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An Exploratory Study on the Impact of Service Quality on Membership Retention in Medical Schemes in South Africa

Dr. Louis Mosake Njomo, Prof. Cecils Anorlds

Graduate School of Business.
Nelson Mandela Metropolitan University, Port Elizabeth, South Africa

Abstract
The purpose of this study is to explore the impact of service quality on membership retention in medical schemes in South Africa. The research uses quantitative data obtained through a questionnaire survey from a sample of 81 members of Automobile Association of South Africa's Medical Scheme. The cronbach alpha model was used to test reliability of the scaling variables. Multiple regression analysis was used to measure the extent of the relationship between the independent and dependent variables and also to test the hypotheses.
The results indicate that service quality largely influences members' decision to stay in a medical scheme. The results are meaningful because they suggest a scale that is reliable and valid and can be used to measure the impact of service quality on customer retention in the South African medical Scheme industry at large. The practical implication of the finding is that medical schemes should consider service quality as a critical element in sustaining membership of their customers.

Keywords: Medical Scheme, service quality, SERVQUAL, retention, South Africa, membership

Introduction

South Africa's healthcare system is unlike any other. It is complex, divided, heavily regulated and sometimes even contentious. The healthcare industry in South Africa is basically divided into two parts. These include the public and the private sectors. The public healthcare sector consists of state run, publicly accessible facilities while the private sector comprises private practices and hospitals only accessible to those who can afford it (Harrison, 2009).

Public facilities offer the most basic forms of healthcare – usually for free, or based on a patient's income. This sector is severely under-funded. Its facilities are neglected, and its resources are limited. But because it's the only option for the majority of the population, it is still over-used. The private sector is quite the opposite. A high proportion of South Africans prefer to use private healthcare despite higher fees. The reasons for this pattern of utilization are many and have been attributed mostly to issues of specialized services, superior facilities, access to highly-trained medical personnel, shorter waiting periods, longer or more flexible opening hours, better availability of staff, more sensitive health worker-client attitudes, and greater confidentiality in dealing with diseases such as TB and sexually transmitted diseases (STDs) which carry social stigma. Unfortunately, like in most countries in the world, access to private healthcare in South Africa is determined by cost alone – the average South African could never afford it. Most middle to high income earners receive private care via membership to a medical scheme, with some companies offering medical scheme subsidies to their employees (CMS, 2013).

It is important to highlight that despite the growing interest in medical schemes considering the spate of diseases plaguing the world today; very little published studies have been done in the sector. A review of some works (Ranchod &Mcleod, 2001; Doherty &Mcleod, 2003 and CMS, 2006) have described a medical aid as an organization that helps members to pay for their health needs, such as nursing, surgery,

dental work and hospital accommodation. Ranchod & Mcleod (2001) maintain that it is a type of insurance scheme, hence in order to benefit from the services members and their employers pay regular contributions to the scheme. Exploring the functions of a medical the CMS 2012 report argued that a Medical scheme is essentially a non-profit organization and belongs to its members. It maintains that the "business" of a medical aid means:

- the business of undertaking a liability in return for a premium or contribution
- to make provision for the obtaining of any relevant health services
- to grant assistance in defraying expenditure incurred in connection with the rendering of any relevant health services and
- where applicable, to render a relevant health service, either by medical scheme itself, or by any supplier or group of suppliers of a relevant health service or by any person, in association with or in terms of an agreement with a medical aid

Undoubtedly, the medical scheme industry in South Africa has experienced an increasing demand for membership in the last decade. For example, at the end of 2012, the number of principal members increased by 2.3% to 3 815 431 and the number of dependants increased by 1.4% to 4 864 042, resulting in the number of beneficiaries increasing by 1.8% to 8 679 473. Thus, the growth in principal members and beneficiaries is faster than the national population growth rate (CMS 2013).

