ST. MARY'S UNIVERSITY COLLEGE

BUSINESS FACULTY

DEPARTMENT OF MARKETING MANAGEMENT

AN ASSESSMENT ON THE CHALLENGES OF NETWORK MARKETING IN TIANSHI BUSINESS PLC ADDIS ABABA

BY:-
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SMUC
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Chapter One

Introduction

1.1 Background of the Study

Service recovery refers to the action taken by an organization in response to a service failure. Failure occurs for all kinds of reason. For instance, the service may be unavailable when promised, it may be delivered late or too slowly, the outcome may be incorrect or poorly executed or employee may be rude or uncaring. All of these types of failures bring about negative feelings and responses from customers (*Zeithaml&Bitner*, 2003: 187)

Most business people strongly argue that the first impression is very important to maintain an amicable relation with potential customers. But we cannot ignore the fact that failures continue to occur, sometimes for reasons outside the organizations control. One of the reflections of bad or declining relationship is the absence of feedbacks including possible complaints from the customer. Complaint is one of the best opportunities for turning an unhappy customer into a loyal customer. Even the most dissatisfied customer can become an ambassador, winning new customers for business by word-of-mouth advertising. In fact, whether a business firm's chance of winning or losing customers can depend on the way we efficiently and adequately handle their complaints.

It is very natural to see and hear customers complaining, sometimes for good valid reason, and sometimes for no reason. Most customers, of course, complain merely because their expectations have not been met or the service quality is getting deteriorated.

If complaint is quite common in client-oriented and service –intensive businesses, it will be a binding task to put in place a viable service recovery mechanism to retain the customers and ensure the smooth functioning of the business.

According to Lovelock &Wirtz(2004:407), service recovery is an umbrella term for systematic efforts by a firm to correct a problem following a service failure & retain a customer's goodwill.

They argue that service recovery efforts play a crucial role in achieving (or restoring) customer satisfaction. In every organization, things may occur that have a negative impact on its relationships with customers. The true test of a firm's commitment to satisfaction and service quality is not in the advertising promises but in the way it responds when things go wrong for the customer.

Service recovery is particularly essential for handling customers in the service-intensive and highly competitive insurance business. And the relevance of this proposed paper is viewed in the context of Awash Insurance Company (AIC), where issue of service recovery is a case in point.

Awash Insurance Company S.C was established on October 11, 1994 and commenced operations on January 2, 1995, becoming one of the pioneer private insurance companies entering into the industry. It runs both general insurance and long-term (life insurance businesses). Its ownership structure is private share company with more than 575 individuals and corporate shareholders.

The vision of AIC is to be the leading and the best insurance service provider. The company's mission is to provide diversified general and long-term Insurance to a continuously growing number of clients efficiently supported by modern technology as well as by well-trained professionally and socially responsible team. AIC has at present over 322 employees and operates through its 32 branch offices, located across the country.

The Company's leading motto is "**Where there is Awash, There is a Peace of Mind**!"

AIC has two well integrated units. One of which is the administrative section, which is in charge of managing the human resource and facilities. The other most important aspect of the Company is the operation section. It is the operational arm of the company directly related with service deliveries. The operational Section of the company is geared towards offering service deliveries to meet customers need and expectations.

This student researcher is keenly interested in figuring out the service recovery schemes devised by the Company to address some of the clearly observed gaps in terms of delivering quality services to the customers.

1.2. Statement of the Problem

Service recovery involves a series of steps that must be taken in order to attract and retain customers. It is also considered as something of valuable given to a customer as compensation. Every company has something of value it can give to a customer who has experienced a problem. If a service recovery is not put in place as a remedial measure and complaints lodged by the customers go on unabated, the Company will risk losing outstanding customers, and even shunning potential clients. And this would inevitably damage the good image and branding, and challenge the profitability and even the survival of the Company gradually.

As to *Zeithaml&Bitner(2003: 187)*, the service failure can result in customers leaving, telling other customers about their negative experiences and even challenging the organization through consumer rights organization or legal channels. They further argued that wherever a service failure occurs, people expect to be adequately compensated in a fair manner.

Awash Insurance Company is one of the service rendering institutions. To date, the Company is faring better in its insurance business. However, there are some gaps and inefficiencies in terms of providing quality service deliveries to the best interests of its customers.

As the preliminary investigation made by the student researcher, the widely observed problems encountered in the Company are the delay in responding to quotation requests and preparation of endorsement, lack of efficiency in proper management of pre-risk and post risk surveys, and challenges in the proper handling and management of claims, among others.

This student researcher believes that such problems should be addressed by devising a viable service recovery scheme if AIC is to become one of the most thriving private insurance companies in the country.

In order to investigate the above problems the student researcher was try to answer the following basic research questions

1.3   Basic Research Questions

1. To what extent are the customers dissatisfied by the service deliveries of the Company in some mentioned operational areas?

2. What Strategy did the Company Employ to ensureeffective Service Recovery?

3. What are the Challenges faced by the Company to Practice Service Recovery?

1.4.   Objective of the Study

1.4.1.   General Objective

The general objective of this study is to assess the service recovery practice of Awash Insurance Company. S.C.

1.4.2. Specific Objectives

The specific objectives of this study are:

- ❖ To establish facts about degree of dissatisfactions customers experience as a result of   failure in service deliveries.
- ❖ To identify the strategy devised by the Company to ensure service recovery
- ❖ To identify the challenges faced by Awash Insurance Company while practicing Service recovery initiatives.

1.5.   Scope (Delimitation) of the Study

The study was focus on the service recovery practice of Awash Insurance Company. The study was delimited on motor insurance class of business, for it is a complaint-prone area due to increasing number of motor related claims. As a result, the study is reviewing the practices of service recoveries at Claims Department of the Company, for it is centrally managing all motor and other claims. The study covered at the hade office and Finfine Branch on motor class of business is the focus areas, as it is one of the besets branches due to serving so many client and all types of insurance services of the Company.

Moreover, the student researcher was covering from the year 2010 to 2012, since the Company's business strategy is subject to revision on a three-year basis.

1.6. Significance of the study.

The main purpose of the study was to assess the service recovery practices of Awash Insurance Company. The student researcher strongly believes that the outcome of this study is help Awash Insurance Company to figure out its weakness and operational gaps particularly in motor insurance claims handling and thereby making informed decisions to improve its service recovery mechanisms.

Moreover, the study can help the student researcher in applying the concept and theories, which she has learned from different kinds of courses in her stay in the College. Furthermore, it helps as a reference for other researchers who are making study on service recovery.

1.7. Definition of Terms

Claim: A request for payment under the terms of an insurance policy. All kinds of reimbursement of money to the policy holder at times of risky situations in compensation for the premium paid is often called claim the many is coal it clam (Harriett, 2005:369).

Policy: A written document that contains the terms of the agreement between Insurance Company and the owner of the policy (Harriett, 2005: 395)

Underwriting: The process of identifying and classifying the degree of risk represented by a proposed insured also known as selection of risks (*HailuZeleke*, 2007: 308).

1.8. Research Design and Methodology

1.8.1. Research Design

In order to get necessary data and address the problem mentioned, the student researcher was used descriptive research method. According to *Malohotra*, (2006:82) descriptive research is a type of conclusive research which is primarily used for description of things.

The method was enable the researcher to describe about the nature of motor class of business, clearly specify the type of services being given to the customer, and identify and detail gaps in due course handling motor-related claims. It further helps the researcher to make descriptions on the type of remedial actions to improve the service recovery mechanisms of the Company.

1.8.2. Populationand Sampling Technique

The student researcher is considering Customers and Marketing Manager of the Company as the target population of the study. Awash Insurance Company customers are huge in number, and therefore, non-probability sampling technique was being applied to gather data from customers. In this regard, the research selected and approach sample customers from the Claims Department and Finfine Branch of the Company.

According to Malhotra (2006:339), sample sizes were used in market research studies for problem solving research taking minimum of 200 representatives. Based on this hypothetical analysis, the student researcher was considering taking 200 customers as sample representatives.

1.8.3. Types of Data Collected

The student researcher was take both Primary and Secondary data in order to capture relevant and appropriate information from customers, and marketing manager.

1.8.4 Method of Data Collected

The student researcher was taken Primary data through questionnaires, interview and observation. The questionnaires were distributed to Awash Insurance Company Customers, in-depth and also interview was conducted with the company's Business Development and Marketing Manager. Secondary data was also being collected from the company's different documents, related research, and journals, etc.

