



**ST.MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

**THE EFFECT OF SERVICE QUALITY ON CUSTOMER  
SATISFACTION IN ETHIO TELECOM**

**BY**  
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**June, 2017**  
**Addis Ababa Ethiopia**

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## **LIST OF ACRONYMS**

<b>KPI</b>	<b>Key Performance indicator</b>
<b>EAAZ</b>	<b>East Addis Ababa Zone</b>

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## **ABSTRACT**

This research finds out the effect of service quality on customer satisfaction in Ethio Telecom East Addis Ababa Zone. A sample of 386 respondents was employed. The primary data was collected and yielded five key variables for service quality namely: tangibles, reliability, responsiveness, assurance and empathy. Descriptive statistics that encompass the simple percentage and means that were used for presenting data and correlation and regression analysis were used to analyze the data using recent version 23 of SPSS. Pearson correlation coefficient was run to test hypotheses. The study figured out that service quality has effect on customer satisfaction and that there exists a positive relationship between service quality and customer satisfaction. This research is concluded by gaining the attraction of service providers towards improving their technical quality to increase customer satisfaction.

**Keywords:** Service Quality, Customer Satisfaction, ethio telecom, tangibles, reliability, responsiveness, assurance and empathy

# CHAPTER ONE

## INTRODUCTION

*The intention of this chapter is to identify research area and to state the research questions. Thereafter the chapter starts with background, followed by problem statement, research question and objective. Next, researcher discuss about hypotheses of the study, significance of the study, finally research hypothesis and structure of the study.*

### **1.1. Background of the Study**

Every company strives for long term success. There are various factors that contribute to the Success of organization. Keeping abreast with all the stakeholders is requirement for every organization to be an effective and successful. Out of all the stakeholders customers are considered to be the king now a day. Retaining and attracting new customers is triumph card for present world businesses. Quality is considered to be main determinant of customers satisfaction in both manufacturing and service provider (Zeithaml, V.A. ,2000).

Service quality and customer satisfaction are two distinctive constructs but highly correlated. It is concluded that to achieve high customer satisfaction a business must develop a high perception level about service quality (G.S. Suresh chandar, 2002). Service quality reflect particular behavior that indicates whether customer remain loyal to product or to leave the organization (Mohammad Belal Uddinm, 2012).

Telecommunication service providers are very important for both developed and emerging economies , all social, economic, political, cultural, trade and commercial activities of a country is undertaken using telecommunication service. According to Agyapong (2011), high quality service in the telecommunication industry can lead to growth and long-term development of any country where as failure of delivering quality telecom services will affects

country's pace of commercial and domestic activities. Due to this, telecom providers are expected to deliver high quality service that satisfies customers.

Good service quality is the basic factor of attracting and satisfying customers (Syed Saad Andaleeb, 2006). When a company provides good quality it causes customers' satisfaction and more satisfaction results in loyal customers which also lead to shrink customer price sensitivity and low operating cost. So, more satisfaction leads to customer's loyalty and retention (Jawaria Fatima Ali, 2010).

Customer's satisfaction is fulfillment of the customer's needs and needs are changing continuously and when these changing needs are fulfilled continuously then customer become loyal with that particular product or service (Shahid Zaman Khokhar, 2011).

The most widely used model to measure perceived service quality was developed by (Parasuraman, 1988) known as SERVQUAL. Based on the five factors, The SERVQUAL model defines quality as the divergence between customer's expectations and perceptions of the service delivered to measure quality the respondents are asked to answer sets of questions dealing with the same subject (Kotler, 2012).

Service quality is generally regarded as being a key factor in the creation of trust worth and in influencing customer satisfaction. Hence, Ethio Telecom has to be strategically positioned to provide quality services to satisfy customers. To provide improved quality service, ethio telecom needs to investigate degree of customers' sensitivity and expectations toward service quality.

Several studies have been carried out in the developed countries regarding customer satisfaction and prescriptions have been put forward (Parasuraman et al, 1985; Cronin & Taylor 1992; Bitner et al, 1990; McAlexander et al, 1994). Also, studies have been carried out regarding the relationship between service quality and customer satisfaction in the developed countries using the SERVQUAL model on telecom industries. However, only few studies have been carried out in this area in ethio telecom.

This study, therefore, aims to find out the effect of service quality on customer satisfaction in ethio telecom eastern Addis Ababa zone.

## **1.2 Statement of the Problem**

In order to ensure long term success and generate favorable financial result, firms must understand the critical role of existing customer satisfaction rather than acquiring new customer alone. According to Ehigie (2006), excellence in service quality is a key to achieve customer satisfaction. Customer loyalty depends largely on customer satisfaction (McDougall & Levesque, 2000), hence there should be a research that focus on identifying factors that enhance customer satisfaction level. Customer's satisfaction is fulfillment of the customer's needs and needs are changing continuously and when these changing needs are fulfilled continuously then customer become loyal with that particular product or service (Shahid Zaman Khokhar, 2011). Satisfying customers is an essential to the continuous existence of any service organization, like Ethio telecom.

Ethio telecom is a state-owned and sole provider of telecom services in the country. It has the vision to become world class telecom service provider. In this spirit Ethio telecom is facing huge challenge arising from its customers for the requirements of modern and quality telecom services. Beside this, the demand of the civil service reform program of the nation, the obligations from the regulator (Ethiopian telecommunications authority), and meeting international standards are among the compulsions that need to be addressed by the company.

In response to these challenges, Ethio telecom implemented Balanced Scorecard/BSC/ as strategic tool to improve performance and enhance customers satisfaction.

However, currently there is a lack of research on service quality and customer satisfaction in ethio telecom. There is also limited research or majority of studies conducted on ethio telecom are highly focused on post purchase satisfaction of customers towards a specific service of the company. For example, Mussie (2010) and Negi (2011) conducted a study on service quality and customer satisfaction particularly on mobile services. As per the researcher's search and literature investigation effort, there is no study considering all ethio telecom services together. Thus, this study intends to fill the gap by investigating the service quality to customer satisfaction association taking in to account all ethio telecom services and customer category. According to Zeithaml et al., (2009) there is a need of consistent review of service quality and customers satisfaction because one of the most determinants of customers' satisfaction is service quality.

Hence, this study is to examine the effects of service quality on customer satisfaction in ethio telecom eastern Addis Ababa zone.

### **1.3 Research Questions**

The research will revolve around the following research questions:-

1. What is the relationship between service quality and customer satisfaction?
2. What is the relationship between customer satisfaction and the service quality dimensions?
3. What is the level of customer satisfaction?

### **1.4. Objective of the Study**

#### **1.4.1. General Objective**

The primary objective of the study is to evaluate the effect of service quality on customer satisfaction in Ethio telecom- eastern Addis Ababa zone.

#### **1.4.2. Specific Objectives**

The specific objectives of the study are to:-

- Identify the relationship between customer satisfaction and the service quality dimensions.
- Examine the level of customer satisfaction.
- Determine the relationship between service quality and customer satisfaction.

### **1.5. Research Hypothesis**

In addition to the above research questions based on different reviewed literatures the following hypotheses were proposed: -

**Hypothesis 1 H1:** There is a positive relationship between tangibility and customer satisfaction in telecom industries.

**Hypothesis 2 H2:** There is a positive relationship between reliability and customer satisfaction in telecom industries.

**Hypothesis 3 H3:** There is a positive relationship between responsiveness and customer satisfaction telecom industries

**Hypothesis 4 H4:** There is a positive relationship between assurance and customer satisfaction in telecom industries

**Hypothesis 5 H5:** There is a positive relationship between empathy and customer satisfaction in telecom industries.

## **1.6. Scope of the study**

The main focus of this study is designed to examine the effect of service quality on customer satisfaction in reference to Ethio telecom eastern Addis Ababa zone.

The independent variables of the study is service quality dimensions namely; reliability, assurance, tangibility, empathy and responsiveness, and the dependent variable is overall customer satisfaction. The study is geographically restricted to Ethio telecom eastern Addis Ababa zone. Customers/respondents in this study are limited to customers who visit ethio telecom, eastern Addis Ababa zone service centers /shops /to get different services. The company is sole telecom service provider in the country and it became impossible to look for comparative analysis with other company.

## **1.7 Significance of the study**

This study is deemed significant and helpful for ethio telecom, for customers and for academic purpose. From the result of the study, ethio telecom can drive a better understanding about the antecedents of customer satisfaction and identify the improvement areas for next plan and take corrective actions, the improvement may lead to higher customer commitment and satisfaction. The study also could contribute to the further development of studies in relation to the field; It could provide conceptual, empirical, and statistical support for further studies of these variables. Nevertheless, this research will contribute to academics who are interested in conducting a

research in the related field to investigate the relationships between each variable more in depth in the future study.

### **1.8. Structure of the study**

The body of the research consists of five chapters as following:

Chapter one presented the Introduction, the next chapter presented existing literature and theoretical frame work on the relationship between customer satisfaction and service quality.

The chapter that follows; chapter three, is the methodology of the research where the research design and research methods explained. Then the empirical findings and analysis came in chapter 4; chapter five presented the conclusion and recommendation.

