ST MARY'S UNIVERSITY

SCHOOL OF GRADTUATE STUDIES

INSTITUTE OF BUSINESS STUDIES

THE IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION IN THE CASE OF ZAF PHARMACEUTICAL ADDIS ABABA, ETHIOPIA

BY

REDEAT TESFAYE MELKAMU

A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE MASTER OF BUSINESS ADMINSTRATION

DECEMBER, 2016

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APPROVED BY BOARD OF EXAMINERS

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External Examiner   Signature

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Internal Examiner   Signature

STATEMENT OF THE WRITER

First, I declare that this thesis is my genuine work prepared under the guidance of **Dr. Temesgen Belayneh (PhD)** and that all sources of materials used for this thesis have been duly acknowledged. I declare that this thesis is not submitted to any other institution anywhere for any academic purposes.

Name: Redeat Tesfaye

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Signature:

Date of Submission: December 28, 2016

ENDORSEMENT

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

_____   _____

Advisor   Signature

St. Mary's University, Addis Ababa   December, 2016

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Abstract

The purpose of the study is to analyze whether perception of services received is related to customer satisfaction regarding ZAF pharmaceuticals in Addis Ababa, Ethiopia. Quantitative means of data collection method is employed to collect the data through questionnaire and key informant interview and a systematic random sampling was used. The data collected was analyzed using statistical tools such as mean, correlation, and regression analysis via SPSS version 20. SERVPERF model was used to identify the relationship among service quality and customer satisfaction. The findings of this study indicated that the five service dimensions (tangibility, reliability, responsiveness, assurance and empathy) were positively related to the overall service quality and hence the customer satisfaction. The results showed that tangibility and responsiveness play the most important role in customer satisfaction level followed by reliability, empathy and assurance. This implies that improvement on employees' empathy and assurance are important issue that requires attention. Moreover, the regression analysis showed that approximately 62% of the variation on the customer satisfaction can be explained by the variability of the five dimensions of service quality. The rest 38% can be explained by other factors which were not included in this study such as price or service variety. Even though, most of the respondents were satisfied by the service provided by ZAF pharmaceuticals, approximately, a tenth of the respondents were still dissatisfied. Therefore, the researcher recommends ZAF pharmaceuticals to improve its services by addressing the gap on those five service quality dimensions.

Key Words: *Service quality, customer satisfaction, SERVPERF*

Chapter One

Introduction

The aim of this section is to identify the research topic and to formulate research questions. Thus the chapter begins with an introductory background which includes statement of the problem, the research questions and objectives of the study will follow. Limitation of the study will end the chapter.

1.1 Background of the Study

Every business is established having the aim of achieving success and being profitable. The service industry as any other business sector shares this aim. The service industry is among the oldest and most diverse industries in the world. Services vary in many ways and include various stages. Service is as "an act or performance made by one party to another although the process may be tied to a physical product, the performance is transitory, often intangible in nature and does not normally result in ownership of any of the factors of production". It is an economic activity that creates value and provides benefits for customer at specific time and place by bringing about a desired change in or on behalf of the recipient of the service. (Lovelock and Wirtz, 2004)

The service industry is among the highly dynamic industries as consumers and customers often demands change. These changes further drive the service provision and delivery forward with increasing demand for quality. Since services are intangible in nature their success and failure is not easily measured or quantified. The success of any service providing organization can be measured in terms of its customers' attitude towards the service delivery practiced which means service quality will be the dominant element in customers' evaluations of a given service. Customers' go to service providers expecting to get a quality service and the level of expectation among each individual varies. Finding out what customers' expect is essential in providing a quality service. This can be done through marketing research focusing on issues such as what features are important to customers, what levels of these features customers expect and what

customers think the company can and should do when problems occur in service delivery (Meron, 2015).

ZAF Pharmaceuticals is a 100% private owned company which was established in the year 1991 with an objective of importation and distribution of pharmaceuticals (Human and Veterinary), infant formula, medical supplies/devices and medical equipment throughout Ethiopia. It was established with a vision of creating good business relations with different suppliers from different countries through great dedication and start manufacturing drugs locally. Its head office is located in the capital city of Ethiopia, Addis Ababa, which is convenient for the distribution of its products. The warehouses are constructed as per the regulatory authority's standards and are fitted with cold chain facilities, shelves etc to ensure that products are always kept as per the respective recommended storage conditions (Company profile, 2016).

The company deals with import and distribution of more than 200 pharmaceutical products under various pharmacological categories from 21 manufacturers (suppliers) in Europe (Germany, France, Portugal and Switzerland), China, India, Jordan, Egypt and Malaysia. In view of diversification on products, the company also holds a high market share from the distribution of medical supplies/devices and equipment to pharmacies, hospitals, health centers and clinics throughout the country (Company profile, 2016).