Paradoxically, while the industry enjoys growth in membership population, it also experiences consistency in the number of medical schemes going out of business. According to the Medical Scheme Council, in 2000 there were 144 registered medical schemes in South Africa and by 2012 the number had fallen to 92. The Council maintains that the trend is likely to continue. A study by Health24, (2012) revealed that thousands of South Africans are switching schemes every year because they feel they aren't getting the service benefits or level of cover they require from their medical aid provider. For instance a respondent in the article reported that *I made the mistake of thinking that a big medical aid company with its " extra programmes" would be a dependable medical aid scheme, but when it came down to actual medical cover you soon discover that you pay more than what you get.*

Research objective: Poor service delivery has been reported to be one of the principal reasons why members switch medical schemes hence the closure of many schemes in South Africa. In this study, we seek to examine the extent to which quality service delivery can retain members of a medical scheme. In other words, to identify the ways medical schemes in South Africa can use service quality to retain customers and therefore remain in business.

Research questions:

- Can service quality enhance membership retention in South African Medical Schemes?
- What scale can be used to measure service quality in medical schemes in South Africa?

Literature Review

Having more profit and growth in a company needs customer loyalty and retention, because the cost of keeping current customers is lower than finding new customers (Kotler & Armstrong, 2010). Customer loyalty and repurchase intention need overall customer satisfaction. However, satisfied customers are not necessarily loyal but loyal customers are definitely satisfied customers. Therefore, customer satisfaction is the key factor and the most studied element in marketing researches (Keiningham et al. 2014). Some consequences of customer satisfaction are loyalty (Kotler& Armstrong, 2007) and repurchase intention (Anderson & Sullivan, 1993) which lead companies to more profit.

Numerous studies (Bowen & Chen, 2001; Brady & Cronin, 2001; Cronin &Taylor, 1994; Ganguli & Roy, 2011; Parasuraman, Zeithaml, & Berry, 1985; Parasuraman, Zeithaml, &Berry, 1988) maintain that one of the most important factors and antecedent of customer satisfaction is service quality. In their study, Brady & Cronin (2001) argued that service quality has a direct and strong effect on customer satisfaction

and loyalty. According to Brady and Cronin high service quality has an impact on organizational outcomes such as improving profitability, high market share, customer loyalty and probability of purchase.

Because of the importance of service quality to a business, researchers have devoted a great deal of attention in the area, but there are some issues that need to be addressed. These issues refer to the conceptualization and measurement of service quality. Thus, in this literature study, a considerable amount of emphasis has been committed to conceptualizing service quality and the approach used to measure service quality.

Service quality

Gallant (2009) defines service as a concept that cannot be seen, felt or tasted as can be done with tangible products. Gallant (2009) views services as performances or actions rather than physical objects. According to Boulter and Bendell (2010), service characteristics can be difficult to understand due to the fact that any given service can only be observed through the eyes of the service recipient as customers view service in their own unique, emotional, irrational, distinctive and totally human terms. The intangible nature of service then applies so that at the end of the day it is the customer who will form a judgement about the overall quality of the service received. Thus, Boulter and Bendell (2010) remarked that it is imperative for organisations, despite the difficult nature of service quality, to develop the ability to understand customer needs and expectations and deliver a service that will meet and exceed these expectations. But what is service quality? A wealth of studies have looked at several ways of definiing service quality. For instance a study by Mathur (2011) defines service quality as 'a global judgement or attitude relating to a particular service; the customer's overall impression of the relative inferiority or superiority of the organisation and its services". Peng and Wang (2006) depict service quality as a customer judgement about the overall superiory or excellence that a business offers. Ahmad et al. (2010) on the other hand also describe service quality as a form of attitude closely related to but not equivalent to satisfaction that results from the direct comparison of expectations with performance. Looking at the different definitions, it is evident that service quality is cenetered around the perception and satisfaction of the customer about the service offered. Thus in our context, we have looked at service quality as the gap between customers' expectations and their perceptions of actual service performance (Tam, 2004; Sachdev and Verma, 2004; Boulter and Bendell, 2010). In otherwords, the diference between South Africans' expectations of medical schemes and their perceptions of actaual services received.

Importance of service quality

The importance of quality service delivery cannot be overemphasized. Contemporary business community is fiercely driven by competition; hence establishing competitive advantage is indispensable in ensuring sustainability of a firm. Quality service delivery has been reported by many scholars (Swaminathan et al. 2014) as one of the primary marketing activities a firm cannot afford to compromise in this globalizing business world. Scholars like Caceres and Paparoidamis (2007) and Boulter and Bendell (2010) confirmed that companies (especially service oriented ones) that offer superior service can achieve higher than normal growth within the operating market share and increased profits, that is maximising shareholder value.