1.8.5. Data Analysis Method

Tabling along with percentage and tabulation was used for the presentation of data gathered from the questionnaires. The data collected was be synthesized through descriptive statistical tools of analysis, and also be interpreted according

1.9 Limitation of the Study

The research work would have been complete in terms of covering all parts of the Company's service recovery and types of polices had it not been for the limitation of time and resources.

1.10 Organization of the Study

The study was organized in to four chapters. Chapter One is about Introduction and contains background of the study, statement of the problem, objective of the study, scope of the study, significance of the study, definition of terms, research design and methodology, and delimitation of the study .Chapter Two is deal with Review of Related Literature. Chapter Three deal with Data, presentation, Analysis and interpretation. Chapter four provide the Summary, conclusions and recommendation.

Chapter Two

Literature Review

2. 1.   Overview of Service

In the modern economy, as consumers, we use services every day. The institution at which we are studying is itself a complex service organization, telecommunications, and even a bank. If you are enrollat a residential university, campus services are also likely to include dormitories, health care, indoor and outdoor athletic facilities, a theater, and perhaps a post office Customers are not always happy with the quality and value of the services they receive. People complain about late deliveries, rude or incompetent personnel, inconvenient service hours, poor performance, and needlessly complicated procedures.

Many suppliers complain about how difficult it is to make a profit, how hard it is to find skilled and motivated employees, or how difficult it has become to please customers. Some firms seem to believe that the surest route to financial success lies in cutting costs and eliminating "unnecessary" frills. A few even give the impression that they could run a much more efficient operation if it weren't for all the stupid customers who keep making unreasonable demands and messing things up! Fortunately, in almost every industry there are service suppliers who know how to please their customers while also running a productive, profitable operation staffed by pleasant and competent employees (*Christopohn lovelock 2004:25)*

Because of their diversity, services have traditionally been difficult to define. The way in which services are created and delivered to customers is often hard to grasp since many study outputs are intangible. Most people have little difficulty defining manufacturing or culture, but defining servicecan elude them. Here are two approaches those capture the essence of the word. A service is an act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production. Services are economic activities that create value and provide benefitsfor customers at specific times and places, as a result of bringing about a desired change in or on behalf of the recipient of the service. More humorously service has also

been described as "something that may be bought and sold, but which cannot be dropped on your foot.(*Zeitmal&bitner 2003:187*) .

2.2. **Characteristics of Service**

According to Philip kotler and gray Armstrong, (2006; 257) briefly defined the characteristics of service as:

Intangibility:- means that service cannot be seen, tasted, felt, heard or smelled before they are brought for example; people undergoing cosmetic surgery can not seen the result before the purchase. Airline passenger have nothing put a thicket and the promise that they and their luggage will drive safely at the intended destination, hopefully at the same time.

Inseparability: means that service cannot be separated from their provider where the providers are people or machines.

Variability: means that the quality of the service depends on who provides them as well as when, where, and how they are provided.

Perishability: means that service cannot be stored for later sale or use. Moreover, *zethemal and bitner*.2003:21) portability, Refer to be that service cannot be stored, saved, resold or returned because of this service result implication that is difficult to synchronize supply and demand with service and it cannot returned because of this service result implication that is difficult to synchronize supply and demand with service and also it cannot returned because of this service result implication that is difficult to synchronize supply and demand with service and also it cannot returned or resold

2.3. **Service as a Process**

However, the situation is different in services. Because their customers are often involved in service production and may have preferences for certain methods of service delivery, marketers do need to understand the nature of the processes through which services are created and delivered. Furthermore, they should be involved in any decisions to change the nature of a given process if that change will affect customers. a process is a particular method of operation or a series of actions, Within certain constraints, the choice High-contact services**:** services that involve significant interaction among customers, service personnel, and equipment and facilities. Medium-contact services**:** services that involve only a limited amount of contact between customers and elements of the service organization. Low-contact services: services that require

minimal or no direct contact between customers and the service organizational, physical service elements, or both. You'll notice that traditional retail banking, telephone banking, and home banking by Web site are all in different locations on the chart.

2.4. Service Marketing Mix

According to *zethaml V. and Bitner M,* (2003:23-25) one of the most basic concepts in marketing is the marketing mix defined as the elements an organization controls that can be used to satisfy or communicate with customers. The traditional marketing mix is composed customers. Of the four PS namely product, price, distribution and promotion.These elements appear as core decision variables in any marketing text or marketing plan in addition to the traditional four ps, the service marketing mix includes:

The service industries have in extended marketing mix this mix comprise in service. Price, place, promotion, product, people, procures and physical evidence.

Price and Other User Outlays: This component addresses management of the *outlays* incurred by customers in obtaining benefits from the service product. Responsibilities are not limited to the traditional pricing tasks of establishing the selling *price* to customers, which typically include setting trade margins and establishing credit terms. Service managers also recognize and, where practical, seek to minimize other costs and burdens that customers may bear in purchasing and using a service, including additional financial expenditures, time, mental and physical effort, and negative sensory experiences.

People:All human actors who play apart in service delivery and thus influence the buyer's perceptions namely, the firm's personnel, the customer, and the other customer in the service environment.

Physical evidences**:** The environment in any tangible components that facilitateperformance or communication of the service**.**The appearance of buildings, landscaping, vehicles, interior physical evidence:visual furnishing, equipment, staff members, signs, printed materials and other visible cues all or other tangible clues that provide tangible evidence of a firm's service style and quality.

Service firms need to provide evidence of service manage physical evidence carefully tangible elements, such as insurance; advertising is often employed to create meaningful symbols. For instance, an umbrella   may symbolize protection, and a fortress, security

Process**:** The actual procedures, mechanism, and final of activities by which the service is delivered and operation system Processes are the architecture of services, describing the method and sequence in which service operating systems work and how they like together to create the service experiences and out comes that customers will have in high contact services. Customers themselves become integral part of the operation. Badly designneed processes, oftenresolution slowfrustratingandpoorqualityservice delivery arelikelyto the customers.Similarly, and poor processes make it difficult for front line staff to do their jobs well. Result in low productivity, and increase the risk of service filers.

One of the distinctive characteristics of many services is the way in which the customer is involved in their creation and delivery. But too often, service design and operational execution seems to ignore the customer perspective, with each stein the process being handled as a discrete event rather than being integrated in to a seamless process.

Promotion and Education: This component plays three vital roles: providing needed information and advice, persuading target customers of the merits of a specific product, and encouraging them to take action at specific times. In service marketing, much communication is educational in nature, especially for new customers Companies may need to teach these customers about the benefits of the service, where and when to obtain it, and how to participate effectively in service processes. Communications can be delivered by individuals, such as salespeople and trainer.

2.5.Service Quality

Productivity working faster & more efficiently in order to reduce cost has been a managerial improving quality becomes a major priority. In a service context, this strategy entails creating better service processes and outcomes to improve customer satisfaction.

(Christopherlouelock: 261)

According to Zetmal, service quality is a common understanding in order to be able to address such issues as the measurement of service quality the identification of cause of service quality shortfalls, and the design &implementation of corrective actions different things to people according to the context. David graven identifies five perspectives on quality. He further described service quality as follow: The transcendent view of quality is synonymous with innate

excellence: a mark of un compromising standards and high achievement; the product based approach sees quality as a precise &measurable variable. Differences in quality

Product elements: all components of the service performance that create value for customers.

Place, cyberspace, and time: management decisions about when, where, and how to deliver services to customers.

Process: a particular method of operations or series of actions, typically involving steps that need to occur in a defined sequence. The pace motivates the crew, and keeps a close eye on competing boats in the race is a metaphor for management.

Quality: the degree to which a service satisfies customers by meeting their needs, wants, and expectations.

People:customers and employees who are involved in service production.

Productivity and Quality: These elements, often treated separately, should be seen as two sides productivity is essential to keep costs under control but managers must beware of making inappropriate cuts in service levels that are resented by customers (and perhaps by employees, too).

2.6. The ServiceQuality Dimensions

Research suggests that customers do not perceive quality in a one dimensional way, but rather judge quality based on multiple factors relevant to the context.