The company is led by senior pharmacists with several years of experience who occupy various important positions in the management team. These are the Chief Executive Officer (CEO), General Manager, Technical Manager and Commercial Manager, Procurement Manager, Finance manager and Human resource manager. The sales team comprises of well trained and motivated pharmacists who deal with the sales and promotion of the products through hospitals and pharmacies all over the country. The company has totally 95 staffs. The imported products are distributed throughout the country, as for logistics the company has suitable delivery trucks, vans and mini-buses which are utilized to meet the demands of the customers and properly access areas in the various parts of the country (Company profile, 2016).

South Africa, which has the largest economy in the African continent, was the most regulated pharmaceutical industry on the continent (Lowe, R. F. and Montagu, D. 2009). According to Intercontinental Medical Statistics (IMS), the total pharmaceutical market of South Africa was

expected to grow at a compound annual growth rate of 10% (sales increase from 18 billion rand in 2008 to 29 billion rand in 2013), Lawrence, T. and Ortelli, M., 2009.

Countries have different regulations for the pharmaceuticals sector. Pharmacy Act 153, 1974 which was amended in 1997 and 2003 allowed non-pharmacists to own pharmacies, provided that a registered pharmacist is employed at the store at all times (Lowe, R. F. and Montagu, D. 2009). Since the legislative changes, a number of pharmacy chains have appeared in grocery outlets.

The importance of customers in the business process has made it vital to always conduct research about customers. There has always been the need for customer research before, during and after sales, because of changes that may occur in the business process. This research originated from the fact that customer is the key to business. In fact, their satisfaction is the most important tool that helps to increase sales and generate profits in the business environment. Moreover, the importance of customer satisfaction has been proven relevant to help improve the overall performance of organizations.

1.2 Statement of the problem

Service is any act or performance that one party can offer to another. This shows that a service has always a service provider and a customer. The customer expects deliverance of quality service, despite difficulties of reaching a similar definition about quality.

With the increasing demands of customer, pharmaceutical sector has become more competitive. The number of local drug manufactures is growing. Increase of people`s awareness to preventive or curative diseases increased the demand of drugs. This, however, also changes with the increase of the purchasing power of citizens. In general, customers are becoming more aware of their expectations and demand higher standard of services.

Service quality acts as a determinant of customer satisfaction as it is clearly indicated by Wilson et al 2008, which was in line with Lee et al publication in 2000. The research stated that the customer satisfaction is based upon the level of service quality provided by the service provider.

In Ethiopia, service quality and customer satisfaction have been proven from past researchers to be positively related (Melaku, M., 2015, Awlachew, A., 2015, Deribe and Deribie, 2012,

Shanmugapriya G. 2014 and Abebe, E. 2013). But most are in the banking and insurance industry with very insignificant contribution in the pharmaceutical industry. Pharmaceutical sector is one of the most important entities in Ethiopia, growing in the past few decades. At present ZAF pharmaceuticals has a major share in the Ethiopian pharmaceutical sector. One of the company`s mission is to improve its competitiveness and secure the market share. To sustain in the market, service quality becomes the most critical component.

Hence the management had realized the need to conduct research about the existing level of customer satisfaction on the provided services and the researcher was glad to accept this assignment from the organization and as part of MBA curriculum.

1.3 Research questions

- What are the service quality perceptions of the customers of ZAF Pharmaceuticals?

- What is the level of service quality dimensions and customer satisfaction?

- Is there a significant relationship between service quality and customer satisfaction?

- What tools are used to monitor customers' satisfaction, and to build continuous, quality improvement systems that respond to customer feedback?

1.4 Objectives of the Study
1.4.1   General objectives

The general objective of this study is to assess the service quality and customer satisfaction in ZAF Pharmaceuticals.

1.4.2   Specific objectives

- To identify the perceptions of customers toward the services of ZAF Pharmaceuticals.
- To measure the current satisfaction level of the customers of ZAF Pharmaceuticals.
- To examine the relationship between service quality by the company and customer satisfaction.

> ➢ To develop tools for monitoring customer satisfaction, and to build continuous, quality improvement systems that respond to customer feedback.

1.5 Significance of the Study

The outputs from the study will help to recommend the company to be more effective and competitive in the market of pharmaceuticals sector. It helps the management to be able to spot problems, eliminate them and deliver improved services to customers in order to lift current satisfaction levels.