# **CHAPTER TWO**

## **LITRATURE REVIEW**

### **Introduction**

The chapter two has intention to present the relevant literature to this research and the respective conceptual framework that will support this research. This chapter begins with history of telecom service, definition and explanation of service quality, customer satisfaction, following by a review of concept about service quality, customer satisfaction and the relationship between those constructs, and presents the conceptual framework.

#### **2.1. Brief Historical Review of Telecommunication service**

Back to 1876, the history of telecommunication began in our planet with founder Alexander Graham Bell's invention of the telephone. Bell, Thomas Sanders and Gardiner G. Hubbard formed The Bell Patent Association in order to capitalize on the invention. In August 1877, the three members of the patent agreement formed the Bell Telephone Company to look after the telephone's interest. This lied historical development of telecommunication service for the world.

**It didn't take long after the invention of the telephone to be introduced in some African colonies for example the first telephone service in Bloemfontein ,South Africa was established in 1891 to connect the rail way office and municipality buildings.**

#### **2.1.2 Historical development of telecommunication in Ethiopia**

**Ethio Telecom, previously known as Ethiopian Telecommunications Corporation (ETC), is an integrated telecommunications services provider in Ethiopia, providing internet, data and voice services. As being one of principal service provider, Ethio Telecom contributes**



**significantly toward striving in economical, social, political nation building by providing and meeting people with different techno products.**

**Ethio telecom is a sole telecom operator in Ethiopia established as a public enterprise on 29th day of November 2010 as per the Council of Ministers Regulation No. 197/2010. The company aims to provide next generation network services based on a world class standard information technology services and to build a competent next generation network-based business information system is decisive.**

**Telecommunications service was introduced in Ethiopia by Emperor Menelik II in 1894 when the construction of the telecom line from Harar to the capital city, Addis Ababa, was commenced. Then the interurban network was continued to expand satisfactorily in all other directions from the capital. The Imperial Board of Telecommunications of Ethiopia (IBTE) was established by the proclamation No. 131 on October 15, 1952. The main purpose of the Board, as stated in its establishment charter of article 5 was “to rehabilitate, extend, repair and maintain the telecommunication facilities of Ethiopia and to engage in the business of telecommunication for profit”.**

## **2.2. Service quality**

### **2.2.1 Definition of Service Quality**

According to Parasuraman, Zeithaml and Berry (1988), perceived service quality is a form of attitude and a comparison of expectations with perceptions of performance. It is referred to the judgment of consumer on an entity's excellence or superiority. Parasuraman, et al. (1988) identified the concept of perceived service quality as the overall judgment of customer about a product or service based in it superiority or excellence, and also, as the evaluation of performance by customers and this evaluation can impact positively or negatively in future behavior by them (Anderson, et al., 1994).

Lewis & Booms (1983) classified the quality as the measure of how the service offered matches with customer expectations and delivery this quality means reach the customer expectations on a consistent basis, it means, positive experience.

### **2.2.2 Characteristics of Services**

To better understand the service quality we need to look into the four main characteristics of services: According to Bitner et al. (1993) service has four characteristics: intangibility, inseparability, heterogeneity and perish ability.

#### **2.2.2.1 Intangibility of Services**

Regan,(1963)Introduced the idea of services being activities, benefits or satisfactions which are offered for sale or provided in connection with the sale of goods. The degree of intangibility has been suggested as a means of differentiating tangible products with services. Most of the time, services are explained as being intangible since their outcome is considered to be an action rather than a physical product highlight the fact that the degree of tangibility has implications for the ease with which consumers can evaluate services and products (Zeithmal et al. 1985).

#### **2.2.2.2 Inseparability of Services**

Inseparability is taken to show the simultaneous delivery and consumption of services and it is believed to enable consumers to affect or shape the performance and quality of the service (Zeithmal et al. 1985).

### **2.2.2.3 Heterogeneity of Services**

Heterogeneity reveals the degree of high variability in service delivery. This is a particular problem for services with high labor involvement, as the service performance is delivered by different people and the performance of people can vary from day to day and also from person to person. Besides, it offers the opportunity to provide high degree of flexibility and customization of the service and this can be used as a benefit and point of differentiation (Wolak et al., 1998).

### **2.2.2.4 Perish ability of Services**

The notion of perish ability reflects services cannot be stored and carried forward to a future time period and suggest that services are time dependent and time important which make them very perishable. The issue of perish ability is primarily the concern of the service producer and that the consumer only becomes aware of the issue when there is insufficient supply and they have to wait for the service (Bitner et al.,1993).

## **2.2 3. Explanation of Service Quality**

Service quality and customer satisfaction are two distinctive constructs but highly correlated. It is concluded that to achieve high customer satisfaction a business must develop a high perception level about service quality (G.S. Suresh chandar, 2002). Service quality reflects particular behavior that indicates whether customer remain loyal to product or to leave the organization (Mohammad Belal Uddinm, 2012).Service quality is important factor to motivate customer. In service quality customer makes comparison (Mian Usman Sattar, 2012). Good service quality is the basic factor of attracting and satisfying customers (Syed Saad Andaleeb, 2006).

The conceptualization of service quality includes both the service outcome and service delivery process. The service outcome is a consumer's evaluation concerning the result of a service production process (Lehtinen & Lehtinen, 1991). The service delivery process concerns how the end result of the process is transferred to the customer (Parasuraman et al., 1985).

Service quality has also been defined by Czepiel (1990) as customer perception of how well a service meets or exceeds their expectations .Service quality is commonly noted as a critical

prerequisite and determinant of competitiveness for establishing and sustaining satisfying relationships with customers.

#### **2.2.4. Model of Service Quality**

Service quality can be measured using three different perspectives. The three models are developed by Grönroos (1982), Lehtinen and Lehtinen (1982), followed by Parasuraman, Zeithaml, and Berry (1985, 1988, 1991).

##### **2.2.4.1. Functional quality and technical quality model**

Grönroos (1982) categorized service dimensions into functional quality and technical quality but it is difficult to distinguish between technical quality (i.e. service product, primarily determined by technical procedures) and the competitors in service industry Grönroos (1984). For functional quality, it is refer to how the service is delivered and which the researcher defined it as the perceptions of customer about the interactions while service is delivering. This refers to the concern on both psychological and behavioral aspects (i.e. accessibility to the provider, how employees perform their task, what they say and how the service is done)However, technical quality is the outcome of the interaction between what consumers get and the service provider, which is equivalent to core quality (product or service- related offerings) (McDougall & Levesque, 1994).

##### **2.2.4.2 Three- dimensional view of service quality**

Lehtinen and Lehtinen (1982) stated service quality has three-dimensional view which is in terms of “physical”, “interaction” and “corporate” quality. For physical quality, it is defined as the quality derived from the physical elements (i.e. foods and drinks) of the service which is relates to the tangible aspects of the service. Interaction quality refers to the customer contact with the service personnel and other customers. Corporate quality is defined as the attribution of an image to a service provider by its current, potential customers and publics. It is also considered as a symbolic in nature and involving the perceptions of customers towards the corporate entity (Lehtinen & Lehtinen, 1991).

### **2.2.4.3 SERVQUAL Model**

Service quality can be measured in terms of customer perception, customer expectation, customer satisfaction, and customer attitude (Sachdev & Verma 2004). Ekinci (2003) indicates that the evaluation of service quality leads to customer satisfaction. Rustand Oliver (1994) defines satisfaction as the “customer fulfillment response,” which is an evaluation as well as an emotion-based response to a service. Parasuraman, Zeithaml, and Berry (1988, 1990) projected a service quality model that identified perceived service quality into five dimensions: tangibility, reliability, responsiveness, assurance, and empathy.

#### **2.2.4.3.1 Tangibility**

The tangible dimension refers to the quality of physical infrastructure, the equipment available to make the service a delightful experience, the outward show of people providing the service (Muhammad Asif Khan,2010). Tangibility refers to the equipment, machinery, signage and appearance of employees or the man-made physical environment (G.S. Suresh chandar, 2002).However, technical quality is the outcome of the interaction between what consumers get and the service provider, which is equivalent to core quality (product or service- related offerings) (McDougall & Levesque, 1994).

#### **2.2.4.3.2. Responsiveness**

Responsiveness is the willingness to help the customers in case of any problem. Solving the complaints of customers efficiently creates a positive image about the quality of service but if customers are kept waiting, it creates negative impression about the quality of service. Dealing the customer’s complaints and helping in recovery with professionalism (Parasuraman et al. 1988).

#### **2.2.4.3.3. Assurance**

Focuses on the expertise of the employees about the multifaceted knowledge of the service offering, courtesy, and their ability to instill faith and dependence in the service providers’ competence. They stressed that staff should have the competence to inspire trust and confidence among the customers about the ability of cell phone service providers in anticipating and meeting

customers' needs (Muhammad Asif Khan, 2010). Offering better warranty terms convey greater assurance to buyers and can result in greater sales (Mohd Rizaimy Shaharudin, 2009).

#### **2.2.4.3.4. Empathy**

Empathy is providing extra care and attention to individual customer every time. Empathy means how much company understands the needs of the customers and with how much care and attention they are dealt with (Parasuraman 1988). Empathy necessitates placing customers over and above everything else during the course of staff interaction (Muhammad Asif Khan, 2010).