Their research identified five specific dimensions of service quality that apply across a variety of service contexts. The livability to dimensions is Reliability: ability to perform the promised service dependably and accurately. Responsiveness: willingness to help customers and provide service. Assurance; employs knowledge and courtesy and their ability to inspire trust and confidence,(zetmal;93)

According to B.Balaji, (2002:274). The ten original dimension of service quality are listed below:

Tangibles: The physical appearance of the facilities, staff, building, etc., e.g. Does the equipment appear modern? How clean is the waitress's apron?

Reliability: The ability to reproduce the same level or service again and again e.g. its feedback regarding student progress always given" is message always passed on?

Responsiveness: The speed with which queries etc and dealt with e.g. are letters replied to by return of post, or does it take amount? It feedback come. To take, after the examination had been taken?

Communication: The clarity and understandability of the information given to the client, e.g. does the doctor take the time to explain in terms the patient can understand, what is going to happen next? Does the solicitor explain clearly what the legal Jargon means?

Credibility: The trust worthiness of the service provider e.g. does the newspaper reporter report all the facts or only those which support his/her argument? Does the financial advisor present in the options or only those which earn him/her the most commission?

Security: The physical safely of the customer or proves of client information. E.g. are the medical recorders of patient kept confidential? Are the stands in the football ground strong enough to support the weight of dot the supporters?

Competence: The actual technical expertise of the service provider, e.g. is the doctor reality qualified to perform heart surgery? Does the financial advisor have sufficient knowledge's of all the relevant tax regulation?

Curtsey: The attitude of the service, provider and manner adopted by the service e.g. is the receptionist friendly, helpful and polite? Does the doctor treat the patent is an interior being?

Understanding: How well the provider of the service understands the clients need e.g. does the bank recognizes that most clients cannot get the bank is working hours? Are hear mirror positioned in the hotel data rooms which allow guests to see the back of their hair?

Access: How it to reach the service provider is, geographically or by phone, e.g. there are car parking facilities close to the solicitor office? Does it always take five attempts to get the solicitor on the phone?

2.7. Customer Expectation

Factors that impact customer expectations of service, are among others, predicted service which is to mean the level of service quality a customer believes a firm will actually deliver; zone of tolerance, which is the range within which customers are willing to accept variations in service delivery, and predicted service, which directly affects how they define "adequate service" on that occasion. If good service is predicted, the adequate level will be higher than if poorer service is predicted. Customer predictions of service may be situation specific. For example, from past

experience, customers visiting a museum on a summer day may expect to see larger crowds if the weather is poor than if the sun is shining. So a minute "wait to buy tickets on a cool, rainy day in summer might not fall below their adequate service level

Expectation refers to the performance finished for in a perfect service desired exportations are the performance level that customer want the desired level, customers may be willing to tolerate deviations in performance up to the acceptable expectations with relatively small degradation in satisfaction dissatisfaction results in the performance falls below this level. *Belijei*,(2002:51)

In addition *zaithaml V. and bittner M,* (2003:62) customer expectation:

Desired service: **-** it is a blend of what the customer believes can be "and should be" the expectation reflects the hopes and wishes of these costumer   without those hopes and wishes and the benefit that they may be fulfilled; they would probably not purchase that dating service.

Adequate service: **-** it is the minimumacceptablelevel of service when the company performs below adequate expectation the customer become dissatisfied.

*Zone of Tolerance:-*as service the heterogeneous in that performance may vary across provider, across employee. The extent to which customer recognizes and are willing to accept (Balaji, 2002:53)

2.7.1. Customer Satisfaction and Dissatisfaction

Customer satisfaction as the extent to which a product's perceived performance matched a buyer's expectation. If a product's performance found short of expectations the customer is dissatisfied. If performance matched or exceeds expectations, the customer is highly satisfied or delighted. (Kotler Armstrong, 2005:172).

According to Valaire and Marly, (2003:86) customer satisfaction as the customer's fulfillment response it is judgment that a product or a service feature or their product or a service feature or their product or service itself provides a pleasure able level of consumption, related fulfillment customer satisfaction is the customer over all felling of contentment with a customer interaction.

According to Jobber, (2001:11) performance expectation and actual performance are major factor in the customer satisfaction process. Most customers did not switch from a satisfactory provided to a better provide service provider many customer listed several reasons that caused them to switch or to feel dissatisfied.

2.7.2. Compliant and Service Recovery

The material in the box on guidelines for effective problem resolution is based on discussions with executives in many different industries. Well-managed companies seek to act quickly and perform well on each of the 10 guidelines. Research suggests that the slower the resolution of a service problem, the greater the compensation (or "atonement") needed to make customers satisfied with the outcome of the service recovery process.20 Treating complaints with suspicion is likely to isolate customers. The president of TARP (the company that undertook the studies of complaining behavior described earlier) notes: Our research has found premeditated rip-offs represent 1 to 2 percent of the customer base in most organizations. However, most organizations defend themselves against unscrupulous customers by treating the 98 percent of honest customers like crooks to catch the 2 percent who are crooks.

Taking care of customers requires that the firm also take care of its employees. Managers need to recognize that handling complaints about service failures and attempting service recovery can be stressful for employees, especially when they are treated abusively for problems over which they have no control. Compounding the stress are policies that impose inflexible, bureaucratic procedures rather than empowering customer-contact personnel to handle recovery situations as they see fit. Bowen and Johnston argue that service firms need to develop "internal service recovery strategies" designed to help employees recover from the negative feelings that they may incur from being the target of customer anger andissatisfaction.22 Similarly, management must ensure that the firm employs a sufficient number of well-trained and motivated employees to be able to provide good service in the first place. Downsizing (a deliberate policy of reducing the number of employees to reduce costs) often involves a calculated gamble that replacing people by automated phone messages and Web sites will enable the firm to continue to respond satisfactorily to customers' problems the communications industry provides a cautionary tale of the risks of cutting back people-based service in favor of automated solutions, especially

refund or other compensation. But it's still a good idea to check records to see if there is a past history of dubious complaints by the same customer (christopherlouelok: 129)

2.8. The Recovery Paradox

Some excellent have suggested that customers who are dissatisfied, but experience a high level repurchase of excellent service recovery ,may ultimately be even more satisfied and more likely to repurchase than are those who were satisfied in the first place. For example, think of a hotel customer who arrived to check in and fined there is no room available. In an effort to recover, the hotel front desk person immediately upgrades this guest to a better room at the same original price. The customer is so thrilled with this compensation that she extremely satisfied with this experience, is even more impressed with the hotel than she was before, and vows to be loyal in to the future. The logical, but not very rational, conclusion is that companies should plan to disappoint customers so they can recover and gain even greater loyalty from them as a result. This idea has become known as the recovery paradox.

Sometimes observed effect that customer who experience a service failure and then have it resolved to their full satisfaction are more likely to make future purchases than are customers who have no problem in the first place. A study of repeated service recovery paradox hold for the first service failure that a second service failure occurred ,the paradox disk once but get disillusioned if failures recur. Furthermore, the study also should that customer expectations were raised after they experience a very good recovery, thus, experience for recovery becomes the standard they expect for dealing with future failures.

Certainly ,the recovery paradox is more complex than it may seem on the surface, First of all, it is expensive to fix mistakes, and it would appear somewhat ludicrous to encourage service failures after all, we know that reliability (doing it right the first time).the conclusions are somewhat complicated by a recent study that shows no support at all for the recovery paradox .In the context of that study, overall satisfaction was consistently lower for those customers who had experienced a service failure than for those who had experienced no failure, no matter what the recovery effort. An explanation for why no recovery paradox occurred is suggested by the magnitude of the service failure in this study a three hour air plane flight delay. This type of

failure may be too much to be overcome by any recovery effort. Even in this study, however, strong service recovery was able to mitigate, if not reverse, the effects of the failure by reducing overall dissatisfaction,(zetmal: 189)

2.9.Impacts of Service Recovery

Complaint handling should be seen as a profit center, not a cost center. TARP has even created a formula to help companies relate the value of retaining a profitable customer to the overall costs of running an effective complaint handling unit. Plugging industry data into this formula yielded some impressive returns on investment: from 50 percent to 170percent for banking, 20 percent to 150 percent for gas utilities, over 100 percent for automotive service, and from 35 percent to an astonishing 400 percent for retailing.16 underlying these statistics is a simple fact.

When a dissatisfied customer defects, the firm loses more than just the value of the next transaction. It may also lose a long-term stream of profits from that customer and from anyone else who switches suppliers because of negative comments from an unhappy friend. So it pays to invest in service recoveryefforts designed to protect those long-term profits. Efforts to design service recovery procedures must take into account a firm's specific environment and the types of problems that customers are likely to encounter. Displaysthe components of an effective service recovery system. Service recoverysystematic efforts by a firm after a service failure to correct a problem and retain customer's goodwill.*Sydney: Prentice Hall, 1998*).