In addition to the organization itself, customers will be benefited from the study through understanding the knowledge gap about customer satisfaction which usually leads to the improvement of services delivered by the company.

Besides, interested bodies may use the study as a stepping-stone for further study in the area at advance level.

1.6 Scope of the Study

This study is delimited to only one area which is Addis Ababa. To be specific, the customers who get products from Addis Ababa and distribute it throughout the country will be the subject of the study.

Theoretically, the measurement of customer satisfaction should be based on the assessment of the full product and service range, including issues of branding, product and price, distribution and service. But this study will only focus on the service and distribution of the company from customer's perspective as per the consent of the management.

Quantitative means of data collection method was employed to collect the data through questionnaire and key informant interview and a systematic random sampling was used. The data collected was analyzed using statistical tools such as mean, correlation, and regression analysis via SPSS version 20. SERVPERF model was used to identify the relationship among service quality and customer satisfaction.

The study was restricted to assessing the service quality and customer satisfaction in Zaf Pharmaceuticals Plc from April to December, 2016.

1.7 Limitations of the Study

The main limitations of the study could be time and cost constraints. Due to time and cost constraint the researcher focused only in one area. Additionally, even though the researcher has a good accesses to the customers, different factors hinder the research process. The awareness and openness of the customers to the overall research process and research questions one of the challenges.

Chapter Two
Literature Review

Introduction

The aim of this chapter is to present related literature relevant to this research and to provide a theoretical framework. The chapter begins with a review of definitions and some characteristics of customer satisfaction and service quality. Then it follows the methods to measure service quality. The researcher will also discuss the relationship between customer satisfaction and service quality which leads to the conceptual frame work of the study.

2.1. Characteristics of services

Most agree that qualities of services are elusive and abstract concepts. Thus, the characteristics of service quality are not objective, rather subjective for each customer (Bruhn and Georgi, 2006). The four unique characteristics of services in service quality are intangibility, inseparability, variability and Perishability.

According to Vibha, A. et.al 2011, the above four characteristics of services make the process of service purchase and delivery very complex for both customer and seller.
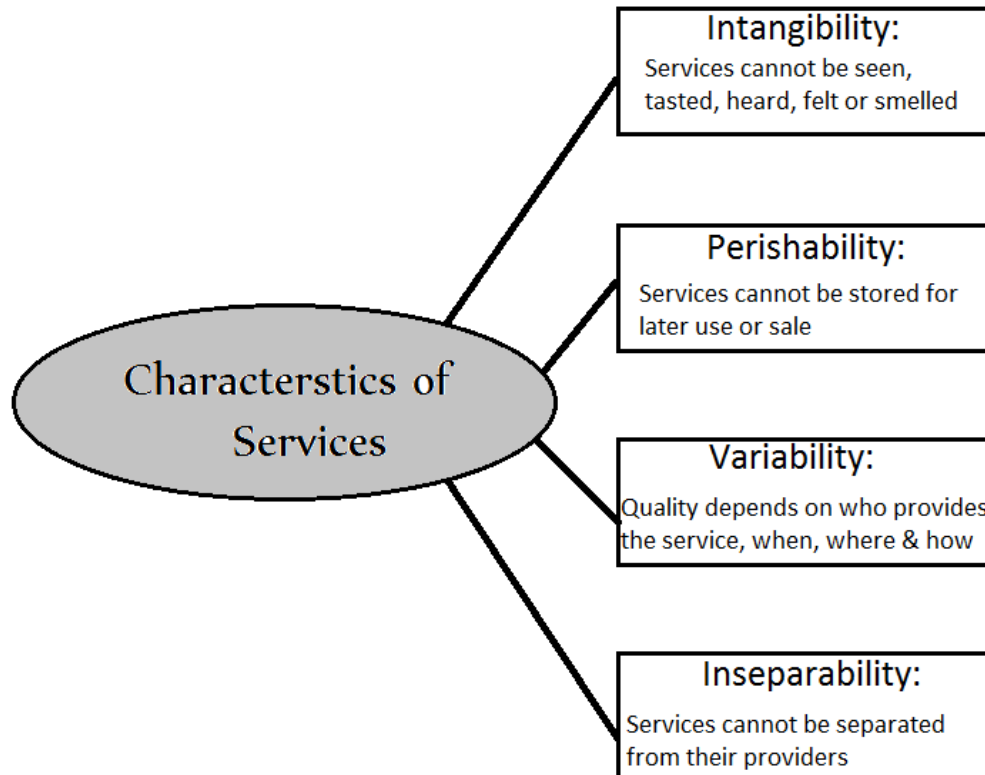
Figure 2.1 Characteristics of services, Kotler and Keller, 2006

The brief definitions of these characteristics are given below:

Intangibility Services, unlike physical goods, cannot be tasted or touched prior to consumption. Generally it refers to the absence of tangible assets which cannot be seen, touched, smelt, heard or tasted prior to purchase (Bruhn, and Georgi, 2006). Because of the abstract nature of services, the authors emphasize the importance of employees and communications.