Some studies (Siddiqui and Sharma, 2010; Gallant, 2009) have also identified quality service as having a very considerable impact on customer loyaty and retention. According to Siddiqui and Sharma (2010) maintain that superior service quality has a direct link with customer longevity and ultimately impacting on the development of long-term market share and profitability. Doherty & Meleod (2003) argued that in the financial and insurance environment enhancing service quality is very critical and beneficial as insurance product offerings are sometimes difficult to differentiate due to industry regulations. Thus, cultivating a culture of quality service delivery is very important especially for medical schemes in South Africa due to the highly competitive market. The intense competition in the industry can be explained as the reason why thousands of South Africans switch schemes on a yearly basis. Therefore, inline with the studies reviewed, this study argues that there is a link between service quality and customer retention.

Customer retention

In today's competitive arena, business has shifted its strategic focus from concentrating only on new customer acquisitions (i.e. targeting switches) and has come to realise the importance of targeting stayers, thus looking at strategically retaining the existing customer base. To most strategic executives, growth is

regarded as the driver of prosperity and success, so that growing companies are seen as flourishing whereas shrinking companies die (Keiningham et al., 2008). Although numerous studies applaud the link between service quality and customer retention, Xevelonakis (2004) maintains that the objective of customer retention should focus on adopting a strategy to nurture long-terms relations with customers through responsiveness, trust, reliability and quality customer service offerings. Anani (2010) concludes that the fundamental issue in relationship marketing research is the effect relationships and service quality have on customer retention and therefore it is vital for internal operations offering services to emphasize quality. These results were generally consistent with the earlier studies examined above. Based on in-depth interviews Kheng et al. (2010) argued that providing high quality service and creating greater consumer value can result in attaining high customer satisfaction, strong loyalty and a superior corporate image which will in turn ultimately lead to customer retention. A study by Ranaweera and Neely (2003) linked customer retention to firms' financial performance. These authors identified customer retention as a strategic tool in driving and attaining a business's bottom line which relates to the firm's profitability. Their reasoning is confirmed in an earlier study by Harrison and Ansell (2002). Harrison and Ansell focused their study on the economic value of customer retention. Their observations posit that there is a positive linear relationship between customer retention and business profits, reflecting a more positive effect of customer retention on profits rather than the other factors normally associated with drivers of competitive advantage. For example, the study demonstrates that a reduction in customer defections in the region of 5 percent can lead to a significant rise in profits of 25 to 85 percent. A similar view by Lopez et al., (2006) maintain that retained customers make greater usage of the business's other services; have a tendency to engage in positive word of mouth which consequently leads to the attraction of new customers, thus saving on costs associated with acquiring new customers. In addition uncertainties about what is on offer may also be diminished due to the level of experience accumulated throughout the long-term relationship. Al-Hawari et al., (2009) undertook a similar study, where the main focus was the link between service quality and customer satisfaction. Although their study did not offer enough empirical support for their claims, it looked at threats of losing customers due to poor service quality. Roberts-Lombard & du Plessis (2011) and Al-Hawari et al. consider customer switching behaviour to be a serious threat in the achievement of a long-term relationship with a customer and the growth of the firm. These scholars concluded that businesses need to critically analyse the factors that influence customer switching decisions in their businesses and adopt measures to strategically manage a successful process of customer retention. A similar view by Anani (2010) among others, through a large sample survey, ascertained that losing a customer can also impact negatively on the future prospects of the business, in terms of negative word –of- mouth which can tarnish or damage the brand image and the reputation of the business.

Thus drawing from the discussions above this study argues that there are overwhelming relational and economic benefits enjoyed by firms with a focus to retain customers. In the new business world, whether a business produces products or services is no longer a strategically debatable or relevant topic; the focus has now shifted and mainly looks at the end consumer as well as the pursued service quality, value add and building strong business relations. Given the universal nature of the market, highly competing businesses are seeking to showcase their superior service qualities, improved customer value and solid customer relations, in order to enhance their customers' loyalty and eventually achieve customer retention. Hence it is safe to ascertain that customer retention should be the primary focus of medical schemes in South Africa. Methodologically, a key advantage in this approach is the ability of medical schemes to develop or adopt strategies to enhance customer retention. It is against this background that this study is constructed- to establish the extent to which service quality can enhance customer retention in medical schemes in South Africa.