2.9.1. Service Recovery and Customer Complaints

Service recovery plays a crucial role in restoring customer satisfaction following a service failure and retaining a customer's goodwill. The true test of a firm's commitment to satisfaction and service quality isn't in the advertising promises or the decor and ambience of its offices, but in the way it responds when things go wrong for the customer. Recent research suggests that customers' satisfaction with the way in which complaints are handled has a direct impact on the

trust they place in that supplier and on their future commitment to the firm.17 unfortunately, firms don't always react in ways that match their advertised promises. Effective service recovery requires thoughtful procedures for resolving problems and handling disgruntled customers,

because even a single service problem can destroy a customer's confidence in a firm if the following conditions exist:18 The failure is totally outrageous (e.g., blatant dishonesty on the part of the supplier) The problem fits a pattern of failure rather than being an isolated incident. The recovery efforts are weak, serving to compound the original problem rather than correct

2.9.2. Customer Feedback Service Recovery

The first low service productivity and quality might bedsit right the first time .But we cannot ignore the fact that failures continue to occur, sometimes .for reasons outside the organizations control. You have probably noticed from your own. Experience that the various "moments of truth" in service encounters are especially vulnerable to break downs. Such distinctive service characteristics as real time performance, customer involvement, and people as part of the product greatly increase the chance of service failures. How well a firm handles complaints and resolves problems may determine whether it builds' customer loyalty or watches former customers take *(christopherlovelock: 403)*

2.9.3. Principles of Effective Service Recovery Systems.

Recovering from service failures takes more than just pious expressions of determination to resolve any problems that may occur. It requires commitment, planning, and clear guidelines. Both managers and front-line employees must be prepared to deal with angry customers who are confrontational and sometimes behave in insulting ways toward service personnel who aren't at fault in any way. Service recovery efforts should be flexible, with employees being trained to handle complaints and empowered to develop solutions that will satisfy complaining customers.

Recognizing that current customers are a valuable asset base, managers need to develop effective procedures for service recovery following unsatisfactory experiences. We discuss three guiding principles for how to do this well: Make it easy for customers to give feedback, enable effective service recovery, and establish appropriate compensation levels. The components of an effective service recovery system are shown   Make it easy for customers to give feed back

How can managers over coheir me unhappy customers reluctance to complain above service flours? The best way is to address the reasons for their reluctance direct

According to Lovelock (2005:409) Service recovery plays a crucial role in restoring customer satisfaction following a service failure and retaining a customer's goodwill. The true test of a firm's commitment to satisfaction and service quality isn't in the advertising promises or the decor and ambience of its offices, but in the way it responds when things go wrong for the customer. Recent research suggests that customers' satisfaction with the way in which complaints are handled has a direct impact on the trust they place in that supplier and on their future commitment to the firm. Unfortunately, firms don't always react in ways that match their advertised promises. Effective service recovery requires thoughtful procedures for resolving problems and handling disgruntled customers, because even a single service problem can destroy a customer's confidence in a firm.

Furthermore, Recovering from service failures takes more than just pious expressions of determination to resolve any problems that may occur. It requires commitment, planning, and clear guidelines. Both managers and front-line employees must be prepared to deal with angry customers who are confrontational and sometimes behave in insulting way steward service personnel who aren't at fault in any way. Service recovery efforts should be flexible, with employees being trained to handle complaints and empowered to develop solutions that will satisfy complaining customers.

The first low of service productivity and quality might be do it right the first time. But we cannot ignore outside the organizations continue to occur sometimes. For reasons outside the organizations control .you has probably encounters are especially vulnerable to breakdowns. Such distinctive service characteristics as real time performance, customer involvement, and people as part of the product greatly increase the chance of service failures. However well a firm handles complaints and resolves problems may determine whether it builds customer loyalty or watches former customers take their business elsewhere.(Louelock,2005:443)

2.10. Strategy for Service Recovery.

Recognizing that current customers are a valuable asset base, managers need to develop effective procedures for service recovery following unsatisfying experiences. We discuss three guiding

principles for how to do this well. Make it easy for customers to give feedback, enable effective service recovery, and establish appropriate compensation levels. The component of an effective service recovery system are shown make it easy for customers to give feedback.

How can managers over coheir me unhappy customers reluctance to complain above service failures? The best way is to address the reasons for their reluctance direct feedback customer feedback via complaints, suggestion, and compliments provide means of increasing customer satisfaction. It's a terrific opportunity to get into the hearts and minds of customers. In all but the worst instances, complain customers are indicating that they want to continue their relationship with the service firm. But they are also signaling that all is not well, and that they expect the company to make things right. Service firms need to develop effective strategies for recovering from service failures so that they can maintain customer good will. This is vital for the long term success of the company. . (Louelock, 2005:415)

However, service personnel must also learn from their mistakes and try to ensure that problems are eliminated. After all, even the best recovery strategy isn't as good in the customer's eyes as being treated right the first time. Well-designed unconditional service guarantees have proved to be a powerful vehicle for identifying and justifying needed improvements, as well for creating a culture in which staff members take proactive steps to ensure that guests will be satisfied services

According to Zeithaml (2003:187) service recovery refers to the action taken by an organization in response to service failure. Failure occur for all kinds of rezones the service may be unavailable when promised, it may be delivered late or too slowly, the outcome may be incorrect or poorly executed, or employees may be rude or uncaring .all of these to mistypes of failures bring about negative feelings and responses from customers. Left unfixed, they can result in customers leaving, telling other customers about their negative experiences, and even challenging the organization through consumer rights organizations or legal channels. Firms don't always react in ways that match their advertised promises. Effective service recovery requires thoughtful procedures for resolving problems and handling disgruntled customers, because even a single service problem can destroy a customer's confidence in a firm.

Act fastif the complaint is made during service delivery, and then time is of the essence to achieve a full recovery. When complaints are made after the fact, many companies   have established policies of responding within 24 Hours, or sooner. Even when full resolution is likely to take longer, fast acknowledgment remains very important,

Moreover, admit mistakes but don't be defensive. Acting defensively May suggest that the organization has something to Hide or is reluctant to fully explore the situationShow that you understand the problem from each customer's Point of view. Seeing situations through the customers 'Eyes is the only way to understand what they think has gone wrong and why they are upset. Service personnel should avoid jumping to conclusions with their own Interpretationsdon't argue with customers**.**The goal should be to gather facts to reach a mutually acceptable solution, not to   win a debate or prove that the customer is an idiot. Arguing gets in the way of listening and seldom diffuses anger.

Furthermore, Acknowledge the customer's feelings, either tacitly or explicitly (e.g., "I can understand why you're upset"). This action helps to build rapport, the first step in rebuilding a bruised relationshipgive customers the benefit of the doubt.Not all customers are truthful and not all complaints justified. But customers should be treated as though they have a valid complaint until clear evidence to the contrary emerges. If a lot of money is at stake (as in insurance claims or potential lawsuits), careful investigation is warranted; if the amount involved is small, it may not be worth haggling over, clarify the steps needed to solve the problem. When instant solutions aren't possible, telling customers how the organization plans to proceed shows that corrective action is being taken. It also sets expectations about the time involved (so firms should be careful not to overpromise!). Keep customers informed of progress nobody likes being left in the dark? Uncertainty breeds anxiety and stress. People tend to be more accepting of disruptions if they know what is going on and receive periodic progress reports Consider compensation**.** When customers don't receive the service outcomes promised or suffer serious inconvenience and/or loss of time and money because of service failures, either a monetary payment or an offer of equivalent   service in kind is appropriate. This type of recovery strategy may also reduce the risk of legal action by an angry customer. Service guarantees often lay out in advance what such compensation will be, and the firm should ensure that all guarantees are met.

When customers have been disappointed, one of the biggest challenges is to restore their confidence and preserve the relationship for the future. Perseverance may be required to defuse customers' anger and to convince them that actions are being taken to avoid a recurrence of the problem. Truly exceptional recovery efforts can be extremely effective in building loyalty and referral.