Inseparability Consumption of services is often inseparable from its means production. Here there are three states of products; they are produced, sold and then consumed. These are the things which are inseparable. The producer and consumer must always interact. The inseparability nature of services makes the evaluation of service before making the purchase rather difficult.

Variability: This typically refers to heterogeneity of services. Not every service follows some unique procedure as humans are involved. According to Bruhn, and Georgi,2006, the heterogeneity is due to different customers. The quality of services is dependent on who provides

the service. The time of service delivery in addition to where and how the services are provided determine the qualities (Kotler and Keller, et.al. 2006).

Perishability: Because services are performances, one cannot store them, save them, or resale them (Padma, et.al. 2009). This implies that service providers have only one shot to impress their customers or at least get things right during the delivery process. Strong recovery strategy might be needed when things go wrong as a result of Perishability of nature of services. In pharmaceutical, medication and drugs need to be accurate within the expiration date the first time around. Customers don't take something like this easily.

2.2. Customer Satisfaction

Those who buy goods or receive services provided by companies, organizations or service providers in general are regarded as customers. In other words, customers are stakeholders who pay in expecting of a service from the service provider. For example, individuals who visit a supermarket and clothing shop to buy different item are customers. In the bank industry, manufacturing product retailers and others we see customer. For instance, *'Lehulu'* and other service providers in Ethiopia provide different services to people. ZAF pharmaceutical is also one of the service providers in Ethiopia. A company's existence entirely depends on the existence of customers who seek different services.

Satisfaction is generally recognized as a pleasurable outcome, 'a desirable end state of consumption or patronization' (Oliver, 1997, p.10). Others could define it differently. Satisfaction can also be a person's feelings of pleasure or disappointment (Kotler and Keller, 2009, p.789). Customer satisfaction is defined as 'the individual's perception of the performance of the products or services in relation to his/her expectation' (Schiffman and Karun, 2004, p.14). The measurement of satisfaction, however, is not an easy task and it is usually taken or performed differently. Customer satisfaction can be broadly defined as customer's pleasurable outcome as a result of the service provided by his/her company (service provider). As it is defined by Tse and Wilton, 1988, customer satisfaction is the customer's response to the evaluation of the perceived discrepancy between beforehand expectations and the service provided. Customer satisfaction may entirely depend on their expectations from their past experience, friend's advice and information provided through advertisement. In other words,

customer judgments, which are made by comparing the service that is experienced against some pre-existing standard, will lead to different level of satisfaction. Robert and Sarah (1996) put customer's positive, neutral or negative feeling about the value she/he received from an organization's product in specific situations. Client happiness which is a sign of customer satisfaction is and has always been the most influential (essential) thing for any organization.

According to Levy (2009) 'the simplest way to know how customers feel and what they want is to ask them'. In the study, three ways of measuring customer satisfied are detailed. These are; customer feedback, which can be transformed into measurable quantitative data, discussions with trained moderators to reveal what customers think and direct talk with customers.

Dehgan, et.al 2012 defined that customer satisfaction as something which bases the customers' experience of both contact with the organization (the moment of truth) and personal outcomes. According to Buttle, 2004, it is a pleasurable fulfillment response while dissatisfaction results to an unpalatable situation. These two aspects of service, satisfaction and dissatisfaction are two ends of a continuum, where its location is defined by a comparison between expectations and outcome. Yi, Y.J. and La, S.N. (2004), on the other hand, define satisfaction differently. It consists of two general conceptualizations: transaction-specific satisfaction and cumulative satisfaction. The first is a customer's evaluation of his/her experience and reactions to a particular service encounter. The later, however, indicates the overall evaluation of the service to date received by the customer. Customer satisfaction is an ongoing evaluation, where Ekinci, 2004 defined it as an evaluation of experience throughout the service process. In other words, a customer's cognitive and effective evaluation of their personal experience across all service defines customer satisfaction (Vibha, 2011).

The National Business Research Institute (NBRI) suggested the following dimensions to be used in measuring customer satisfaction (NBRI, 2009). Quality of service, speed of service, pricing, complaints or problems, trust in the company's employees and closeness of the relationship with contacts in the firm are few of them.