The research model

Service quality is generally perceived to be a tool that can be used to create a competitive advantage and therefore, substantial research into service and service quality has been undertaken in the last 20 years. Though numerous ways have been advanced to explain the concept of service quality, we have adopted a definition that explains service quality as the gap between customers' expectations and their perceptions of actual services performed by medical schemes in South Africa. Operationalisation of the service quality construct using both the expectations based SERVQUAL scores as well as the now popular performance based SERVPERF scores is consistent with this conceptual definition. Therefore, the study adopts the

SERVQUAL model to measure the level of service delivery in Medical schemes in South Africa. In other words, how well services delivered at medical schemes matches the customers expectations.

Parasuraman et al. (1988) identified more detailed dimensions of service quality and developed a well-known instrument, called SERVQUAL, to measure a customer's perceptions and expectations from service. The SERVQUAL instrument consists of five underlying dimensions, with two sets of 22 item statements for the 'expectation' and 'perception' sections of the questionnaire. Perceived service quality is measured by subtracting customer perception scores from customer expectation scores, both for each dimension and overall. The SERVQUAL model suggest to use the gap or difference between expected level of service and delivered level of service for measuring service quality perception with five dimensions: Reliability, Responsiveness, Assurances, Empathy, and Tangibility

Service reliability

This is the ability to accurately and dependably perform the promised service. Reliability has become a buzzword commonly used to describe maintenance improvement initiatives. Dictionaries describe reliability as: dependability, trustworthiness and consistency. It is obvious that the term reliability cannot only focus on maintenance improvement initiatives or only predictive maintenance (Chaang-Iuan , & Ling Lee, 2007) In the context of our study service reliability is best described as being able to be trusted to do what is expected or has been promised by a medical scheme. Medical scheme members care about access to the service they pay for when they want it. Whether they can complete a transaction without any interruption once it has begun, whether they can successfully finish the transaction and most importantly the quality of the transaction.

H1: There is supported relationship between reliability of service delivery and customer retention.

Service responsiveness

This refers the ability of being responsive and the willingness to assist members timely and continuously. In the medical scheme industry, the level of responsiveness in serving members can be evaluated from the following perspectives: the customer service staff, speed of service, service channels, sensitivity to customer concerns, awareness of changes in the general needs of the members and the organization's ability to get feedback from its members.

H2: There is a positive relationship between responsive service delivery and customer Retention

Service tangibles

The tangible physical environment is emerging as an important and often neglected construct in measuring service quality (Seth & Deshmukh, 2005). In our context the tangible scale measures how dependable a customer views a medical scheme to be based upon the quality of its most visible attributes. This environment is composed of ambient conditions, design, appearance of the physical facilities, personnel, communication materials, and other physical features used to provide services in the service facility which may include the organisation's environment and those of partner health service providers.

H3: Tangibles of service delivery exert a positive influence on customer retention

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Empathy in service delivery

Empathy is the ability to truly put oneself in the customer's position so you can understand his or her frustration (Snoyman, 2010). The ability to empathize is said to be the most important ability of the medical scheme. Health-care situations are rarely thought to be "enjoyable." But to the degree any interaction can be, it's empathy that drives this desired response. When health-care providers take the initiative to ensure that empathy is taken into account in their interactions with patients, they can make a stronger impression and receive higher overall scores from patients (Wadee,et al., 2010). Thus once a medical scheme truly understands its customers frustrations, fears, and aggravations, they can start the process of delivering a great experience for them.