Chapter Three

3. Data Presentation, Analysis and Interpretation

This chapter deals with the presentation, analysis and interpretation of the data collected by questionnaire which were filled out and returned by customers and interview conducted with marketing manager of Awash Insurance Company. The data were obtained using the most established techniques such as questionnaires and interview. The questionnaires were distributed to 200 customers of the Company. The student researcher distributed and collected the questionnaires from *Megabit* 25- *Miyaza*05, 2005 E.C from the Headquarters and Finfine- one of the prominent branches of the Company. And in-depth interview was also held with the Marketing Manager of Awash Insurance Company.

The student researcher distributed 200 (*Two Hundred*) copies of questioners to customers. Of whom, 189% of the customers was successfully filling out the questioners. The summarized data was then analyzed by applying descriptive analysis method, followed by data interpretation to demonstrate the implications of the major findings.

3.1. General Characteristics of the Respondents

The following table describes classification of respondents by Gender, Age, Educational Background and Occupation.

Table 1. General Characteristics of the Respondents

Item	Question	Respondent(customer)	Percentage (%)
1	Gender		
	A. Male	111	58.7
	B. Female	78	41.3
	Total	189	100
2	Age		
	A. 18-25	28	14.8
	B. 26-33	56	29.6
	C. 34-41	60	31.7
	D. 42-49	45	23.9
	E. >50	0	0
	Total	**189**	**100**
3	Educational Background		
	A. Below Twelve Grade	28	14.8
	B. Twelve Complete	44	23.3
	C. Diploma	113	59.8
	D. Degree	4	2.1
	E. Above Degree	0	0
	Total	**189**	**100**
4	Occupation		
	Private Organization	26	13.8
	Government Organization	18	9.5
	C NGO	92	48.7
	D. Own Business	53	28.0
	Total	**189**	**100**

According to item 1of table 1, male & female respondents accounted for, 111 (58.7%) and78 (41.3%) respectively; and thus, the majority of the sample respondents are male. From the total groups of respondents, most of the respondents (31.7%) fall under the age group of 34-41.

According to Item 2 of table1in the previous page which indicates Age of respondents, 60(31.7%) of the respondents are in the age 34-41, 56(29.6%) are in the age group of 26-33, 45(23.8%) of the respondent are between the age of42-49 other respondentwhich wereand28 (14.8%) falls under the age of 18-25 respectively. This shows those age groups 34-41dominate the total respondents.

Regarding to item 3 of table 1 in the previous page which indicates educational level, of respondent, 113(59.8%) diploma holders 44(23.3%) were12 completes, 28(14.8%) were below <12 grade completes, , and the rest 4(2.1%) is degree graduate. From this, we can infer that most customers can communicate effectively with the service providers.

Concerning to item 4 of table1 the occupation of the respondents 92 (48.7%) are NGO workers,53 (28 %) are self-employed (running own business) , as well as employees of the private organizations and governmental organizations constituted 26 (13.8 %) and 18 (9.5 %) respectively. Thus, we can assume non- governmental organization is more sensitive for insurance services; and at the same time, they expect quality services

3.2. Analyzing of Finding of the Study

Table 2: Lengthy of Duration as Customers

Item	Question	Years of duration as a customer	Respondents	Percentage (%)
1	How long have you been using Awash insurance companys services?	<1year	13	6.9
		1-3year	78	41.3
		4-8 year	52	27.5
		9-12 year	16	8.5
		>13year	30	15.8
	Total		**189**	**100**

According to the information gained above Table 2, item 1,78(41.3%) of the respondents have been using the Company's service as a customer for 1-3 years, 52(27.5%) of customers for 4-8 years, 30 (15.8 %) for above 2 years, while 16 (8.5) and 13 (6.9%) have been the beneficiaries of the Company's services for 9-12 years and 1 year respectively.

Table 3: Level of Complaints on the Services Rendered

Item	Question	Rating	Respondents	Percentage (%)
1	How often do you complain about the service rendered by the company?	A. Very often	89	47.1
		B. often	47	24.9
		C sometimes	36	19.0
		D. rear	4	2.1
		E. Very rare	13	6.9
	Total		**189**	**100**

The above table indicates that89(47.1%) of the respondents replied very often, 47(24.9%) of respondents complain on often bases, while 36 (19 %) of respondents replied sometimes, 13(6.9 %) and 4(2.1) %of them replied very rare and rare respectively

Table 4: Efficiency in Claims Settlement

Item	Question	Rating	Respondents	Percentage (%)
1	Howdo you evaluate the company in settling your claims related payment	Very fast	23	12.2
		Fast	33	17.5
		Medium	83	43.9
		Slow	36	19.0
		Very slow	14	7.4
	Total		**189**	**100**

As indicated in the table 4 above, 83(43.9%) of the respondents rated the Company's efficiency in settling claims related payment as medium, 36(19. %) as slow. While 33 (17.5 %) of the

respondents considered the efficiency level as fast, 23 (12.2%) as very fast and 14 (7.4 %) as very slow

Table 5: Effectiveness of Service Recovery Strategy

Item	Question	Rating	Respondents	Percentage (%)	
1	Awash insurance company often attempts to improve its service to the customer by its service recovery strategy?	Strongly agree	15	7.9	
		Agree	23	12.2	
		Medium	63	33.3	
		Disagree	78	41.3	
		Strongly disagree	10	5.3	
	Total		**189**	**100**	

The above table reveals that the majority respondents 78(41.3 %) disagreed about effectiveness the Company's service recovery strategy to improve service to the customers. Only 15 (7.9%) and 23 (12.2%) respondents who have said strongly agreed and agreed respectively about efficiency of service recovery strategy of the Company.

Table 6: Initiatives of Company's Employees in Satisfying Customers

Item	Question	Rating	Respondents	Percentage (%)
1	How do evaluate the initiatives of the Company's employees in satisfying its customers?	Very good	12	6.3
		Good	23	12.2
		Medium	44	23.3
		Poor	61	32.3
		Very poor	49	25.9
	Total		**189**	**100**

In table 6 item 1 indicated that 61 (32.3 %) of respondents rated the initiatives towards satisfying customers as poor, 49 (25.9 %) as very poor, 44(23.3 %) as medium, and only 23(12.2%) and, 12 (6.3%) rate as good and very good respectively. And this infers that the Company is weak in towards enhancing the initiatives of its employees in meeting customers' needs.

Table 7. Evaluating Pre-Survey Service

Item	Question	Rating	Respondents	Percentage (%)
1	How do you evaluate the pre-survey service?	Very good Good Medium Poor Very poor	12 23 44 110 0	6.3 12.2 23.3 58.2 0
	Total		**189**	**100**

As referred to the above table7, the majority of respondents 110 (58.2%) rated the efficiency of the pre-service survey as poor, 44 (23.3%) as medium, 23 (12.2 %) as good and 12 (6.3%) as very good.   As the overwhelming number of respondents rated the service as poor

Table 8: Timely Response to Price Quotations

Item	Question	Rating	Respondents	Percentage (%)
1	Do you agree that you get a timely response for your request for price quotation?	Stronglye Agree Agree Neither Agree or Disagree Disagree Strongly Disagree	23 37 61 56 12	12.2 19.6 32.3 29.6 6.3
	Total		**189**	**100**

As indicated in the above table 8,   the majority 61(32.3 %) respondents were neither agree or disagree about the Company's efficiency in timely responding to their request for quotations.

And 56 (29.6%) disagreed or weren't satisfied about the Company's immediate response to their request for price quotation. And only 37 (19.6 %) and 23 (12.2 %) who said strongly agree and agree respectively.

Table 9: Evaluating Post- Survey Services

Item	Question	Rating	Respondents	Percentage (%)
1	How do you evaluate the post-survey services?	Very good	14	7.4
		Good	13	6.9
		Medium	44	23.3
		Poor	115	60.8
		Very poor	3	1.6
	Total		**189**	**100**

As assumed from the above table 9, the majority 115(60.8 %) rated efficiency in the post- survey services   as poor, 44 (23.3 %) as medium. This fact infers that the Company's efficiency in rendering post-survey service is

Table 10: Employee's Skills in Serving Customers in Good Manner

Item	Question	Rating	Respondents	Percentage (%)
1	How do you rate the employees skills to serve the customers in good manner?	Very good	5	2.6
		Good	49	25.9
		Medium	59	31.2
		Poor	76	40.3
		Very poor	0	0
	Total		**189**	**100**

The finding s of the above table10, shows that 76(40.3%) of the respondents rated the employees skill as very poor, 59 (31.2%) implies medium, 49 (25.9%) as good, and only 5 (2.6 %) as very good. Thus, the outweighing number of the respondents indicated that the employees haveno desired skills and competencies, which need to be further, maintained to increase the competitiveness of the company in the market.