Customer satisfaction could be related to non-quality dimensions. These include; and on-going business relationship, price-performance based on competitors, time, service experience, service context, and entire reputation and outlook of the company/organization. Thus, one can relate

satisfaction to any object of interest. For a study in a Ghana Insurance Industry, customer satisfaction was defined in relation to only dimensions connected to the service quality (Amanfi Jnr Benjamin, 2012). Whereas, according to Qin and Prybutok, 2009, customer satisfaction is not only the pre-dominant objective for the marketing function in the retail outlets, it is also the summary measure for evaluating different aspect for the overall satisfaction which include constructs as pricing or product assortment. Moreover, customer satisfaction is a critical predictor of customer's loyalty to the company, profitability of the retailer's marketing strategies and roles and overall performance of the company in general. The study presented that intercultural competence have an impact on customer satisfaction positively or negatively through personal interaction.

Another debatable concept of customer satisfaction is whether it is subjective or objective in nature. Pizam and Taylor (1999) mentioned that satisfaction process to be subjective in expectations, but objective in the perceptions of the product attributes or outcome. Expectation and perceived performance are elements those themselves subject to external influences to some extent. The main research findings are: reliability and responsiveness are functional quality dimensions that were found to have significant impact on customer satisfaction. Image price and technical quality were also found to be factors. Customer satisfaction could influence the likelihood to recommend, switching intention and repurchase another insurance contract.

In some cases satisfaction can be related to a specific attribute. In insurance industry; third party insurance, accident indemnity, hospitalization insurance and others could affect the overall performance (Cronin, and Taylor, 1992). This was mainly because the report about the accident determines the level and amount of insurance. Promotional activities of the insurance industry in Ghana have developed some expectations and desired services which were noted as influential factor for determining satisfaction.

As in many companies or service delivery organizations, perceptions of service quality and perceptions (of the cost of medication) define customer satisfaction in a retail pharmacy (Laschinger, 2006). The efficiency and knowledge of the staff, in addition the emotional state of the customer might influence customer's satisfaction at retail pharmacy.

Measurements of customer satisfaction give a good indication of the future performance of a company (Chin, 2010). The measurement of customer satisfaction by companies is very important. Thus, strategies should not only target product development, but rather client oriented. Customer satisfaction is also related to bigger retention and loyalty and as a result better profit.

2.3. Customer Expectation

According to Zeithamal et.al (1990), four factors influence customers' expectations. These are word-of-mouth communications; personal needs; past experience; and external communications. When perception of the delivered service does not match the expectation of the customer, then gap is created. Gaps which organizations need to measure, manage and minimize have been identified and explained below (Zeithamal et.al 1990).

When markets get mature and the costs of attracting new customers become high, it is needed to emphasize the retention of existing customers. Therefore, for the existing customers companies should always gather information about expectations when they visit companies. In this regard, one can list three general components below.

- Customer satisfaction is a response whether emotional or cognitive
- Responses of companies pertain to a particular focus to their expectation, product and consumption experience

The needs and expectations of customers usually determine customer satisfaction or dissatisfaction. Therefore, one of the central goals of the organizations must be satisfying the consumers` needs.

Customers have a habit of reshaping industries at inconvenient and unexpected times. At the beginning of complains, expectations and demands of consumers appear irrational, faddish or impossible. But overtime, companies start understanding complains and thus rapid feedback and a focus on the customer becomes the lifeblood of the company.

Customer loyalty is crucial in much business. There are two classes of marketing options; defensive and offensive marketing policies. Through defensive marketing actions the existing customers could be retained assuring loyalty whereas offensive marketing actions refer to

capturing new customers by investing in service quality. Researchers have mentioned that customer loyalty expresses an intended behaviour related to the product or service.

Customers are value – they always search for new product or service with value added on it. In the past few years, expectations of customers have changed. No matter what innovations they have or how they serve it, customer expectations will accelerate. Here their demand is clear (simple to explain) but challenging to provide. On the advanced world, customers now expect free shipping, no-questions asked returns, an end to hidden fees, and money back guarantee (www.forbes.com/marymeehan). The following are always at the heart of customer expectations.

1) Convenience: - People have started getting items in 1-click shopping. Shopping experience has become easier than ever. Amazon online shopping is one of such platform for convenience.

2) Personalization:- This is a way to reach customers where it matters. Now Google has identified the existence of micro-moments, suggesting mobile media.

3) Speed: - Now it is shifting from waiting for long to expecting service or products the same day. Therefore, nowadays retailers are competing to see who can speed up the delivery process.

4) Efficiency: - This is another important aspect of customer expectation. Stores and online website shops have become better and more efficient at helping you find what you want to buy.