H4: Empathy in service delivery significantly influence customer retention

Assurance in service delivery

Service assurance is an all-encompassing paradigm that revolves around the idea that maximizing customer satisfaction inevitably maximizes the long-term profitability of an enterprise (Hans et al. 2006). The practice of service assurance enables medical insurance service providers to identify faults and resolve issues to minimize service downtime. This includes policies and processes to pinpoint, diagnose, and resolve service quality degradations. Studies (Hans et al. 2006; Snoyman, H., 2010) have shown that two-thirds of subscribers will stop trying a new service after two failed attempts with that service. Therefore, it is increasingly apparent that service assurance tools must be put in place prior to the introduction of a new service, if it is to be successful in the market.

The emerging business landscape in the medical scheme industry in South Africa has made it clear that service providers must detect potential customer issues and respond quickly enough to avert negative customer experiences. Thus medical scheme service providers that manage business events, in real-time, using Operational Intelligence (OI) solutions have the strategic advantages of real-time information and the ability to proactively take action.

H5: Equally, there is supported relationship between assurance in service delivery and customer retention

SERVQUAL is an analytical tool, which can help managers to identify the gaps between variables affecting the quality of the offering services (Seth, Deshmukh, & Vrat, 2005). This model is the most used by marketing researchers and scientists, although it is an exploratory study and does not offer a clear measurement method for measuring gaps at different levels. This model has been refined during the years and some believe that though appropriate for measuring service quality, SERVQUAL scales do not capture the essence of the service quality for today's experience focused customers. It is not the purpose of this article to review the numerous discussions on this measure. However one of the major challenges of the model is that its dimensions are too limited (Sureshchandar et al. 2002) to capture customer experience fully. In our study, modified scale items of SERVQUAL were designed to deal with the unique features of medical scheme services. Also we added a very important scale used in measuring contemporary service quality in medical schemes - customer relationship management.

Customer relationship management

In the context of our study it refers to the abilities to respond directly to customer requests and to provide the customer with a highly interactive, customized experience.The need to better understand customer behavior and the interest of many managers to focus on those customers who can deliver long-term profits has changed how marketers view the world (Injazz & Popovich, 2003). Traditionally, marketers have been trained to acquire customers, either new ones who have not bought the product before or those who are currently competitors' customers. This has required heavy doses of mass advertising and price-oriented promotions to customers and channel members. Today, particularly for the company's "best" customers, the tone of the conversation has changed from customer acquisition to retention. This requires a different mindset and a different and new set of tools. A good thought experiment for an executive audience is to ask them how much they spend and/or focus on acquisition versus retention activities. While it is difficult to perfectly distinguish the two activities from each other, the answer is usually that acquisition dominates retention (Ngai & Chau, 2009). The impetus for this interest in CRM came from Reichheld (1996), who demonstrated dramatic increase in profits from small increases in customer retention rates. His studies showed that as little as a 5% increase in retention had impacts as high as 95% on the net present value delivered by customers.

H6 There is a significantly positive relationship between customer service management and customer retention.

Research methodology

The medical scheme industry characterized by qualities including medical necessity requirements, best facilities and services and extended opening hours, lends itself to the study of service quality. More

specifically, incidents of poor service delivery have been reported as endemic especially in the context of South Africa thus representing an insightful area of enquiry.

The methodology for the study was basically descriptive and inferential in nature. The descriptive design was concerned with describing the data in a convenient, usable and understanding form. The inferential nature of the study looked at broader generalizations or inferences from the sample data to the population. It was concerned with answering the question "does the difference represent a reliable and meaningful difference or is it due purely to chance variation and therefore without consistency".

The setting

Automobile Association (AA) of South Africa was selected for the study. Formed in 1930 after the end of the federation of Automobile Clubs, AA offers a broad range of services including medical cover to its members. The AA medical package is called Emergency Medical Rescue" referring to any fortuitous incident resulting in bodily injury or acute illness and same causing a subscriber/s to be confronted with real possibility of death or serious bodily harm or deterioration of his/her health. Members subscribed to this package are entitled to the following benefits Medical evacuation, admission to a medical facility, relocation after treatment, rape crisis advice line, trauma counseling, repatriation of mortal remains, free medical advice and assistance, dispatch of emergency medication and blood, travelling companions for stranded minors and drug and generic medicine information.

Due to time and resource constraints the study was limited to the city of Port Elizabeth with the intention of using the findings and the measurement scale to enable medical schemes across South Africa to enhance service quality in order to retain their members.