#### **2.2.4.3.5 Reliability**

The reliability represents the customers perceptions based on the promised service dependably and accurately (Parasuraman, et al., 1988) and can be considered as reputation that can be the most reliable indicator of service quality which can be relate to customers' previous experiences (Nguyen & Leblanc, 2001) and also has been related to customer satisfaction (Arasli et al., 2005; Kheng et al., 2010).the ability to perform the promised service dependably and accurately.

### **2.3. Customer Satisfaction**

#### **2.3.1 Definition of Customer Satisfaction**

I am adopting the definition of customer satisfaction by Oliver (1996) in my study, which customer satisfaction is defined as the consumer fulfillment response and judgment of a product or service feature and will provide a pleasurable level of consumption-related fulfillment. The definition of satisfaction concept appeared in a classic research by Cardozo (1965) as a positive evaluation post-purchase and Kotler & Keller (2012) classified as a feeling of pleasure or disappointment resulting from comparing the expected product or service in relation to the customer's performance expectations. Cronin & Taylor, 1992;Zeithaml, et al. (1996) identified the concept of satisfaction as a relation to customer's overall evaluation based in consumption experience of product or service. Concept of customer satisfaction has drawn the attention of academics from last several years based on the fact that customers are the primary source of profit for most of the firms operating in the market (Tam, 2004).

### **2.3.2 Explanation of Customer satisfaction**

Customer satisfaction with a company's products or services is often seen as the key to a company's success and long-term competitiveness. Customer satisfaction has developed extensively as a basic construct for monitoring and controlling activities in the relationship marketing concept.

Satisfaction is regarded as a short term emotional state that results from an intrapersonal comparison of the customer's expectations with the evaluation of a single product or service encounter. (Oliver, 1981; Brady and Robertson, 2001; Lovelock, Patterson and Walker, 2001) conceptualize customer satisfaction as an individual's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations.

Generally, there are two general conceptualizations of satisfaction, namely, transaction specific satisfaction and cumulative satisfaction (Jones and Suh, 2000; Yi and La, 2004).

Transaction-specific satisfaction is a customer's evaluation of his or her experience and reactions to a particular service encounter (Boshoff and Gray, 2004), and cumulative satisfaction refers to the customer's overall evaluation of the consumption experience to date (Cook, 2008).

For more than two decades, customer satisfaction has been an intensively discussed subject in the areas of consumer and marketing research. In recent times, customer satisfaction has gained new attention within the context of the paradigm shift from transactional marketing to relationship marketing (Grönroos, 1994; Martin, Adrian and David, 2002), which refers "to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges" (Yi and La, 2004).

This emotional state of satisfaction "leads to an overall, global attitude about service quality" (Dabholkar, 1993), which is only implicitly based on some kind of internal expectation standard. Because quality is a dynamic construct, additional consumption experiences influence and modify the existing quality perception and cause changes in this perception (Thompson & Getty, 1994). In other words, multiple satisfaction evaluations contribute to an overall quality evaluation.

Customer satisfaction depends on the product's perceived performance relative to buyer's expectations. If the product's performance falls short of expectation, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds

expectations, the customer is highly satisfied or delighted. (Kotler& Armstrong, 2006). Howard and Sheth (1969)define the concept of satisfaction as the reward in buying a product or service compared to the sacrifices made, but should be seen as the assessment made from an experience that exceeds initial expectations. Solomon(1999)consider that satisfaction can be defined as the judgment formed during the use or consumption of a product or service, therefore a reaction or feeling about an expectation, result of performance evaluation of a product or service(Cronin & Taylor, 1992), instead by the expectation (Parasuraman, et al., 1988) and also can be define as a business strategy with purpose to create value for customers, identify and satisfy or exceed their needs(Dominici & Guzzo, 2010).

Mano and Oliver (1993) establish that satisfaction is an attitude or evaluative judgment varying along the hedonic continuum focused on the product, which is evaluated after consumption. This was reechoed by Fornell (1992), when he identified satisfaction as an overall evaluation based on the total purchase and consumption experience focused on the perceived service performance compared with prepurchase expectations over time.

### ***2.3.3 Customer Satisfaction Measurement***

*Customer satisfaction measurement involves the collection of data that provides information about how satisfied or dissatisfied customers are with a service. This information can be collected and analyzed in many different ways. Many organizations regularly check the levels of customer satisfaction to monitor performance over time and measure the impact of service improvement. Henley center headlight vision (Smith, 2007) states the research carried out in the UK with public sector organizations suggests that there are five themes that are likely to be relevant to all organizations in measuring customer satisfaction.*

- *Delivery of the service (how problems were handled, reliability, outcome.)*
- *Timeliness (waiting times, number of times contacted)*
- *Information (accuracy, enough information, kept informed)*
- *Professionalism (competent staff, fair treatment)*
- *Staff attitude (friendly, polite, sympathetic)*



### ***2.3.4 Importance of Customer Satisfaction***

*Customer satisfaction is the key and value outcome of good marketing practices as creating satisfied customers (Greenland & Looney, 2007; Weitzman, 2008). This is because increasing customer satisfaction has been found to lead to higher future profitability, increased buyer willingness to pay price premiums, provide referrals, and used more of the company's " product and service (Ferryanto, 2006). Thus, to increase buyers, management should put them in the buyers" shoe and think about customers" concerns and priorities. (Bolton & Drew, 1994; Fornell, 1992).*

### **2.3.5 Determinants of Customer Satisfaction**

Customer satisfaction is influenced by specific product or service features, perception of quality, customer's emotional responses, their attributions and their perception.

**Product Service Features-** Customers satisfaction with a product or service is influenced by customer evaluation of product or service feature.(Zettmal et al.,1985).

**Customer Emotion-** Customer's emotion can also affect their perception of satisfaction with products and services. These emotions can be stable preexisting emotion. (Zettmal et al, 1985).

**Attribution of Service Success or Failure-** Attribution influence perception of satisfaction when they have been surprised by an outcome, (the service is either much better or much worse than expected), customers tend to look for the reasons their assessments of the reasons can influence their satisfaction. (Zettmal et al., 1985).

**Perception of Equity or Fairness-** Customer satisfaction is also influenced by perception of equity and fairness customers ask the service. Have I been treated fairly compared with other customers? Did other customers get better treatment, better prices or better quality service and the like? Notions of fairness are central to customer's perception of satisfaction with products and services. (Zeitmal et al., 1985).

Organizations take different approaches to identifying customer service standards and they vary in detail. Robert-Phelps uses "SPECIAL" as a model to satisfy customers are: speed, personality, personality, exceed expectations, competence and courtesy, information, attitude & long-term relationship

### **Speed and time**

These two are very important factors to many customers to measure a company's ability and performance to satisfy their needs. Thus an organization whatever service it provides has to accomplish as fast as possible. (Smith, 2007).

### **Personal Interaction with Customer**

Things like how well remembering a customer's name, a tone of voice and remembering the case of the customer change the satisfaction of the customer. An organization should identify every opportunity that it possibly can to make the customer feel unique.

### **Expectations**

The ability to manage expectations well and then systematically and consistently exceed them is the hallmark of a successful organization. There are three scenarios of satisfaction based on customer expectation. (Smith, 2007)

**A Delighted Happy Customer** –This is situation when actual service is greater than expected or experienced service. This kind of customer will come back and tell his friends about his experience and will become an advocate for your service. An organization tries and finds something extra and the way that attracts this kind of feeling. (Smith, 2007)

**A Satisfied Customer-** This is the situation when actual service is equal to their experience. It is not any better significantly, neither is it any worse- they are satisfied. However, this does not seem to enter the customer's memory for any long period of time. (Smith, 2007)

**A Dissatisfied Customer-** This is the case when actual service is less than expected/ experienced service. As well known, many organizations today struggle to win customers by telling those things they think in their services by using brochures and presentations. This over promising has poor

experience and poor customer satisfaction built into it. So always make sure that you and your organization deliver more than you promise. (Smith, 2007)

### **Courtesy and Competence**

The two go hand in hand. Courtesy means customers seem to be happier be determined by whatever it is being served with as a customer. Competence means whoever services the customer within the organization has to do things and do them well. It means doing what you can do to the best that you can do it. Competence and courtesy serve as licenses to keep customers for life. (Buttle, 1996)

### **Information and Keeping Customer Informed**

As well known, the world today is a much more complicated with a mass of information created by technology, social changes and education patterns. So, one of the simplest ways to keep customers feeling special and make them feel important to organization is to keep them informed about any service provided for them. Whatever it is that even if their expectation that is going to be broken or damaged then let them know as soon as you know (Buttle, 1996).

### **Attitude and Customer Liaison**

Attitude is not always easy to understand. In this context it is defined as a positive and helpful attitude. A good customer service experience is on where the customer service person imagined if nothing else, that they enjoy their job and they like doing what they do and they are pleased to see the customer. Employees in service rendering organization have to see every single customer as most important customer. (Parasuraman et al., 1985)

### **Long term Relationships**

This is the last element of making customer feel special. A customer will feel special if organization will actually reward, recognize and encourage their loyalty at every contact with a customer. If an organization implements ideas based around the above seven elements (SPECIAL) and makes them a constant focus of attention, it becomes more customer focused. (Parasuraman et al., 1985).