5) Empowerment:- In a year it has become to serve 24/7/365 due to technology and other infrastructures. Thus, markets now must constantly monitor data (request) coming to them.

6) Seamlessness:- mobile applications (Apps) turned our phones to computers. Now, wearable are making customer engagement into an even more frictionless experience.

7) Ease: Mobile payment innovations have been slowly making shopping and buying easier and easier. For example PayPal made it possible to buy online (eBay). Now Apple pay goes another step in modernizing the service.

8) Authenticity:- it means the practice of transparency about every aspect of your business could be product origin, labour practices and others.

9) Affirmation:- people want to affirm, show others of what is important to them. This is the effect of globalization which goes with branding strategy. Brands connect customers to their needs which magnify the customer`s values.

10) Customer Expectation Trends: They Want It All. So Get Out Of The Way (taken from http://www.forbes.com/sites/marymeehan)

Table 2.1 Summary of the key concepts of customer expectations

		Then	Now
1	Convenience	One-Click	Dash Buttons
2	Personalization	Perfect the customer journey	Optimize Micro-moments
3	Speed	Overnight shopping	Same-day satisfaction
4	Efficiency	Hunt and Peck	Voice Recognition
5	Empowerment	Customer Reviews	Response to Comments
6	Seamlessness	Wearable and Apps	Wearable
7	Ease	PayPal	Apple Pay
8	Authenticity	Solid History	True Transparency
9	Affirmation	Feeling of Cool	Feeling of Meaning

Meeting customers` expectations have many benefits. First time customers become loyal customers, increased sales and profits as customers become more comfortable and existing customers could bring new customers through word of mouth advert.

In pharmaceutical, whether a wholesaler or a retailer, the customers` perception regarding the service level is extremely important as in the case for any sector. Pharmaceutical retailers are negotiators (midway business people). Therefore, one of the central goals of the organizations must be satisfying the customer needs. The distribution network in most companies follow a network from manufacturer to wholesaler, to retailer, to finally customers. To see a good quality of service to customer within the distribution networks, it is necessary that distributors perform in a perspective of knowledge over their needs and expectations.

In pharmaceutical sector, customer behaviour is more complex which affects the economic implications. Much of the cost is bearded on the customers as they have limited veto (Doctors

decide what they should take). Unlike other sectors, customers` high expectations may not shape the pharmaceuticals.

2.4. Customer Perception

Perception is a psychological term related with personal opinion about something viewed or assessed. In business or service sector, customers have personal perceptions about the service they receive. Even if customer perception is subjective, it usually gives useful information to organizations so that they can stay competent in a competitive market or service industry.

Quality can be defined as superiority or excellence. Thus, perceived quality could be defined as the customers` judgment about the products overall excellence or superiority (V.A. Zeithmal 1988). The perception of individuals becomes high when their expectation meet. Moreover, there are priorities. For example customers prefer price first and quality second. It is also known that customers` perceptions of quality change with time due to information, increased competition, and needs and expectations.

Perception is a process by which an individual select, organize and interpret stimuli in a meaningful picture of the world. Personal factors-what is inside the person, his head and soul could determine consumer behavior and hence perception about the service changes. Most agree that service quality and customer service are greatly influenced by customer perception, where perception itself is affected by the concept of sensation. Sensation is the process whereby the simulation of receptor cells (in the eyes, nose, ears and surface of the skin) send nerve impulses to the brain, where they register as touch, sound, taste or splash of colour and so on (Wortman 1992 and Weiten, 1994). Thus, perception is the process whereby the brain intercepts sensation it receives, giving them order or meaning (Wortman, C.B. et.al 1992).

Apart from the effects of sensory organs on reception, there are many other elements contributing to how perception is formed. These include expectations, motivation, expectancy value models, personality and attitude. These seem very vital in services of public or private sectors. According to Wortman, et.al 1992, our learning experience help to shape our expectations and theses influence the way the customers perceive. Motivation affects perception because it is defined as these factors that give impetus to behaviour by arousing, sustaining and directing it toward the attainment of goals (Maslow, 1954). Moreover, value models explain

motivation by considering both expectancy of achieving a particular goal and the value placed on it. Personality is closely related to that of individuals' differences. Thus, it has some way to influence individuals' perception to a service by any organization. Fishbein, and Ajzen, (1975), defined attitudes as learned relatively enduring dispositions to respond in consistently favourable or unfavourable ways to certain people, groups, ideas or situations. For example a client who has a nice experience with the receptionist will have better perception about the service received than the one who doesn't have good experience. First impression is always important as it has a potential to influence the perception of the customer at the end of the service receiving.