Data collection

Data for this study was gathered using a questionnaire. The questionnaire was distributed to members of the medical scheme. A convenient sample of 100 members was adopted for the study. A total of 100 questionnaires were given out and 81 of them were considered useful for analyses. Thus the study achieved an 81% response rate. Every questionnaire was handed out with a covering letter that clearly explained the purpose of the study and how the researchers were going to ensure absolute anonymity. The questionnaires were filled while the researcher waited to collect them. Inferences were drawn from the theoretical elements in the wealth of literature reviewed to craft the questions in the questionnaire. The questions were selected to address the variables discussed in the research model. In the questionnaire, six items were used to measure assurance, defined in the context of this study as the knowledge and courtesy enjoyed by members from the medical scheme's employees. Equally six items were used to measure empathy regarded as the caring and individualized attention offered to members by employees of the medical fund. The third construct was service reliability. Also six items were used to measure its relationship with service quality. Seven items were used to measure responsiveness – the ability of the medical scheme employees to assist members and to continuously provide timely service. Three elements were used to measure the organization's tangibles which refer to the approach, ability of personnel, systems and equipment of the medical scheme to provide services to the members. Others variables in used the questionnaire to measure the quality of service delivery were customer relationship management (6 items) and customer retention (6 items). The researchesr employed a five point likert-scale for all measures in the questionnaire. The measurement ranged from 1= strongly agree to 5 = strongly disagree.

Analyses and results

The statistics table (1) below presents the mean and standard deviation for the main variables of the study. The results show that the 81 respondents have a mean age of 26 years, and the average deviation from the mean is 6.6. For the variables of assurance the results show the average mean is 3.8 and the average standard deviation is 0.9. For the variable of empathy, the average mean is 3.7 and the average standard deviation is similar to that of assurance (0.9). Equally, the average mean for the variable of reliability is 3.9 and the average standard deviation is 1. For the variable of customer relationship management, the results present an average mean of 3.9 and the average standard deviation is similar to that of assurance and empathy (0.9). The results of the study also show that the average mean for the variable of responsiveness is similar to that of empathy (3.7) and the average standard deviation is equally similar to that of assurance, empathy and customer relationship management. Also, the variable of retention has an average mean of 3.9

and average standard deviation o.9- similar to assurance, empathy, customer relationship management and responsiveness. Finally, the results of the study equally show that for the variable of tangibles, the average mean is similar to that of retention (3.9) and the average standard deviation is 0.9 just like that of most of the other variables in the study.

Variable	Average mean	Average standard deviation
Age	26	6.6
Assurance	3.8	0.9
Empathy	3.7	0.9
Reliability	3.9	1.0
Customer relationship management	3.9	0.9
Responsiveness	3.7	0.9
Retention	3.9	0.9
Tangibles	3.9	0.9

Table 1. Average mean and standard deviation of the variables of the study- results of variable analysis.

Frequency distribution

The frequency table (2) below presents a breakdown of the demographic variables of the study. The results of the study indicate that 81 respondents took part; representing an 81% respondent participation rate. Of the 81 participants, 40% (n=32) were males and 60% (n=49) were females. Equally, the majority (93%) (n=77)of the participants were within the age range of (20-49) while the rest (7%), (n=4) where within the age bracket of (50 - 60+). Also, 79.6% (n=65) of the participants had at least a Matric or higher qualification while the rest (20.4%), n=16 had qualifications below matric.

Variable	Frequency	Percentage
Participants	81	81%
Males	32	40%
Females	49	60%
Age (20-49)	77	93%
Age (50-60+)	4	7%
Qualification (Matric and beyond)	65	79.6%
Qualification (below Matric)	16	20.4%

Table 2. Frequency distribution of demographic variables of respondents- results from study.