### **Satisfaction Measurement**

According to (Smith, 2007) Satisfaction measures involve three psychological elements for evaluation of the product or service experience: cognitive (thinking/evaluation), affective (emotional-feeling/like-dislike) and behavioral (current/future actions). Customer satisfaction usually leads to customer loyalty and product repurchase. But measuring satisfaction is not the same as measuring loyalty. *The relationship between service quality and customer satisfaction has received considerable attention in the marketing literature (Brady & Cronin, 2001; 2002; Cronin & Taylor, 1992; Meuter, et al., 2000; Oliva, et al., 1992; Al-Hawary, et al., 2011; Kordnaeij, et al., 2013).*

#### ***2.4. The relationship between service quality and customer satisfaction***

*The concepts service quality and customer satisfaction appears in the literature as a separated constructs (Bitner, 1994; Spreng et al., 1996), sharing a close relationship (Cronin & Taylor, 1992), being necessary to identify the differences between them. The quality perceptions do not require experience with the service and its dimensions are specific while the concept satisfaction judgments require experience with the service or provider and also can result from any dimension, not even related to quality.*

*According by the relationship between service quality and customer satisfaction, researchers have found empirical evidences that customer satisfaction is a result of service quality, being an antecedent of that(Oliver, 1993; Anderson & Sullivan, 1993). Definitely, the service quality and customer satisfaction have present relationship in many empirical studies and its constructs are somewhat correlated, in terms of cause and effect (Iacobucci & Ostrom, 1995).*

#### **2.5 Effect of service quality on customer satisfaction**

To obtain products and service a consumer spends both money and resources in the form of time, energy and effort (Zeithaml et al., 1988). Service or product quality and customer satisfaction both have long been considered crucial for success and survival in today's competitive market. But it is also important to understand what contributes to customer satisfaction that could be a key to achieve competitive advantage.

Consumers are now demanding higher quality in products than ever before (Leonard and Sasser, 1982). The search for quality is arguably the most important consumer trend of the 1980s (Rabin, 1983).The important feature of service firms is to focus on quality, the way it is produced and being offered to the final customer. It is seen that continuous improvements in the quality of services perceived according to the consumer expectations positively affects the satisfaction level and customer's perceptions about the company.

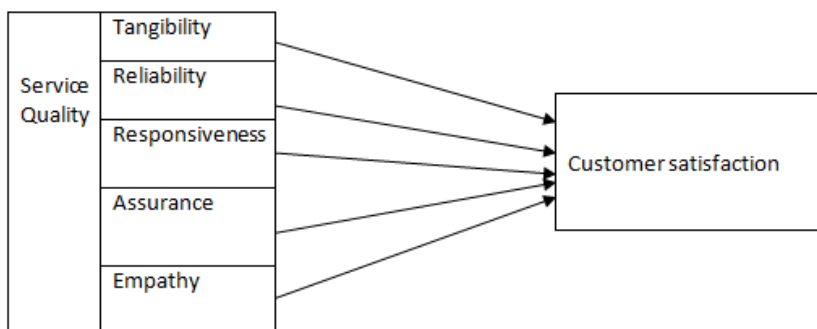
It is also observed that the increased interest in service quality by the firms is due to the fact that service quality is proved to be beneficial to maintain bottom line performance of the firm. Both Service quality and Customer satisfaction terms is being widely used by researchers interchangeably (Sureshchandar et al., 2002).

Studies show that the overall experience with the service quality results in customer satisfaction which leads to customer loyalty. Where the overall service quality ( as perceived) is viewed as a combination of core and relational aspects. In the service literature, core and relational quality are the most basic elements of services. Where core is “what is delivered” and relational is “how it is delivered” (McDougall and Levesque, 1992, 2000).

## 2.6 Conceptual Framework

The conceptual framework indicates the crucial process, which is useful to show the direction of the study. The study shows the relationship between the five service quality dimensions (reliability, responsiveness, assurance, empathy and tangible) and customer satisfaction. According by the relationship between service quality and customer satisfaction, researchers have found empirical evidences that customer satisfaction is a result of service quality, being an antecedent of that (Oliver, 1993; Anderson & Sullivan, 1993). Definitely, the service quality and customer satisfaction have present relationship in many empirical studies and its constructs are somewhat correlated, in terms of cause and effect (Iacobucci & Ostrom, 1995).

The following conceptual model has been used in this study Independent variable  
Dependent variable



**Figure 1: Service quality and customer Satisfaction**

The framework indicates that perceived quality is considered an antecedent of customer satisfaction (Wood sideet al., 1989; Reidenbach & Sandifer-Smallwood, 1990; Cronin & Taylor, 1992; Fornell, 1992; Anderson & Sullivan, 1993; Gotlieb et al., 1994; Spreng & Mackoy, 1996).

It indicates that the quality of service measured by the SERVQUAL variables may lead to customer satisfaction as indicated by the conceptual model, perceived service is resultant from service quality delivery by a firm. Customer satisfaction level is predicated on the service quality delivery as perceived by the customer based on their service expectations. When the perceptions meet expectations then the customers is satisfied. When the perceptions exceed expectations then the customers become highly satisfied. When the perceptions are lower than expectations, the customers become dissatisfied. However, customer satisfaction is derived from service quality dimensions (Tangibility, Reliability, Responsiveness, Assurance and Empathy).

Mittal and Lassar (1998) found that there was a relationship between service quality and customer satisfaction. A recent study by Ojo (2010) in the telecommunication industry showed that a positive relationship exists between service quality and customer satisfaction. The same relationship is demonstrated by Cook (2008) and Oyeniya and Abiodun (2008). Fornell et al (1996) argued that perceived quality, which had been explained as the served market's evaluation of recent consumption experienced, would have a direct and positive impact on overall customer satisfaction.

In their development of the American Customer Satisfaction Index (ACSI), they concluded that overall customer satisfaction, especially for ACSI, has three antecedents, which are: perceived service quality, perceived value and customer expectation.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter covers the research method that is being implemented in this study. Topics to be discussed in this chapter are the research design, data collection method, sampling design, research instrument, construct measurement, data processing and also data analysis.

#### **3.1. Research Design**

Research design provided the guideline for data collection. It involved the selection of the research approach. The study employed descriptive research design. Descriptive research describes data and characterizes about the population or phenomena being studied. Descriptive research was useful in establishing the determinants of customer satisfaction.

#### **3.2. Sources of Data and type**

Primary data refers to information that is collected from original source for a specific purpose of addressing the problem at hand. Due to the inaccuracy and unreliability of secondary data in subjecting to the issues, primary data should be gathered to fit with the precise purpose of the research topic (Malhotra, 2002). In this study, the primary data were collected from customers of ethio telecom at the points of sales and most of the secondary data are obtained from various company documents such as company report, customer satisfaction survey done by Addis Ababa University and information system.

In order to achieve the objective of the study, the research approach used in this study were quantitative. Quantitative research focuses on determining the relationship between variations of independent and dependent variables. The reason for choosing quantitative research approach was to meet the purpose of examining how an independent variable affects a dependent variable.

#### **3.3. Methods of data Collection**

According to Neguyen (2014) standardized and self-administered questionnaire is the most common method of primary data collection in marketing research and the advantages are simple, manageable, and data consistency. So primary data have been collected by means of

questionnaire developed and the secondary data collected from reports, magazine, and company website and information system.

### **3.4. Sampling Size and Sample Technique**

#### **3.4.1. Sampling procedure**

The study used stratified and convenience sampling technique in coming up with the study's sample. This owes to the fact that, to ensure representation all types of customers had to be taken from service centers, giving rise to heterogeneous population. According to Mugenda and Mugenda (2003), when population members vary (heterogeneous), it is advantageous to sample each subpopulation (stratum) independently by dividing members of the population into homogeneous subgroups (each service centers) before sampling. Thus based on stratified sampling 11 shops under East Addis Ababa were taken. This ensures that each subgroup is selected for the study. It used also convenience sampling technique to obtain a sample of element based on the convenience of the researcher from customers visiting the shops. The study population includes both enterprise and residential customers of ethio telecom and all categories of service users. The sample frame is point of sales found under East Addis Ababa zone.

#### **3.4.2. Study Population**

Target population is the population which the researcher wants to generalize the results of the study (Mugenda and Mugenda, 2003). The target population of the study were both enterprise and residential customers of ethio telecom and all categories of service users under East Addis Ababa zone ethio telecom. There are currently 11 service center /shops /which are providing services.

#### **3.4.3. Sample size determination**

The sample size for the study was determined based on the number of customers and calculated using the formula of NEA. Krejcie & Morgan, (1960) stated that the ever increasing demand for research will create a need for an efficient method of determining the sample size need to be representative of a given population.

According to 'the NEA Research Bulletin, Vol. 38 (December, 1960), p. 99' for more than 100,000 population size, at least 384 sample size will be considered. So by considering the contingency I took 434 respondents for the study.