2.5. How to deal with expectation to increase customers' perception

In recent days customers are more knowledgeable and usually have higher expectations. Therefore, understanding their expectations is what makes or breaks a business. One could follow some tips (procedures) of the following key steps to have a good plan for managing customer expectations.

a) Prioritize the needs of your customers. Your staff should be on the same page with regard to what customers expect and ask lots of questions to have better info.

b) Effective communication: As communication is a key to everything, employees should have good communication with customers to address their expectations. It is always good to be honest about your product or service with your customers.

c) Consistency:- It is a human nature to expect consistency in service and service quality. When services received today change from the past experience (in bad way), customers become discouraged. Maintaining consistency in client relations also helps to customer to manage their own expectations because they will always know what to expect.

d) Realistic promises: Companies should not promise something they cannot provide. In business it can be learn to say `No`. Always make promises which are realistic and achievable.

e) Organization:- Good organization is a key for success in our daily life. In business, try to have a detailed list of all customers and needs in an easy place for quick and efficient access. Scheduling and putting orders in a very organized way helps to ensure goods or services delivered at the appropriate and agreed upon time.

Companies with high level of service usually know expectations from their customers and how to meet them. However, the whole process is not easy. Customer`s expectation is not always the same rather it is dynamic. Some of the most common and basic expectations we encounter in the most business include:-

- Fast, efficient and accurate service
- High quality products at a competitive market
- Friendly and helpful service
- Quick response either by email or phone when contacted
- Sufficient stock
- Qualified staff which handles questions efficiently
- A clean store/office or easy website to search items for shopping

Increased customer retention has two important effects. Firstly, the firm`s customer base can gradually increase which is very important at times when the market is slow with low sales growth. Secondly, the profits earned from each individual customer grow leading to a continued loyalty. Important marketing feature is that existing customers tend to buy more than new customers.

2.6. Service Quality

Kotler and Keller (2009) define service as 'any intangible act or performance that one party offers to another that does not result in the ownership of anything. In economic activities, services are offered by one party to another in exchange for money, time and effort. Thus, a service occurs when an interaction is established between customers and service providers and/or the physical component of the service and/or the systems through which the service is delivered (Shahin and Janatyan, 2011).

Philip Kottler (2000) also defines services as 'a service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership or anything, its production may not be tied to a physical product.'

There is no sole definition for quality of a product or service. But most agree that service or product quality is the fitness of the product or service for meeting or exceeding its intended use

by the customer (Anil Kumar and Suresh, 2009). It is subjective that don't have an agreed measure of quality. It usually depends on the point of view of the people defining it. According to Jim Whittle (1995) 'service is the one unique opportunity we have to be better than competitors and make sure our customers return'. It now defines service quality as a concept in business or any service delivery.

According to Newman, K. 2001, service quality is the degree and direction between customers' service expectations and perceptions. Perceived service quality is the evaluation of the service across the episodes when compared to some explicit or implicit standard (Svensson, 2004). Service quality is also seen as how well a service satisfies the expectation of customers (Ekinci, 2004).

All the above definitions refer to one key thing: service quality is the assessment by customers about how well the service fulfills their expectations in terms of perceptions of the actual service delivery.

The service industry has a vital role in the economy of any country. It could be either public or private sector. But in developing countries, the role of public sector seems to be crucial. And with time (globalization effect), customer needs and expectations are changing. Thus, public sector organizations in many countries have come under increased pressure for quality services and improved efficiencies (Randall, and Senior 1994). Service quality in most public sector organizations is the least satisfactory. If the expectation by customers is greater than the service performance, perceived quality is less than satisfactory and general dissatisfaction occurs. Service quality and customer's priority may vary from country to country. Ahmad et.al (2014) has presented comparative study of service quality in the grocery retailing in Malaysia and Turkey. Both countries have quite similar retail service quality scale indicating the homogenous reactions towards retail environment.

Yeo et.al (2015) showed that failure or unreliability of port services can significantly affect port customers-shipping lines and cargo winners. The final result is customers becoming dissatisfied. The study has contributed management practices by port managers to use port service quality scale to get feedbacks from customers. It confirmed that delivering quality port service has a positive significant impact on customer satisfaction.

The concept of service quality and achieving it very well has a wide range of importance. First of all and most importantly, the importance of service quality is the effect it has on the organization as a whole. According to Arasli 2005, Ahmed, 2010, Zeithaml, et.al 2006 and Perez, 2007 the following key importance's of service quality are mentioned.

➢ Service quality has an effect on customer satisfaction.