Table 11: Efficiency in Preparing Endorsement

Item	Question	Rating	Respondents	Percentage (%)
1	Awash Insurance Company responds on time when asked to prepare the endorsement by customers.	Strongly agree Agree Medium Disagree Strongly Disagree	9 9 45 68 58	4.8 4.8 23.7 36.1 30.6
	Total		**189**	**100**

As indicated in the above table 11 the majority 68(36.1 %) respondents were disagree about the Company's efficiency in timely preparing the endorsement when requested by customers. And 58 (30.6%)replied strongly Disagree, 45 (23.7%) were Mediumand 9 (4.8%)replies agree. Thus, the Company needs to improve its service recovery schemes in terms of responding timely to the Customers' request for preparing endorsement to please the dissatisfied customers in that regards.

Table 12: Rating Services Given by the Garage

Item	Question	Rating	Respondents	Percentage (%)
1	How do you evaluate the service given by the garage?	Very good	20	10.6
		Good	39	20.7
		Medium	56	29.3
		Poor	74	39.4
		Very poor	0	0.
	Total		**189**	**100**

From the table above12, we can make an inference that 74 (39.4%) of the respondents rated the garage service given by Company as poor, 56(29.3%) as medium, and 39 (20.7%) as good20(10.6) as very good Thus, the efficiency of the garage service being delivered to the customers is at frustrating level.

Table 13: AIC's Commitment in integratingCustomer's Feedback for Decision Making Purposes

Item	Question	Rating	Respondents	Percentage (%)
1	How do you evaluate the company in getting feedback from its customer for decision making purposes?	V. good	5	2.6
		Good	37	20.2
		Medium	58	31.2
		Poor	63	33.3
		Very poor	26	12.7
	Total		**189**	**100**

As stated in the above table13 ,63(33.3%) of the respondents rated Company's commitment in integrating customers feedback for decision making purposes as poor, 58(31.2%) as medium, 37(20.2%) as medium, and 26(12.7%) as very poor. Since the majority of respondents rated the commitment as poor, this infers that the company is very week in softy feedback for customers' decision making.

Table 14: Rating Politeness of Employees

Item	Question	Rating	Respondents	Percentage (%)
1	How do you evaluate the politeness of employees?	V. good	16	8.5
		Good	8	4.2
		Medium	61	32.3
		Poor	104	55.0
		Very poor	0	0 0
	Total		**189**	**100**

Astheinformation deduced from the above table 14, 104 (55%) of the respondents rated the politeness of the employees as poor, 61 (32.3 %) as Medium, 8(4.2 %) as good, and 16 (8.5%) as very good. Thus, the politeness of the employees of the company is poor by the majority of the customers and this infers that company is needs to be further assessment, for it is an essential element insurance customer's loyalty.

Table 15: Willingness of Employees in Solving Customer's Problems

Item	Question	Rating	Respondents	Percentage (%)
1	How do you evaluate the willingness of employees in solving customer problem?	Very good	26	12.7
		Good	37	20.2
		Medium	58	31.2
		Poor	63	33.3
		Very poor	5	2.6
	Total		**189**	**100**

The above table15, indicated that 63(33.3%) of the respondents rated the willingness of employees in solving customers problems as poor, 58 (31.2 %) as medium, 37(20.2%) as good, and 26 (12.7 %) as very good and 5(2.6%) as very poor. The majority of respondents weren't satisfied about the willingness of employees in addressing the problems of the employees, which is one of the core service areas and needs to be maintained.

Table 16: Promptness in Giving Service Recovery

Item	Question	Rating	Respondents	Percentage (%)
1	How do you evaluate the promptness of the company in terms of giving service recovery?	Very good	30	15.9
		Good	16	8.3
		Medium	48	25.5
		Poor	95	50.3
		Very poor	0	0
	Total		**189**	**100**

As to the data gathered from the above table16, 95(50.3%) of the respondents rated the promptness of the Company in giving service recovery as poor, 48 (25.5%) as medium, 30 (15.9 %) as very good and 16 (8.3 %) as good. The overwhelming majority of the respondents rated the promptness as poor. Thus, the Company is expected to exert utmost efforts to enhance its promptness response in relation to the implementation of the service recovery programs.

Table 17:   Assessing knowledge of Employees in Related Jobs

Item	Question	Rating	Respondents	Percentage (%)
1	How do you evaluate the Knowledge of employees in doing their jobs?	Very good	37	20.3
		Good	11	5.8
		Medium	106	56
		Poor	9	4.8
		Very poor	26	12.2
	Total		**189**	**100**

The above table17 indicated that, 106(56%) of the respondents rated the knowledge of employees in doing their jobs as medium, 37(20.3 %) of respondent replied as very good, 26(12.2 %) as very poor and 9(4.8%) as poor. The majority of the respondents rated the knowledge of the employees in doing the business as medium. However, there are some respondents who rated as poor. Thus, infers the company to make capacity assessments, identify gaps and offer capacity –building training to develop the knowledge and skills incompetent employees.

Table 18: Rating the Overall Performance of the Company

Item	Question	Rating	Respondents	Percentage (%)
1	How do you evaluate the overall performance of Awash insurance company service recovery practice?	Very good	18	9.5
		Good	9	4.8
		Medium	66	34.9
		Poor	73	38.6
		Very poor	23	12.2
	Total		**189**	**100**

The above table 18 regarding to the overall performance of the Company, 73 (38.6%) of the respondents rated as poor, 66(34.9%) as medium, 23(12.2%) as very poor, 18 (9.5%) as very good and 9(4.8%) as good. It is very frustrating for the Company, as the overwhelming majority of the respondents rated the overall performance of same as poor

3.3Interview check list

Interview for the Marketing Manager of Awash Insurance

      The manger gives his response for the following questions**.**

- What is the company's service recovery strategy?
  Asthe Marketingmanagerrespond the company have changed its operational system from manual to computer based this implies that being computer based is only one factor; it does not represent the whole service recovery strategy.

- Who is responsible to design the service recovery strategy?
  The marketing manager collects ideas and suggestions from different branch managers based on the feedback from different sources the marketing managers design the service recovery strategy.

- What are the challenges often observed in the practice of service recovery?
  According to the manager the biggest challenge is the insurancepolicies are not flexibleand government policy and regulation is also create the challenges for the industry to be competitive.

- What service failures have you encountered recently?
  Awash insurance company is like anybusiness company profitability, is determined by the amount of paid of claim. If the yearly profit is less, the next year premium rate is revised. The management believed the easiest solution is adding to the premium rate. In this case from January 2012 we revise the vehicle insurance premium in this case most of our customers are shift which is caused to unexpected failure.

- To what extent does your company goes to achieve technological advancement?
  When we compare with our competitors, our company is in a good position but when we compared with overseas insurance companies we are not reach that stage. But we take as

a competitive advantage the operational works are computerized and the companies are implementing the business reengineering process it help as to deliver our service timely.

- What are the practices of service recovery of Awash Insurance Company?

Eventhoughthe customers are not satisfied completely; I think we are in practice.

- To what extent do you think the customers are satisfied by the service recovery practices of the company?

According to the manager, behaviorof customers ischangeable,time to time even whenthey are satisfied, theyare expected more. But we platterthe best tomaintain customer satisfaction. But the majority of customers are replied about dissatisfaction. It infers the companies need to revise the service recovery strategy. To service and mention the customer.

- What is the controlling mechanism of garages service recovery relation to customer satisfaction and how do you balance?

Our surveyors go to the garage and they see to completion of repaired vehicle were correctly done or not. And the customers are filling the note that describes their satisfaction level. /satisfaction note/

- Do you believe the company gives sufficient service recovery?

Awash insurance company is one of the pioneers in our country from the privet insurance companies, so we have enough experience, and types of polices. But according the competition customers are always find out discount schemes,list price, best service and best approach in this case they are dissatisfied. And maybe they shift to others. We can't say all customers are satisfied or all customers are dissatisfied.

After the interview, I associate the manager respond and the customers,the manager is respond according his responsibility andthe customers are respondingfrom their experiences and the real practice of the service. It infersthere is a big gap.