Table 1. Summary of sample from each shop

No	Shops/ service centers	Total number of population	Total number of sample	Questioner returned	Respondent rate
1	Bole Medehanalem	900,331	58	54	93
2	Bole Ruwanda	622,561	48	44	92
3	Bole Michael	619,506	47	43	91
4	Gerji	907,764	59	54	91
5	Yeka	606,634	43	39	90
6	Gurdshola	800,103	50	46	92
7	Kotebe	461,305	35	31	89
8	Ayat	334,360	29	25	86
9	DebreBerhan	283,349	25	21	84
10	Enewari	204,651	24	19	79
11	MehalMeda	102,295	15	14	93
Total		5,843,516	434	386	89

Source: ethio telecom information system 2017

### 3.5. Data Collection

The primary data was gathered through questionnaires as they guarantee confidentiality; respondents act without any fear or embarrassment as is the case of academic purpose. The questionnaires were designed to address the research objective. The first section of the questionnaire inquired about the general information of the respondents. The rest of the sections dealt with the determinants of customer satisfaction as postulated by Grönroos (2007) service quality was addressed by indicators such as tangibility, reliability, responsiveness, assurance and empathy. Respondents were asked to indicate the level of agreement for each item of the data instrument based on five-point Likert scale ranging from 1 to 5 (1= Strongly Disagree; 2= Disagree; 3= Neutral; 4= Agree; 5= Strongly Agree).

### 3.6 Research Instrument

The research instrument for this study is self-administrated questionnaire. The questionnaire was developed based on literature reviewed and as a tool in collecting primary data. Questionnaires served as an important tool to get response from the respondents in ethio telecom shops and all the data collected were then evaluated.

### **3.7 Data Processing Process**

Malhotra and Peterson (2006) stated that it is a must to convert the raw data we obtained from respondent into a suitable form before proceeding to statistical analysis. Besides, it is a must to pay adequate attention in data preparation process to avoid serious affect in obtaining inaccurate result and lead to incorrect interpretation.

### **3.8 Data Analysis**

After data collection, questions were coded and entered into Statistical Package for Social Sciences/SPSS version 23/ then analysis run. The data was analyzed using of descriptive statistics for quantitative data. Descriptive statistics involves that use of frequencies, percentage, mean and standard deviation. The study used multiple regression analysis to test the prepositions and draw inferences on the determinants of customer satisfaction to test whether service quality delivery is significantly associated with customer satisfaction.

#### **A Reliability test**

Cronbach's alpha reliability analysis was conducted on the independent and dependent variables in order to determine the reliability of the instrument used. The value of the alpha coefficient ranges from 0 to 1 and may be used to describe the reliability of factors extracted from dichotomous and/or multi-point formatted questionnaires. A higher value shows a more reliable generated scale. Cooper & Schindler (2008) indicated 0.7 to be an acceptable reliability coefficient.

#### **A Descriptive analysis**

The descriptive statistical results were presented by tables, frequency distributions and Percentages to give a condensed picture of the data. This was achieved through summary of statistics, which includes the means and standard deviations values which are computed for each variable in this study.

#### **A Pearson Correlation analysis**

In this study Pearson's correlation coefficient was used to determine the relationships between service quality dimension (Tangible, reliability, responsiveness, assurance, empathy) and customer satisfaction.

### **Multiple Regression Analysis**

Multiple regression analysis was used to investigate the effect of service quality dimensions (Tangible, reliability, responsiveness, assurance, empathy) and customer satisfaction.

#### **Regression functions**

The equation of multiple regressions on this study was generally built around two sets of variable, namely dependent and independent variables. The basic objective of using regression equation is to make the researcher more effective at describing, understanding, predicting, and controlling the stated variables. Regress customer satisfaction on the service quality dimensions.

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n$$

Where

Y = dependent variable

a = intercept or constant

$\beta_1$  = coefficient associated with the predictor variables

X<sub>1</sub> = predictors (independent) variables that influence the dependent variable.

### **3.9. Ethical considerations**

The primary data was collected by willingness of customers and secondary data was collected by getting permission from concerned by company's delegate. To maintain the confidentiality of the information provided by the respondents, the respondents were instructed not to write their names on the questionnaire and assured of that the responses would be used only for academic purpose and kept confidential. Brief description of the central objectives or purpose of the study was clearly given in the introductory part of the questionnaire so as to motivate them and participate in the study and provide relevant information about the company under study. All information's taken from other authors that have been used in any part of this study have been fully and properly cited.

## **CHAPTER FOUR**

### **DATA ANALYSIS**

#### **Introduction**

The objective of this chapter is to present the results and analysis of the research based on descriptive statistics, multiple regression and correlation. This chapter has four parts, including the validity and reliability, following by descriptive statistics using tables to present the frequencies, correlation and the hypothesis test based on multiple linear regression. Thus, the chapter concluded with the discussion of findings and the validation of the research hypothesis.

#### **4.1. Background Information of Respondents**

The demographic characteristics of the respondents include gender, age, and level of education, service usage years and type of services used. This aspect of the data analysis deals with the analysis of personal data on the respondents of the questionnaires.

##### **4.1.1. Demographic Characteristics of the respondents**

As indicated in table 3 below, the main respondent group of the survey was customers of ethio telecom who had experienced the services. In all a total of 434 customers were taken as the sample size. However, only 386 customers successfully returned the questionnaire. This translates to a response rate of 89%.

According to Mugenda and Mugenda (1999), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. This means that the response rate for this study 89 % was excellent and therefore enough for data analysis and interpretation.

**Table 2. Characteristics of the respondents**

Characteristics	Frequency	Percentage
<b>Gender</b>		
Male	201	52
Female	185	48
Total	386	100
<b>Age</b>		
18-30	125	39
31-40	112	31
41-50	87	24
Above 51	62	6
Total	386	100
<b>Education level</b>		
High school	74	19
Certificate	103	27
Diploma	136	35
First degree	68	17
Second degree	5	2
Above second degree	0	0
Total	386	100
<b>Service usage years</b>		
less than 5 years	89	23
6 years to less than 10 years	135	35
11 years to less than 20 years	124	32
25 or more	38	10
Total	386	100
<b>Service type using</b>		
Voice	13	3

Data		
Internet		
All types of service	373	97
Total	386	100
Purpose of visiting shop		
For new service	181	47
For after sales service	201	52
for complain	4	1
Total	386	100

From the table 2 above the demographic profile of the respondents is as follows:-

With regards to sex, 52% of the respondents were found to be male, with the female constituting 48%. This means the respondents were almost equally apportioned between male and female.

With regard to age the respondents in the age group of 18 to 30 years constituted the majority (which is 39%), the second largest age group is that of 31years – 40 years, accounting for 31%. Thus these two groups account for 70% of respondents in terms of age. This picture might very possibly be the general situation because majority of ethio telecom customers are shared among these age group. With regards to their educational background, surprisingly those with diploma level happened to be the dominant group that is 35%, followed by certificate level 27 %. This point to the fact that the majority of the respondents or 62% are categorized under diploma and certificate, the rest 19 % high school, 17 % first degree and 2% second degree.

With regard to the types of service customers are using that is /voice, data and internet/, only 3 % of the respondents are using voice only service, 6 % are using data only, whereas 91% of respondents are using all types of services voice ,data and internet.

Regarding the reason of visit 47% of respondents are visiting ethio telecom shops for new purchase, 52 % are for after sales services and only1% are for complain.

With regard to service usage years35% of the respondents using the service between 6 and 10 years, 32% between 11 and 20years,23% are using below 5 years, and 10% are more than 25 years .This shows the majority, 67% of the respondents are using the service from 6 to 20 years

#### 4.1.1.2. Reliability test

According to Cooper & Schindler (2008) 0.7 reliability coefficient is acceptable to conduct the study. Hence, for this study the alpha coefficients value ranged from 0.75 to 0.831 a conclusion was drawn that the instruments had an acceptable reliability coefficient and were appropriate for the study as indicated in the below table.

**Table 3, Reliability Analysis of Constructs**

Dimension of service quality	Number of attribute	Cronbach's alpha
Tangibility	4	0.75
Reliability	4	0.831
Responsiveness	4	0.78
Assurance	4	0.772
Empathy	5	0.803
Customer satisfaction	5	0.753
Overall reliability analysis	Cronbach's alpha	.0.7815

Source: survey data analyzed using SPSS

#### 4.2. Data Analysis

##### 4.2.1. Descriptive Statistics Analysis

**Table 4 Descriptive statistics**

Constructs	Mean	Std.deviation
Tangibility	3.2746	0.76683
Reliability	3.2325	0.87934
Responsiveness	3.3517	0.83753
Assurance	3.3699	0.81348
Empathy	3.4385	0.82863
Customer satisfaction	3.358	0.87196

Source: Survey data analyzed using SPSS

Table 4 descriptive statistics shows that the mean scores and standard deviation of service quality dimensions & customer satisfaction. Based on the mean value from the table, it indicates that these dimensions (Empathy, Assurance & Responsiveness) are more important for the customer satisfaction; this implies that ethio telecom service quality performance is better on these dimensions. Furthermore, Reliability and Tangibility dimensions underscore less performance that is ethio telecom service quality performance for these dimensions is perceived to be relatively lower when compared with the other three dimensions.

