disagree	12%
<b>Total</b>	<b>100%</b>

The research found out that the majority of the Cimas members were reluctant to switch to another provider. However, nineteen percent of the respondents indicated that they are willing to switch from Cimas if the opportunity arises.

**To identify ways Cimas can improve its quality of services to meet its members' expectations.**

The researcher drew suggestions from Cimas members on how the Society can improve its services. These suggestions and the frequencies at which they were raised are presented in table 4 as shown below:

**Table 4: Suggestions on ways to improve services**

<b>Suggestion</b>	<b>Frequency</b>
Cimas should eliminate shortfalls.	26
Cimas should reduce queues.	11
Cimas should increase its card acceptability by pharmacies	9
Cimas should extend its facilities to other small towns and rural areas	8
Cimas should establish more facilities in town and locations	7
Cimas should eliminate cash upfronts.	7
Cimas should improve its communication with clients.	6
Cimas should improve its services and customer care	5
Cimas should establish its hospital.	5
Cimas should offer cashback facilities.	4
Cimas should cover cosmetics.	1

The research established that the main suggestions by Cimas members were that the organisation should eliminate shortfalls, reduce queues in its facilities, improve card acceptability by a variety of pharmacies, it should extend its services to smaller towns and rural areas, and should eliminate the aspect of members paying cash upfront to medical services providers. However, a smaller proportion of the respondents were of the view that Cimas should improve its communication with clients, improve its services and customer care, establish its hospital, offer cash-back facilities, and it should cover cosmetics.

## **CONCLUSIONS**

1. Cimas' service quality as perceived by a majority of its members is generally good based on the SERVQUAL dimensions which are reliability, empathy, responsiveness, tangibles, and assurance. However, a few members tend to be dissatisfied with the way Cimas communicates with its members hence society has to improve on such an aspect.
2. Majority of the Cimas members appeared to be satisfied with the service quality Cimas offers based on how easy is it for them to acquire medical services when holding a Cimas card and getting value for their money. However, a significant number of the members showed that they incur shortfalls and are sometimes made to pay cash upfront by medical services providers when they seek medication and hence indicating that Cimas should improve its services in this area.
3. The findings showed that the majority of Cimas members at the UZ have freedom of choice at work as to which medical aid to join. However, most students cannot easily switch to other medical aid providers since they are only dependants. However, most of the members are not willing to switch from Cimas even if the opportunity arises. This, therefore, shows the loyalty of these members to Cimas. The loyalty, however, appear to be emanating from various reasons which include that Cimas is the best, Cimas is better than other (there are no other best alternatives) as well as switching cost, particularly in the form of waiting periods that can affect the members if they move to another medical aid provider.

4. The majority of the Cimas members suggested that Cimas should eliminate shortfalls, reduce queues, and increase its card acceptability by more pharmacies. Quite a reasonable number of members suggested that Cimas should eliminate the issue of members having to pay cash upfronts to medical services providers and then claim later from Cimas. Cimas should extend its facilities to small towns and rural areas as well as expand the facilities in the CBD and locations to avoid congestion. A few members suggested that Cimas should improve its communication customer care to its members, should establish its hospitals, offer cash-back facilities as well as cover members' cosmetics.

## **RECOMMENDATIONS**

In the light of the above findings, the study makes the following recommendations

1. Cimas should, by all means, try and eliminate the issues of shortfalls and cash upfronts as shortfalls have been indicated by most of the Cimas members to be a major problem they are currently facing. If members are always made to pay shortfalls or cash upfronts, they can be dissatisfied or may even end up seeing the whole idea of joining a medical aid society as useless and hence may terminate membership or migrate to other providers where they are little or no shortfalls incurred. Cimas should therefore take measures to nip the problem of shortfalls in the bud to avoid the detrimental consequences in the future.
2. The society also has to improve its communication with its members as quite a number of the members indicated that Cimas does not communicate well with its members. Communication is essential and is the lifeblood of any organisation hence Cimas has to ensure that its members are always posted concerning any new developments, such as noticing medical services providers who are fully accepting the Cimas card and also on the benefits that the members are entitled to on their respective packages so that the members are well informed before making decisions.
3. Cimas should offer prompt services to members thus reducing queues as it has been noted that some members were complaining about the issue of long queues at Cimas facilities. To achieve this, the Society should expand its

facilities, be it clinics or medical aid administration offices in town and other areas to minimise congestion.

4. The society also has to ensure that its employees exercise utmost customer care as has been indicated by some members. Society can achieve this by properly training its employees on customer care skills. The right employees with the correct attitude and skills should always be placed at the front office.
5. Cimas also has to create value for its members' money and ensure that members get value for their money. This can be achieved through offering excellent service quality. The society can also go a step further to offer cash-back facilities to those members who would not claim for a specified long period or it can at least engage in some loyalty programs as a way to reward its loyal customers.
6. Cimas should consider sponsoring institutions like the UZ. This will enable the society to market itself by gaining publicity among the students just like what the CBZ bank does at the UZ. This helps in that when students leave college and get employed, they would be having positive perceptions about the organisation and hence may decide to join it.

## **CONCLUSION**

The study established that service quality is of vital importance to an organisation to satisfy its customers and consequently, gain their loyalty. Customers can only become loyal if the service provider can provide them with a reason to be. However, the researcher has established that to some extent the brand image of an organisation can also contribute to loyalty by its customers. It is therefore wise for organisations like Cimas which already have strong brand images, to capitalise on that and complementarily offer quality services so that it can retain its existing customers and attract new ones, thus increasing its market share and becoming more competitive in the market.

This conclusion is in line with the research proposition which states that the level of service quality by an organisation affects customer loyalty to that organisation. The researcher can therefore accept the research proposition.

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