Chapter Four

Summary, Conclusions and Recommendation

Since the finding of the study is to assess the service recovery practice of in Awash Insurance Company, the data were collected through questionnaires and interview. The gathered data were presented, analyzed, and interpreted through descriptive method as shown in the previous chapter. From the analyses made in the third Chapter, the following summary, conclusion and recommendations are drawn up.

4.1 Summary of the Major Finding.

- According to the information gained, 41.3% of the respondents have been using the Company's service as a customer for 1-3 years. The majority (47.1%) replied that they "very often" voice their complaints against the services rendered by the Company.

- Some (43.9%) of the respondents rated the Company's efficiency in settling claims related payment as medium. While 41.3 % repliedslow respectively.

- It is indicated that (32.3 %),(25.9%) of respondents rated the initiatives towards satisfying customers as poor and very poor. and this infers that the Company needs to strive hard towards enhancing the initiatives of its employees in meeting customers' demands.

- The majority of respondents (58.2%), (23.3%) rated the efficiency of the pre-service survey as poor in terms of timely responding to their request for quotations.

- As inferred from the data, the majority respondents (60.8 %), (23.3%) rated efficiency in the post- survey services as poor and medium respectively.

- The finding of the majority shows that76 (40.3%), 59(32.2%) of the respondents rated the employees' skills as poor and medium. Thus, the offsetting number of the respondents indicated that the employees have the desired skills and competencies, which need to be further, upgrading to increase the competitiveness of the company in the market.

- It is assumed that the majority 68(36.1 %) of respondents were strongly agreed about the Company's efficiency in timely preparing the endorsement when requested by customers.

- It can also be inferred that 74 (39.4%), 56(29.3) of the respondents rated the garage service given by Company as poor and medium. Thus, the efficiency of the garage service being delivered to the customers is at frustrating level.

- As stated in the above table, 63(33.3%),58(31.2) of the respondents rated the Company's commitment in integrating customers feedback for decision making purposes as poor and medium respectively.

- Some (55%) of the respondents rated the politeness of the employees as poor. And this infers that the Company is needed to improve the gaps in such regards, for it is an essential element to ensure customers' loyalty.

- It is a matter of grave concern for (33.3%), of the respondents rated the willingness of employees in solving customer's problems as poor. The majority of respondents weren't satisfied about the willingness of employees in addressing the problems of the employees,

- As to the data gathered from the above, 95(50.3%) of the respondents rated the promptness of the Company in giving service recovery as poor. The overwhelming majority of the respondents rated the promptness as poor. Thus, the Company is expected to exert utmost efforts to enhance its promptness response in relation to the implementation of the service recovery programs.

- Some 106(56%) of the respondents rated the knowledge of employees in doing their jobs as good. The majority of the respondents rated the knowledge of the employees in doing the business as good. However, there are some respondents who rated as poor respectively.

- The overwhelming majority (38.6 %) of the respondents rated the overall performance of same as poor.

4.2. Conclusions

Depending on the findings of the data analysis, interpretations and implications, the following conclusions are drawn:

- It is very worrying to notice that the overwhelming majority of the respondents rated the overall performance of the Company as poor.

- Moreover, the services rendered by the Company in the areas of claims settlement, obtaining feedback from customers deemed essential for decision-making, the pre-and-post surveys, among others, are rated as weak performance by the majority of the customers.

- As to the information gained from the Claims Department, the upward revision of motor premium rates was enforced, as the motor class of business is contributing to the lion's share of claims in the Company. However, the decision has resulted in lower rate of production, which has evidently affected the sales performance of the Company.

- Thus, it can be concluded that the service recovery practice of the company is not efficient enough, and has apparently failed to meet the ultimate expectations of its customers.

- It is a matter of grave concern for the company, willingness of employees in solving customer's problems as poor. The majority of respondents weren't satisfied about the willingness of employees in addressing the problems of the employees, which is one of the core service areas and needs to be improved.

- Thus, it can be inferred that the company needs to make capacity assessments, identify gaps and offer capacity –building training to develop the knowledge and skills incompetent employee.

- The company service recovery strategy is not will designed, the manager also replied they are exercise but all customers respondents refer to negative it implies the practice and also the strategy design is poor.

4.3. Recommendation

On the basis of data collection and analyzed, the student researcher forwarded the following recommendation to overcome the gapes related to the subject matter of the study.

➢ The Company needs to work hard and enhance confidence in its customers about the effectiveness its service recovery strategy.

➢ The Company needs a feasiblepattern to gather the feedback through distribute questioner for customer,using intelligence, customer group discussion, and used as potential inputs in its decision making process.

➢ The garage service also should improve by selecting the appropriate garage, by making strong criteria or standard measurement to compute each other and design different option to make convenience for the customer needs and satisfaction.

➢ Revision of premium rates needs to be conducted following evidence-based research and analysis of current market price. The Company needs to improve its overall performance including pre- and- post survey services, and bridge gaps in timely responding to customers request for quotation in order to retain its customers and also to attract other potential clients. Thus, the Company is expected to further improve the service in such regard to meet the maximum expectations of its customers.

➢ The service recovery strategy should be well designed, in considering the company'sgoals andit should implement in every operational hierarchy of the structure including the front desk because it is the front desk customers are entertained. So the service recovery strategy should be communicated to all service givers in the company.

➢ The Company should strive to improve its overall performance as part endeavors to improvementits gross salesand profitability. Thus, as a growth strategy, theCompany is required to conduct need assessment and customers satisfaction surveys as well as to take evidence-based corrective measures to improve its overall service recovery in a bid to fare better and survive in the highly competitive insurance business.

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St. Mary's University College

Business Facility

Department of Marketing Management

Questionnaires to be Filled by Awash Insurance Customers

This Questionnaire is prepared for the partial fulfillment of senior essay by prospective graduate of St. Mary's University College in the field of marketing management. The main objective of this questionnaire is to assess the service recovery practice strategy and the challenge of its implementation in case of Awash Insurance Company S.C. Therefore you are requested to fill this questionnaire honestly and with due care. Because correctness of the answer will have paramount importance for the outcome of the research.

Thank you in advance for your sincere cooperation.

General Instructions

- ❖ It is not necessary to write your name.
- ❖ For the question asked below put √ mark for the answer your choose and write your idea on the provided space.

Part I General Characteristics of the Respondent

1. Gender

   A. Male ☐   B. Female ☐

2. Age Category

   A. 18 – 25 ☐   B. 26 – 33 ☐

   C. 34 – 41 ☐   D. 42-49   E. ☐ve 50 years old ☐

3. Educational Background

   A. Below Twelve Grade ☐   B.Twelve Complete ☐

   C. Diploma ☐   D. Degree ☐   E. MAS & Above ☐

4. Occupation

    A. Private Organization ☐   B. Government Organization ☐

    C.   NGO ☐   D. Own Business ☐

Part II Question Related with Services

1. How long have you been using Awash Insurance Company Services?

    A. below 1 year ☐   B. From 1-3 years ☐

C. From 4 –8 years ☐ D. above9-12 years   E. ab☐12 ☐

2. How often do you complain about the service rendered by the company?

    A. very often ☐   B. often ☐

C. some times ☐ D.rare   E.very rare ☐   ☐

3. How do you evaluate the company in setteling your clame-related payment?

    A. Very fast ☐   C. Medium ☐

    B. Fast ☐   D. Slow ☐   E. Very slow ☐

4. Awash insurance copany often attmpt to improve its service to the customer by the service recovery strategy?

    A. Strongly agree ☐ B. Agree   C. M☐h ☐

D. Disagre   E. Strongly Disag☐   ☐

5. How do you evaluate the initatives of the corporation satesfiying customers?

    A. Vary Good ☐Good ☐

    C.   Medium ☐ D. Poor   E.very☐r ☐

6. How do you evaluate the pre-survey service?

    A. Very good ☐ B. Good ☐

    C.Medium ☐ D. Poor ☐ E.Very poor ☐

7. How do you rate the post-survey service?

A. Very good ☐   C. Medium ☐

    B. Good ☐   D. Poor ☐   E. Very poor ☐

8. Do you often get a timely response of your request of price quotation ?

    A. Strongly agree ☐   C.Neether agree nor disagree ☐

    B. Agree   D. ☐rongly disagree   E.☐ ngly Disagree ☐

9. How do you rate the employees skill to serve the customer in good manner?

    A. Very good ☐   C. Medium ☐

    B. Good ☐   D. Poor ☐   E. very poor ☐

10. Awash insurace company responde on time when asked to responde on time when asked to prepare the endorsement by customer