A structured data instrument was used in this research 26 questions divided in to 6 constructs, including the service quality model and customer satisfaction, with the purpose to find out the level of perception by users on the service offered. Based on 386 respondent's perceptions towards the service quality offered by ethio telecom East Addis Ababa zone , The table shows the mean scores and standard deviation for the overall service quality dimensions. The mean score for customer satisfaction is also given. The instrument used a 5 point Likert scale ranging from strongly disagree to strongly agree. The results of descriptive statistics detailed below:-

### **Tangibility**

The mean score for Tangibility is 3.2748 which indicate that respondents are slightly agree with the Tangibility of ethio telecom service quality performance. The scores on Tangibility dimensions of service quality indicate that respondents are satisfied on the tangibles of ethio telecom.

### **Reliability**

The mean score for reliability is 3.2325 which indicate that respondents are less agree with the Reliability of ethio telecom service quality performance compared to other dimensions. The scores on Reliability dimensions of service quality indicate that respondents are less satisfied on the reliable of ethio telecom.

### **Responsiveness**

The mean score for Responsiveness is 3.3517 which indicate that respondents are moderately agreed with the Responsiveness of ethio telecom service quality performance. The scores on Responsiveness dimensions of service quality indicate that respondents are moderately satisfied on the responses of ethio telecom.



## **Assurance**

The mean score for Assurance is 3.3699 which indicate that respondents are highly agreed with the Assurance of ethio telecom service quality performance compared to other dimensions. The scores on Assurance dimensions of service quality indicate that respondents are highly satisfied on the assurance of ethio telecom.

## **Empathy**

The mean score for Assurance is 3.4385 which indicate that respondents are highly agreed with the Empathy of ethio telecom service quality performance compared to other dimensions because it is the most relevant constructs on this research. The scores on Empathy dimensions of service quality indicate that respondents are highly satisfied on the empathy of ethio telecom.

## **Customer satisfaction**

Thus, as presented in table 4, for customer satisfaction the mean value is 3.385 shows that majority of respondents agree. The satisfaction level with the mentioned mean value which indicates that overall customers are satisfied with service quality of ethio telecom. This implies that the satisfaction level of customers is higher than moderate.

### **4.2.2. Pearson Correlation Analysis**

To test the correlation, Pearson correlation coefficient is applied, because according to Shukran (2003), the relationship is expressed by value within the range -1.00 to + 1.00 as Pearson product-moment indicates. Pearson correlation is +1 in the case of a perfect increasing (positive) linear relationship (correlation), -1 and 1 in all other case indicating the degree of liner dependency between variable. Correlation analysis was used to measure the direction and strength of the relationship between independent variables, that is, service quality dimensions – Reliability, Responsiveness, assurance, empathy and tangibles.

For this study among all dimensions Pearson correlation coefficient value is higher for Empathy, so Empathy has a stronger relationship with customer satisfaction. Pearson correlation coefficient supports hypothesis H1, H2, ,H3 ,H4& H5 . All hypotheses are accepted. The below Table 5 presents the results of Pearson correlation on the relationship between service quality dimension and customer satisfaction.

**Table 5, Correlations results of service quality dimensions and customer satisfaction**

Service quality dimensions		Customer satisfaction
Tangibility	Pearson Correlation	0.557
	Sig. (2-tailed)	0
	N	386
Reliability	Pearson Correlation	0.489
	Sig. (2-tailed)	0
	N	386
Responsiveness	Pearson Correlation	0.578
	Sig. (2-tailed)	0
	N	386
Assurance	Pearson Correlation	0.511
	Sig. (2-tailed)	0
	N	386
Empathy	Pearson Correlation	0.633
	Sig. (2-tailed)	0
	N	386
Customer satisfaction	Pearson Correlation	1
	Sig. (2-tailed)	0
	N	386

\*\*. Correlation is significant at the 0.01 level (2-tailed). Source: SPSS Correlation result output, 2017

The result shows that all the predictor variables were shown to have significant positive association between the five dimensions of service quality and customer satisfaction. The following can be deduced from the above. Generally, a positive relationship exists between service quality and customer satisfaction but the strength of the relationship differ with each dimension. For Assurance and Reliability, the Pearson Correlation values are (0.511 and (0.489) respectively. This indicates a weaker relationship. However, the Pearson correlation for Empathy, Responsiveness and

Tangibility are quite higher with values of 0.633, 0.578 and 0.557 respectively. This implies that that strong relationship exist between Empathy and responsiveness on one hand and customer satisfaction on the other, and an even stronger relationship between Tangibility and customer satisfaction.

In general, if correlation is positive between two or more variables that is, when service quality dimensions and customer satisfaction is positively related; delivering better service quality has a positive relationship with customer satisfaction. Accordingly, the most important service quality dimension that affects customer satisfaction is Empathy, which goes to prove that Empathy perceived as a dominant service quality dimension followed by Responsiveness.

### 4.2.3 Multiple Regression Analysis

Regression analysis established the relative significance of each of the variables on customer satisfaction.

In this research a multiple linear regression analysis was conducted with the purpose to investigate the influence of service quality based on its five dimensions on customer satisfaction. The multiple linear regression is a constructive statistical method used to identify the correlation between a single dependent factor and several independent variables (Seelbach, et al., 2011; Vesey, et al., 2011).

Table 6, Model summery

Model	R	R Square	Adjusted R Square	Std Error of the Estimate
1	.808a	.652	.648	.51744

- a. Predictors: (Constant), Empathy, Reliability, Tangibility, Responsiveness, Assurance
- b. . Dependent Variable: customer satisfaction

The results of multiple regressions, as presented in table 6, above, revealed that the service quality dimensions (Tangibility, Reliability, Responsiveness, Empathy and Assurance) combined significantly influence the satisfaction of customers.

The R (Correlation Coefficient) is 0.808 means there is a stronger linear relationship between the independent variables which are Empathy, Tangibility, Responsiveness, Reliability, Assurance and the dependent variable Customer Satisfaction.

From the table R-Squared (coefficient of determination) is 0.652 which implies that 65.2% of the variation in Customer Satisfaction is explained by Empathy, Tangibility, Responsiveness, Reliability and Assurance. It also shows that the values of Empathy, Tangibility, Responsiveness, Reliability and Assurance can predict the values of the dependent variable by 65.2%.

The Adjusted R-squared of 0.648 suggests that Empathy, Tangibility, Responsiveness, Reliability and Assurance fit to the model by approximately 65%.

**Table 7: Regression results of each service quality dimensions and customer satisfaction**

**Coefficient**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.759	.159		-4.780	.000
	Tangibility	.289	.039	.254	7.316	.000
	Reliability	.253	.032	.255	7.888	.000
	Responsiveness	.209	.038	.200	5.451	.000
	Assurance	.167	.040	.156	4.218	.000
	Empathy	.318	.041	.302	7.665	.000

- a. Dependent Variable: customer satisfaction
- b. Constant): independent variable Dependent variable: customer satisfaction Source: SPSS Regression results output, 2017

Table 7, also indicated that tangibility, reliability, responsiveness, assurance and empathy dimension of service quality have a significant influence on customers satisfaction at 95% confidence level. Furthermore, multiple regressions identify the relative contribution of each variable and determine the best predictor variables among a set of variables.

From standardized coefficient of Beta, Empathy has the highest contribution to customer satisfaction that is a unit increase in Empathy will cause a .302 increase in Customer Satisfaction; there is a positive relationship between Empathy and Customer Satisfaction. Assurance has the list contribution to customer satisfaction is an increase in 1unit of Assurance will cause a 0.156 increase in Customer Satisfaction; there is a positive relationship between Assurance and Customer Satisfaction. Other variables were also significantly and positively found to contribute to customer satisfaction; the significant service quality factors have been included for the establishment of the function.

The established regression function is:

$$Y=759 +0.254x1+0.255x2+0.200x3+0.156x4+0.302x5$$

#### **4.2.3.1. Regressing Customer Satisfaction on the Service Quality Dimensions**

The result of this study conducted on East Addis Ababa zone ethio telecom indicates that, all dimensions of service quality have a positive and significant effect on customer satisfaction. Hypothesis testing is based on standardized coefficients beta with 95% confidence level to test whether the hypotheses are rejected or not.

Based on the results from the multiple linear regression was possible to confirm that all the service quality dimensions have significant relationship with customer satisfaction and all the five hypotheses are supported Ha1, Ha2, Ha3, Ha4 andHa5.

*H01:* There is no relationship between tangibility and customer satisfaction in Telecom service sectors.

*Ha1:* There is a positive relationship between tangibility and customer satisfaction Telecom service sectors.

Multiple regressions result as presented in table 7.above, revealed that Tangibility have a positive and significant effect on customer satisfaction with a standardize coefficient beta value,

(. 254), at 95% confidence level. Therefore Ha1 were supported because this finding has confirmed a significant positive relationship between Tangibility and customer satisfaction.

*Ho2:* There is no relationship between reliability and customer satisfaction in Telecom service sectors.

*Ha2:* There is a positive relationship between reliability and customer satisfaction in Telecom service sectors.

Multiple regressions result as presented in table 7.above, revealed that reliability have a positive and significant effect on customer satisfaction with a standardize coefficient beta value (.255) at 95% confidence level. Therefore, Ha2 is accepted and this indicates that Reliability has a significant positive impact on customer satisfaction.

*Ho3:* There is no relationship between responsiveness and customer satisfaction in Telecom service sectors.

*Ha3:* There is a positive relationship between responsiveness and customer satisfaction in Telecom service sectors.