Frequency distribution of responses of the participants

The table (3) below is a presentation of how the respondents perceived service quality in the medical scheme. In the domain of assurance, averagely 64.8% of the respondents agreed that there was some degree of assurance in the quality of services offered by the medical scheme while 8.2% of them disagreed and 26.9% of the respondents neither agreed nor disagreed. The results for the variable of empathy showed that averagely 63.1% of the respondents agreed that it existed in the organization while 12.9% of them disagreed and 24.1% of the participants neither agreed nor disagreed. For the variable of reliability 65.03% of the respondents agreed that the medical scheme's services were reliable, 8.4% of the respondents did not agree while 26.5% were neutral. For customer relationship management, 68.55% of the respondents agreed that it existed in the company, 7.03% did not agree while 23.93% of the respondents neither agree nor disagreed. Equally 61.58% of the respondents agreed that there was some degree of responsiveness in the delivery of services in the organization while 8.1% of them disagreed and 30.3% of the respondents neither agreed nor disagreed. Also in the domain of retention, 69.33% of the participants agreed that service quality is one of the main reasons why they were subscribed to and still members of the medical fund, 8.25% of them disagreed while 22.42% of them were neutral. For the domain of tangibles, respondents were asked whether the medical schemes staff had the skills and knowledge to perform their functions and to make use of the

systems and equipment that enabled them to serve the customers. According to the results, 68.8% of the respondents agreed, 7.5% of them disagreed while 24% of the respondents were neutral.

Variable	Frequency	Agree	Neither agree nor disagree	Disagree
Assurance	81	64.8	26.9	8.2
Empathy	81	63.1	24.1	12.9
Reliability	81	65.03	26.5	8.4
Customer relationship management	81	68.55	23.93	7.03
Responsiveness	81	61.58	30.3	8.1
Tangibles	81	68.41	24	7.5
Retention	81	69.33	22.42	8.25

Table 3. Frequency distribution of responses – results from the study

Inferential statistics

a) Reliability of measures.

Cronbach alpha coefficient model was employed to test the reliability of the measuring scales. That is how well the scales or variables measure service quality in the organization. The coefficients ranged from 0.75 (empathy) to 0.91(responsiveness). The coefficients of all the variables were above the threshold of .70 indicating a satisfactory level of reliability of the scales.

MEASURING INSTRUMENT	**ALPHA VALUE**
Assurance	0.89
Empathy	0.75
Service reliability	0.88
Customer relationship management	0.89
Responsiveness	0.91
Customer retention	0.87
Tangibles	0.83

Table 4.Cronbach alpha values of the measuring instruments

Goodness of fit

The study applied the multiple regression model to statistically measure the level of customer service (independent variables) in the organization and the extent to which it impacts customer retention (dependent variable). In other words to generate and access the strength of the relationship between the independent variables and the dependent variable (customer retention) The results showed a 72% (r2=.721) variance on customer retention an indication that all the variables play an important role in influencing customer retention. That is, 72% of what there is to know about the role of quality service in customer retention is accounted for by the variables discussed in this study. In other words if a medical scheme cultivates a culture of assurance, responsiveness, empathy, tangibles and customer relationship management in the delivery of its services the company knows about 72% of what to do to retain its customers.

Statistic	**Dependent variable: Customer retention**
	Value
Multiple R	0.84912503
Multiple R	0.72101332
Adjusted R	0.69839277
F(6,74)	31.874
p	0.000
Std. Err. of Estimate	

N=80	b*	Std. Err. of b*	B	Std. Err. of b	t	p-value
Intercept			-0.154320	0.314988	-0.48992	0.625637
ASSU	-0.241422	0.219535	-0.238413	0.216799	-1.09970	0.275029
EMPA	-0.022052	0.116820	-0.024316	0.128816	-0.18877	0.850792
RELB	-0.104283	0.189306	-0.100586	0.182594	-0.55087	0.583383
RELM (CRM	0.468660	0.144572	0.569591	0.175707	3.24171	**0.001783**
RESP	0.351233	0.166517	0.349252	0.165577	2.10929	**0.038302**
TANG	0.423938	0.153693	0.489155	0.177337	2.75834	**0.007315**

Table 5. Results of Regression analysis

In addition to establishing the relationship between the independent and the dependent variables, the authors also looked at the objectivity of the data analysed in the research. To achieve this the authors established a level of significance. That is the probability level at which the researcher will decide whether to accept or reject the research hypothesis. The level of significance for this study is $p < 0.05$. Where P is the probability value and 0.05 (5%) the significance level.