    A. Strongly Agree ☐   C. Medim ☐

    B. Agree ☐   D. Disagree ☐   E. Strongly Disagree ☐

11. How do you evaluate the service given by the garage?

A. Very good ☐   B. Good ☐

    C. Medium ☐   D. Poor ☐   E. very poor ☐

12. How Do you evaluate the company in getting feed back from its customer for decisio making purpose?

A. very good ☐   B. Good ☐

    C. Medium ☐   D. Poor ☐   E. Very poor ☐

13. How do you evaluate the politnes of employees?

    A. Very good ☐   B. Good ☐

    C. Medium ☐   D. Poor ☐   E. Very poor ☐

14. How do you evaluate the willingness of empolyess in solving customer problem?

A. very good ☐ B. Good ☐

    C. medium ☐   D. Poor ☐ E. very poo ☐

15. How do you evaluate the promptness of the companys?

A. very good ☐ B. Good ☐

    C. medium ☐   D. poor ☐ E. very poor ☐

16. How do you evaluate the knowledge of employees in doing there jobs?

    A. Very good ☐   B. Good ☐

    C. Medium ☐   D. Poor ☐ E. Very Poor ☐

17. How do you evaluate the overall performance of awash insuranc service recovery practice?

    A. Very good ☐   B. Good ☐

    C. Medium ☐   D. Poor ☐ E. Very poor ☐

18 . Pleas state if you have any additional suggestions ways of improving the service recoverypractce of awash insurance company?

_____
_____
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DECLARATION

Candidates Declaration

I the undersigned, declare that this senior research is my original work, prepared under the guidance of Meaza Gebermedhen. All sources of materials used in the manuscript have been duly acknowledged.

Name **YeworkwohaAssefa**

Signature_____

Place of submission **St Mary's University College**

Date of submission _____

Advisors Approval

This senior research has been submitted for examination with my approval as an advisor

Name **<u>Meaza Gebremedhen</u>**

Signature_____

Date   _____

Executive Summary

It is agreed that service recovery is often referred to an action taken by an organization at times of service failure. Service recovery efforts play a crucial role in terms of excelling performance and meeting customer satisfaction. Service recovery helps regain efficiency in all operational areas, enhance service deliveries, retain customer loyalty and/or attract potential clients.

Service recovery is deemed essential for handling dissastisfied customers in the service-intensive insurance business. And the relevance of this proposed paper is assessed with particular reference to Awash Insurance Company (AIC), one of the thriving private financial intermediaries operating in the country. The paper tries to appreciate the practical experiences of service recovery by the Company in the areas of claims settlement, pre-and-post surveys, responding to request for price quotations, consideration of feedback of customers for decision-making, among others.

The researcher has attempted to employ various data collection techniques including questionnaires for customers, interview for the marketing manager and observation to establish facts about the service recovery practices of the Company. The gathered data were duly analyzed; interpreted and also possible inferences were made. And this was followed by summary, conclusions and recommendation.

Based on the findings of the study, the overall service recovery practices of Awash Insurance Company is not efficient enough, and has apparently failed to meet the ultimate expectations of its customers. And it is thus recommended that the Company should exert utmost efforts to improve its overall service recovery initiatives as part of endeavors to excel performance, retain loyal customers, and fare better in the highly competitive insurance ventures in this country.

APPENDIX

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Appendices

Appendix A

St. Mary's University College

Faculty of Business

Department of Marketing Management

Questionnaire to be filled by Tianish distributors

This questionnaire is prepared by the third year student of St. Mary's University College in the field of Marketing Management as the partial fulfillment for the requirement B.A degree. This questionnaire is prepared to assess the challenges of network marketing on Tianish business PLC in and to collect data which can assist to prepare a senior essay.

The validity of your response has high contribution for the success of my senior essay. Thus, I would like to ask with due respect to give me the right response.

Thank you for your sincerely cooperation!

Instruction

➢ You may put a" ✓"or" X" mark in the box of your choice

➢ No need of writing your name.

➢ For open- ended item questions, use the blank spaces provided for each.

Part I. General Charactertics of the respondents

 1. Personal Information

1. Sex ☐ Male ☐ Female

2. Age ☐ 18-23 ☐ 24-29 ☐ 30-35

  ☐ 36-41 ☐ Above 41

3. Educational background

 ☐ 12th grade & below ☐ Certificate

 ☐ Diploma ☐ 1st degree & above

Part II Questions related to the study

Questions rose to assess members Level

1. For how long you have been member in Tianish business PLC?

☐ < 1 year   ☐ 1-2 years   ☐ 3-4 years   ☐ > 4 years

2. What star level are you in?

☐ 1 star   ☐ 3 Star   ☐ 4 Star   ☐ 5 Star   ☐ 6 Star   ☐ 7 Star   ☐ 8 Star

3. How often do you do the following?

Issues	Daily	5-6 times a week	3-4 times a week	1-2 times a week	none
Invite prospect					
Present prospect					
Follow up prospects					
Train downlines					

4. How do you rate your level of commitment to this business?

☐ Very High   ☐ High   ☐ Medium   ☐ Low   ☐ Very Low

Reflect your level of agreement to question number 5 to 8 below.

SA=Strongly Agree; A=Agree; N=neutral, DA=Disagree; SDA=Strongly Disagree

Item	Description	SA	A	N	DA	SDA
5.	I am satisfied with the results I'm getting from my work					
6.	I have active, motivated leaders					
7.	I devote the necessary time in weekly basis to achieve my financial goals and realize my dreams					

Question rose to assess network handling method by members

8. Do you have teams in your network?

☐ Yes   ☐ No

9. Do you have a regular schedule meeting with your upline and downline?

Item	Description	Yes	No
A.	Upline		
B.	Downline		

10. If your answer is" yes" for the above question, how often do you meet?

Item	Description	Once a week	Twice a week	Three times a week	More than three times a week
A.	Upline				
B.	Downline				

11. The following table asks question related to assess the training practice of Tianshi

   Reflect your level of agreement as follows

   SA=Strongly Agree; A=Agree; N=neutral, DA=Disagree; SDA=Strongly Disagree

Item	Description	SA	A	N	DA	SDA
A.	The training that I take is practical to follow					
B.	The training is easy to duplicate to my downline					
C.	The training you give your downline motives them to action					
D.	Your downlines follow your system					
E.	The training your upline gives you motives you to action					
F.	Your upline helps you with every step while networking					
G.	Your upline has support system to support you					
H.	I have strong training system in place for my team					

Questions rose to examine challenges encountered by members

From question 12 to 18 please answers the question as

VH= Very High   H= High   N= Neutral   L= Low   VL= Very Low

Item	Description	VH	H	N	L	VL
12.	How far do your downlines listen to you					
13.	How often are you rejected by prospects?					
14.	How do you rate the commitment of your downline to the network?					
15.	How do you rate the significance of motivational training?					
16.	How do you rate the significance of training manual?					
17.	How do you rate your follow up technique?					
18.	My understanding of how network marketing is practiced is					

19. If you have additional comments, which are not indicated in the above question, please specify given space?

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Appendix B

St. Mary's University College

Faculty of Business

Department of Marketing Management

Interview Checklist

The Interview paper is prepared to ask the Shop owner of Tianshi in order to get inputs for the student researcher's paper that aimed to assess the Challenge of network marketing in Tianshi Business PLC

1. When did you join Tiens? What star level are you in?
2. How is network marketing done in Ethiopia?
3. How do you practice network marketing?
4. How do you handle your network?
5. What are the main challenges encountered by you and your team members?
6. Do you think there is a proper training program set up in your shop?
7. Who do you think is the source the problem the members or their upline?
8. Do you think network marketing is difficult to apply?
9. Do you think the system that is set is easy to duplicate?
10. Do you think there is a full understanding of networking among members?
11. What are the key ingredients to succeed in network marketing?

Appendix C

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DECLARATION

Candidate's Declaration

I, the undersigned, declare that this senior essay is my original work, prepared under the guidance of Ato Taddesse. All sources of materials used for the manuscript have been duly acknowledged.

Name: WEYNI TEWELDERHAN

Signature: _____

Place of Submission: - ST.MARY'S UNIVERSITY COLLEGE

Date of Submission_____

ADVISOR'S DECLARATION

This paper has been submitted for examination with my approval as the university college advisor

Name_____

Signature_____

Date_____