Multiple regressions result as presented in table 7.above revealed that responsiveness have a positive and significant effect on customer satisfaction with a standardize coefficient beta value, (.200), at 95% confidence level. Therefore, the researcher may accept Ha3 Since, responsiveness have a positive and significant effect on customer satisfaction.

*Ho4:* There is no relationship between assurance and customer satisfaction in Telecom service sectors.

*Ha4:* There is a positive relationship between assurance and customer satisfaction in Telecom service sectors.

Multiple regressions result as presented in table 7.above revealed that assurance have a positive and significant effect on customer satisfaction with a standardize coefficient beta value, (.156), at 95% confidence level. Therefore, Ho4 is accepted and supported this indicates that Assurance has a significant positive impact on customer satisfaction.

*Ho5:* There is no relationship between empathy and customer satisfaction in Telecom service sectors.

*Ha5:* There is a positive relationship between empathy and customer satisfaction in Telecom service sectors.

Multiple regressions result as presented in table 7.above, revealed that Empathy have a positive and significant effect on customer satisfaction with a standardize coefficient beta value, (.302), at 95% confidence level. Therefore, Ha5 is accepted and supported this indicates that Empathy has a significant positive impact on customer satisfaction.

### **4.3. Discussion and Interpretations**

The main issue addressed in this present study is the relationship between customer satisfaction and service quality in ethio telecom East Addis Ababa zone.

This study goes to add some value to the study of Wang & Hing-Po (2002), who used SERVQUAL model in measuring service quality by testing hypothesis for the relationship between the service quality dimensions and service quality. If they could be good measures of evaluation then they could have a direct relationship and this was confirmed through my study, that means all the five service quality dimension have direct relationship with and can measure service quality, this study also shows that SERVQUAL is the appropriate tool to measure the quality of services in ethio telecom .

This present study in general confirms the service quality dimensions Empathy, Reliability, Responsiveness, Tangibility and Assurance which were significantly related to service quality and even went to relate these dimensions with customer satisfaction. Meanwhile in the individual testing, Pearson correlation measured the direction and strength of the relationship between independent variables with customer satisfaction and also Regression analysis established the relative significance of each of the variables on customer satisfaction. Descriptive analysis, regression and correlation test indicate that among all the service quality dimensions Empathy is the major determinants of customer satisfaction in ethio telecom.

The correlation result shows that all service quality dimensions (Tangibility, Reliability, Responsiveness, Assurance and Empathy) have a positive and significant effect customer satisfaction. Empathy dimension is the dominant with high mean score and frequency and reliability with week mean score.

The finding further indicates that the strong correlation is found between Empathy and customer satisfaction followed by responsiveness dimension whereas the weakest correlations between and Reliability and customer satisfaction.

In a general view of the situation, it could be seen that the SERVQUAL dimensions mean score and frequency vary in the different level which represented the service quality dimensions were distinguished by the customers based on their perception towards all dimension.

The customer satisfaction mean value 3.385 that we found in this study also supported by customer satisfaction survey performed by Addis Ababa university on January ,2016 with mean score 7.6 out of 10 points which is almost similar result with my finding.



## ***CHAPTER FIVE***

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION**

#### **Introduction**

This chapter discusses the summary of the findings from chapter four, and also gives conclusions and recommendations of the study based on the objectives of the study.

#### **5.1 Summary of findings**

The primary objective of the study was to investigate the effect of service quality on customer's satisfaction in ethio telecom, East Addis Ababa zone and conducted with a set of research questions and hypotheses which relate directly to the research topic. The research was conducted using questionnaire consisting of 434 sample respondents and the study specifically focused on the extent to which service quality affects customer satisfaction.

For gender, the proportion of female, 48% is near to that of male, 52 %. This means the respondents were almost equally apportioned between male female.

With regard to age the respondents in the age group of 18 to 30 years constituted the majority (which is 39%), the second largest age group is that of 31years – 40 years, accounting for 31%. Thus these two groups account for 70% of respondents in terms of age. This picture might very possibly be the general situation because majority of ethio telecom customers are shared among these age group. With regards to their educational background, surprisingly those with diploma level happened to be the dominant group that is 35%, followed by certificate level 27 %1. This point to the fact that the majority of the respondents or 62% of respondents are categorized under diploma and certificate, the rest 19 % high school, 17 % first degree and 2% second degree.

With regard to the types of types of service customers are using that is /voice, data and internet/, only 3 % of the respondents are using voice only service, 6 % are using data only, whereas 91% of respondents are using all types of service voice ,data and integrate.

Regarding the reason of visit 47% of respondents are visiting ethio telecom shops for new purchase, 52 % are for after sales services and only 1% are for complain.

With regard to service usage years 35 % of the respondents using the service between 6 and 10 years, 32% between 11 and 20years ,23 are using below 5 years, and 10% are more than 25 years .This shows the majority 67% of respondents are using the service from 6 to 20 years .

The descriptive statistics result showed all service quality dimensions have positive relation with customer satisfaction and ethio telecom customers perceived the most relevant constructs on this research are Empathy with mean score 3.4385, following by Assurance with 3.3699and responsiveness with mean score3.3517 . It realizes the service quality performance of ethio telecom is high for these three dimensions .The results indicated that the determinant, Empathy has the highest impact on customer satisfaction than any other determinants of service quality of provided in ethio telecom

The constructs Reliability mean score 3.2325 and tangibility mean score 3.2746 of service quality model presented lowest mean score when compared with the other constructs, it means the customers' perceptions of these constructs based on the service quality delivered by ethio telecom is weak, it means that customers are less satisfied with these two constructs.

The research comes up with the result that the Customer Satisfaction in ethio telecom is significantly affected by Tangibility, Reliability, Responsiveness, Empathy, and Assurance, multiple regression analysis is used to determine the relationships of each component of service quality to customer satisfaction. The significant value of all dimensions showed as 0.000 ( $p < 0.05$ ) and indicate all variables have a significant impact on customer satisfaction.

It has been found that Pearson correlation coefficient value is stronger for Empathy, So Empathy is a major contributor of customer satisfaction, and this correlation result shows that there is positive and significant relationship between Tangibility, Reliability, Responsiveness, Assurance, and Empathy and customer satisfaction. The finding also indicates that the lowest relationship was found between Reliability and customer satisfaction.

The customer satisfaction with the mean value 3.385 showed that majority of respondents satisfied. This satisfaction level measures how service delivered by ethio telecom meet or surpass. Customer's satisfaction is fulfillment of the customer's needs and needs are changing continuously and when these changing needs are fulfilled continuously then customer become loyal with that particular product or service (Shahid Zaman Khokhar, 2011). But this finding indicates that the satisfaction level doesn't meet the customer's expectation, because the mean

value is above average, but below the maximum point, that means it doesn't fulfill the expectations of the customer.

The results of the regression and correlation tests conducted established a positive relationship between service quality and customer satisfaction.

## **5.2 Conclusion**

This research aims to figure out the effect of service quality on customer satisfaction in ethio telecom. It also sought to identify the significant drivers of customer's satisfaction in the using the SERVQUAL model.

From the above empirical evidences and findings it is concluded that customer satisfaction basically relies upon service quality because the enhancement in the service quality results with maximum customer satisfaction. The results of customer satisfaction and service quality of this present study for ethio telecom confirm the theory that "higher levels of quality leads to higher levels of customer satisfaction" (Kotler & Keller, 2009, p. 169).

In this study it was established that all the service quality dimensions or attributes are not equally significantly correlated to customer satisfaction. This study indicates that mean scores of Empathy and Assurance are greatest to all dimensions that mean specifically, the attributes of Empathy and Assurance were found to be the most important predictors of customer satisfaction.

Meanwhile, least mean score is carried by Tangibility. It shows that Tangibility aspects are rather less important to customer satisfaction than other dimensions.

Moreover, results of Pearson correlation coefficient and regression are consistent by finding relationship of all dimensions with customer satisfaction. The result indicated that all dimensions of service quality (Reliability, Tangibility, Responsiveness, Empathy and Assurance) were accepted by the respondents. The average mean score of all dimension is higher than 3. The majority of the respondents are scored agree and strongly agree with service quality dimension questions. This study revealed that the service quality dimensions combined significantly influence the satisfaction of customer's. Therefore; service quality has a positive and significant

effect on customer satisfaction and the following research questions were answered from the findings:-

1- The first research question which is stated “what is the relationship between service quality and customer satisfaction” was answered. The multiple regression values showed that a percentage rise in all the dimensions will lead to increase in customer satisfaction. It indicates that there is a direct relationship, this comply with the suggestion of Parasuraman et al., (1985) that “when perceived service quality is high, then it will lead to increase in customer satisfaction and the acknowledgement of Lee et al. (2000) that “Customer satisfaction is based upon the level of service quality that is provided by the service providers” ( Lee et al., 2000, p.226).

2-The second research question which is stated “what is the relationship between customer satisfaction and the service quality dimensions? ”was answered. This is consistent with the regression and correlation results which showed strong relationship between service quality dimensions and customer satisfaction. That is a linear relationship among variables and customer satisfaction.

3-The third research question which is stated ”what is the satisfaction level of the customer? “ was answered. The customer satisfaction with the mean value 3.385 showed that majority of respondent are agreed, this implies that the level of customers satisfaction is good.