Testing the hypotheses

H1 There is supported relationship between reliability of service delivery and customer retention.
H0 There is no supported relationship between reliability of service delivery and customer retention
In this category, our tests results established a P value of 0.58. This is greater than 0.05. Therefore we reject the research hypothesis and accept the null hypothesis.

H1 There is supported relationship between responsiveness of service delivery and customer retention
H0 There is no supported relationship between responsiveness of service delivery and customer retention
According to the test results, the P value is 0.038. This is lesser than the significance level of 0.05. Thus, we accept the research hypothesis and reject the null hypothesis.

H1 Tangibles of service delivery exert a positive influence on customer retention
H0 Tangibles of service delivery do not exert a positive influence on customer retention.

Equally the P value for this category is 0.0073- lesser than the significance level of 0.05. Therefore, the study accepts the research hypothesis and the null is rejected.

H1 Empathy in delivering services significantly influence customer retention
H0 Empathy in delivering services does not significantly influence customer retention

In this category, the test results gave a P value of 0.85 indicating a higher value than the significance level of 0.5. Therefore, the study rejects the research hypothesis and accepts the null hypothesis.

H1 There is supported relationship between assurance in service delivery and customer retention
H0 There is no supported relationship between assurances in the delivery of services and customer retention

According to the test results, the P value is 0.27. Therefore the study rejects the research hypothesis and accepts the null hypothesis since the P value is greater than the significance level of 0.5.

H1 There is a positive relationship between customer relationship management in servicedelivery and customer retention
H0 There is no relationship between customer relationship management in delivering services and customer retention.

Finally, in this category a P value of 0.0073 was established by the test results. This indicates a lesser value than the significance level; hence the study accepts the research hypothesis and rejects the null hypothesis.

Discussion of results

This study looked at the role of service quality in customer retention in medical schemes in South Africa with a special focus on the AA Medical Scheme. Inspiration was drawn from the increasing decrease in the number of registered medical schemes in the country reported by the Medical Scheme Council's annual report of 2013. As we learn more about the types, causes and potential inhibitors and implications of poor service delivery in the medical scheme industry in South Africa, it seems timely to focus research studies in the area. This is because, though numerous studies have been conducted in service quality, there is little empirical evidence on how medical schemes actually deal with member retention. In other words, there has been little research in identifying effective service quality or on the development and evaluation of acceptable, feasible and efficient mechanisms for measuring quality service in the industry which are necessary for customer retention.

The theoretical arguments and empirical evidence suggest that among the many factors that influence retention, there is a positively strong relationship between service quality and customer retention. This makes it imperative for medical scheme firms to understand the importance of quality service in retaining their members. Some differences were noticed in results about the perception of service quality as a determinant of loyalty in the medical scheme. Both education and gender play an important part in determining the quality of service and its impact on member retention. While there were differences in agreement based upon level of education, there was little difference between genders. However, in all the cases respondents strongly agreed that their perception of service quality influenced their stay in the medical scheme. Clearly, the majority (65%) of respondents in this study have strongly stated that one of the important reasons why they were still members of the AA medical scheme is because of the quality of service. This is quite reasonable in the sense that, though service quality may constitute an important element in retaining members of a medical scheme, there are also other factors that should be taken into consideration by management of AA medical scheme and other medical schemes in South Africa.

Thus, the results of this study suggest that the dimension of service quality should be considered an integral part of any physical assessment instrument that measures the influence on customer retention in medical schemes.

The results are particularly meaningful because they suggest a scale that is reliable and valid and could be used to measure customer perceptions of service quality in medical schemes. Thus, the availability of this instrument should encourage continued research directed toward service quality and its impact on overall willingness of members to stay in a medical scheme. Realistically, this study ascertains that medical schemes that choose this instrument can better understand how members perceive their services and how it impacts loyalty of their members. Thus, through assessing the strengths and weaknesses and ultimately improving the perceived service quality using the scale developed in this study, medical insurance services providers could use service scores from customers to compare against standardized or expected scores.

Therefore, in conclusion, the results of this study should alert medical insurances services providers and other services providers who consider loyalty and repeat business necessary to their financial success that service quality is a critical component of overall customer retention.

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