The results of customer satisfaction and service quality of this present study for ethio telecom East Addis Ababa zone confirmed the theory that “higher levels of quality leads to higher levels of customer satisfaction” (Kotler& Keller, 2009, p. 169) because the customers provided higher percentages of satisfaction and higher percentages of agreement that ethio telecom provided quality services, thus finalizing the confirmation to the fact that, relationship between customer satisfaction and service quality was positive.

Globally the results of the present research were supported by the conceptual model that the service quality has impact on customer satisfaction. The results from multiple linear regressions also conducted that service quality can be used to predict customer satisfaction and based on all factors, the Empathy has the greatest impact on customer satisfaction, and the dimensions Tangibility and Reliability deserve more attention than other dimensions of service quality in ethio telecom based on lower level of . Because customers have some dissatisfaction compare to

other dimensions with network quality and speed of service, Provide service at the designed and promised time and solving the problem when customer face problems, so Reliability needs special focus.

Thus, the service quality and customer satisfaction has been considered very important to help to improve the overall performance of business (Magi & Julander, 1996).

### **5.3 Recommendation**

The results show above can help ethio telecom to particularize their strategic to improve service quality and achieve customer satisfaction with the purpose to reach the highest customer satisfaction level and also build the strong relationship with customers.

- According to this research, the result show that the three dimensions Empathy, Assurance and responsiveness with high mean score are positively and significantly related with customer satisfaction, among these Empathy has the greatest impact on customer satisfaction and a dominant dimension. There for ethio telecom should focus more on these three dimensions in order to reach the desired customer satisfaction level.
- Reliability got weak mean score, has less contribution for correlation and weak positive relationship with customer satisfaction because some respondents are not satisfied with network quality, provides service at the designed and promised time. Hence I recommend ethio telecom management to continuously assess and work to improve network quality to meet customers need and to deliver service on promised time as per the standardized KPIs of the company as well as per the promised citizens charter. It is also important to develop network quality monitoring system to make optimization prior to customer's complaints. This can enhance customer satisfaction to higher level.
- Solving customer problem is also weak percentage under Reliability dimension. Hence ethio telecom needs to strengthen complaints resolution mechanisms and provide training to equip staff with necessary skill to better serve the customers since the most important issue to win customer's trust is to focus on developing customer complaint resolution system. Thus, customer satisfaction is further increased.

- Tangibility dimension has also positive relationship with customer satisfaction, but the mean score is also weak because item availability of information communication materials like promotional fliers and brochures in the service centers got less mean score. So providing adequate information for the customers about ethio telecom service and product is decisive to establish long term relationship with customer, thus ethio telecom need to avail necessary communication material to update customers with new technologies that will enhance customer relation and satisfaction.
- The customer satisfaction with the mean value 3.385 showed that majority of respondents satisfied. But this finding indicates that the satisfaction level doesn't meet the customer's expectation. As the result shows the mean value is above average, but below the maximum point, that means it doesn't fulfill the expectations of the customer .So ethio telecom should improve the level of customer satisfaction by improving the network quality, keeping the promised KPIs, solving customers problem on time and providing continuous skill development training to enable the staff to give better service for the customers.
- The regression result indicated that service quality has a direct influence on customer satisfaction. Therefore many programs should be designed to measure service quality and customer satisfaction, to improve service delivery, so Ethio telecom needs to conduct customer satisfaction assessment to coup up with dynamic needs of the customers. According to Zeithaml et al., (2009) there is a need of consistent review of service quality and customers satisfaction because one of the most determinants of customers' satisfaction is service quality.

Generally, ethio telecom should improve the quality of service to establish strong relationship with other stakeholders like the governmental, enterprise and residential customers. The proposed model of service quality/SERVQUAL/ may be used as a basis to plan efforts towards increasing customer satisfaction. Availability of good service quality will improve the customer satisfaction and also ethio telecom should encourage strategy development for superior service quality management particularly to improve the areas of Tangibility and Reliability to enhance customer satisfaction. For this reason quality of service is an important element in determining the success of company, because it is widely known to be very beneficial to both customer and the company.

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## Appendices A

### Data analysis output Reliability and Validity Analysis of the Questionnaires

#### CRONBACH'S ALPHA

##### Reliability

##### Reliability statistics

Cronbach's Alpha	N of Items
0.831	4

##### Tangibility

##### Reliability Statistics

Cronbach's Alpha	N of items
0.75	4

##### Responsiveness

##### Reliability statistics

Cronbach's Alpha	N of Items
0.78	4

##### Assurance

##### Reliability Statistics

Cronbach's Alpha	N of Items
0.772	4

##### Customer Satisfaction

##### Reliability Satisfaction

Cronbach's Alpha	N of Items
0.753	5

##### Empathy

##### Reliability statistics

Cronbach's Alpha	N of Items
0.83	5

## Appendices B

**St. Mary's University**  
**School of Graduate Studies**  
**MBA Program**

Questionnaire for Ethio Telecom Customers,

**Dear Respondent,**

In full transparency, this study is purely for academic purpose and thus does not affect you in any case. I am currently a student of St. Mary's University and doing my MBA thesis on the "Impact of Service Quality on Customer Satisfaction in Ethio Telecom East Addis Ababa Zone". The purpose of this questionnaire is to gather data from customer of Ethio Telecom on service, quality and customer satisfaction.

Hence please help me by taking a few minute to fill the questionnaire and thanks in advance for your willingness to fill and respond the questionnaire.

### **Part I. Personal Information**

Instruction: Would you please tick or put "√" mark for your best choice.

1.1 Gender?

1, Male

2, Female

1.2 Age?

1, 18-25

2, 26-35

3, 36-46

4, above 46

1.3 Educational level?

1, Secondary school

2, Certificate

3, Diploma

4, First degree

5, Second degree

6, other please specify \_\_\_\_\_

## **Part II General Questionnaire**

2.1 How long have you used Ethio Telecom Services?

1. Less than 5 years

2. 6 years to less than 10 years

3. 15 years to less than 20 years

4. 25 years or more

2.2 Which type of service do you use?

1, Voice

2, Data

3, Internet

4, all types of Service

2.3 For what purpose have you visited Ethio Telecom Service center/shop?

1. For new service

2. After sales service

3. For compliant

2.4 To what extent the efficient of service delivery and service quality are important for customer satisfaction?

1. Extremely important

- 2. Important
- 3. Fairly important
- 4. Less important
- 5. Has no important

**Part III Service Quality Questionnaire**

Instructions: Please tick the number that you feel most appropriate, using the scale from 1 to 5 (where 1= **strongly disagree**, 2= **disagree**, 3= **neither agree nor disagree**, 4=**agree** and 5= **strongly agree**).

Quality dimensions	strongly disagree	disagree	neither agree nor disagree	agree	strongly agree
	1	2	3	4	5
<b>Tangibility</b>					
Are the service centers well equipped with up to date facilities					
Are the physical layout of offices and furniture are comfortable for customers					
Information communication materials like promotional fliers and brochures associated with the service are visually appealing at the customer service counter.					
Staffs at the front line position are well dressed and appear neat.					
<b>Reliability</b>					
5. Quality of network and speed of service					
6. Keep customer record correctly					
7. Provide service at the designed and promised time					
When a customer has a problem, show a sincere interest in solving it on time					
<b>Responsiveness</b>					

9. Employee provide punctual service					
10.Employee willingness to help customers					
11.Employees are never busy to respond to customer request					
.Employees give quick response when there is problem					
<b>Assurance</b>					
.Personal behavior of the staffs are excellent that the customer can trust					
Staffs are polite and will be consistently courteous with customers					
Staffs have adequate knowledge about service and product to serve customer					
<b>Empathy</b>					
The service provider staffs know what customers actually need.					
The service provider staff gives every customer individual attention.					
Do staffs of the company have their customer's best interests at heart or are they act in favor of customers					
The company has convenient working hours to all its customer					
Ethio telecom and its employees give do consideration for customer's property					

#### **Part IV Customer Satisfaction Questioner**

Instructions: Please tick the number that you feel most appropriate, using the scale from 1 to 5 (where 1= **very dissatisfied**, 2= **dissatisfied**, 3= **neutral**, 4=**satisfied** and 5= **very satisfied**)

<b>Customer satisfaction</b>	<b>Very dissatisfied</b>	<b>Dissatisfied</b>	<b>Neutral</b>	<b>Satisfied</b>	<b>Very satisfied</b>
	1	2	3	4	5

How satisfied are you with Ethio Telecom network quality					
What is your overall satisfaction rating with the communicative ability of the employee					
Please rate your satisfaction with respectful behavior of staff when deliver service					
How satisfied are you with Ethio Telecom products and services					
Are you satisfied with knowledge of the staff when providing information about product and service					

Thank You!!!

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## **DECLARATION**

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of \_\_\_\_\_, All sources of materials used for the thesis have been duly acknowledged, I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

\_\_\_\_\_

\_\_\_\_\_

**Name**

**Signature**

**St. Mary's University, Addis Ababa**

**June,2017**

## **ENDORSEMENT**

This thesis has been submitted to St. Mary's university, school of Graduate Studies for examination with my approval as a university advisor.

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**Advisor**

**St. Mary's University, Addis Ababa**

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**Signature**

**June, 2017**