➢ Service quality has an effect on customer loyalty; customers come back for another service if they get quality service earlier.

➢ Service quality creates competitive advantage for organizations and is associated with successful organizations. The service quality might become a key to success for a company among other companies who provide a similar product of similar quality.

➢ Service quality affects relationships and relationship marketing, as customers are willing to build relationships with organizations that provide service quality.

To provide quality services to customers' retail organizations need to know key drivers of quality services. These include excellent staffs, whom are efficient, have knowledge about their product. In addition speed and efficiency of service by staff and the staff's attitude towards customers during transactions are the keys. The result of the study on retail pharmacies nearby Durban area, South Africa (Adat, 2013) revealed crucial aspects of service quality that need to be addressed by management. The ultimate goal was to improve customer service and satisfaction.

According to (Garvin, 1987), quality has been conceptualized as having eight dimensions. These are:

• Performance - What a customer expect the product or service to do.

• Features - Desirable characteristics

• Reliability - Not malfunctioning or breakdown

• Conformance - Meet specified standards

• Durability - Ability to last, till the customer has no use for it.

• Serviceability - Easy and cheap to repair

• Aesthetics - Look good

• Perceived - Value in the eyes of the beholder

But in addition to those listed above; delivery performance, time-to-market, responsiveness to changes in the environment and the market place and most of all lowest possible cost are important. Profoundly, quality can be defined or recognised only when the product is used or the service is experienced.

Lakhal, (2006) explained that the integration of quality management practices and strategic management provides a synergistic combination. Quality management usually involves stage leadership and strategic planning.

2.6.1. Dimensions of Service Quality

Quality of service is one the things customers look for in a return to their investment (Solomon 2009). Thus, the aim of providing quality service is to satisfy customers. The original study by Parasuraman et al (1988) presented ten dimension of service quality, reduced from a total of 97 attributes (Parasuraman et al 1985). The ten dimensions are:

- Tangibles: the appearance of physical artefacts and staff members connected with the service (accommodation, equipment, staff uniforms, and so on).
- Reliability: the ability to deliver the promised service.
- Responsiveness: the readiness of staff members to help in a pleasant and effective way.
- Competence: the capability of staff members in executing the service.
- Courtesy: the respect, thoughtfulness, and politeness exhibited by staff members who are in contact with the customer.
- Credibility: the trustworthiness and honesty of the service provider.
- Security: the absence of doubt, economic risk, and physical danger.
- Access: the accessibility of the service provider.
- Communication: an understandable manner and use of language by the service provider.
- Understanding the customer: efforts by the service provider to know and understand the customer.

The above were reduced to five dimensions because few are already correlated. These are still widely used by many researchers.

1. Tangibility
2. Reliability
3. Responsiveness
4. Assurance
5. Empathy

According to Armstrong and Kotler (2011), the four main characteristics of services; intangibility, inseparability, variability and Perishability, create unique challenges for services.

2.6.2. Measurements of Service Quality

According to Johns and Howard (1998) measurement of quality of a service has operational value if only the measurement is able to indicate the ways in which the service was or was not satisfactory. The components service quality called the 3 'P's of service quality are described in Haywood 1988. The first being physical facilities, processes and procedures. The second P is personal behavior on the part of serving staff. And lastly Professional judgment on the part of serving staff but to get good quality service. An appropriate and carefully balanced mix of these three elements must be achieved to get better measure of service quality.

Sachdev and Verma, (2004) had stated that service quality by its nature is an elusive, indistinct and abstract concept. It is difficult for the customers to articulate it and hence difficult in delimiting and measuring the concept. The discrepancy between the expected service and service perceived by the customer defines the customer's perception of service quality (Parasuraman et.al 1985). High expectation, more than the actual, leads to less satisfaction. Totally unacceptable quality happens as the negative discrepancy. In contrast discrepancy between expected and perceived service becomes positive when expected is less than the perceived. As a result customers become satisfied and the service quality will tend to an ideal quality. Service quality is thus operationalized as performance (P) minus expectation (E) which is known as computed disconfirmation (Parasuraman et.al 1985). It provides a technology to service providers for assessing and managing their service quality levels by the two parameters of client's perception (P) and expectation (E) (Sachdev, and Verma, 2004). We get maximized quality if the difference between these measures is maximized. The results of the gap analysis carried out among two Ghanaian banks showed that the customers rated these two banks poorly

on all the five dimensions of service quality. The difference between perception and expectation (P-E) was always negative for these dimensions (Oyetunji et.al. 2014). Empathy was the dimension which needed most urgent attention with P-E score of -0.948 for the first bank. However, for the second bank responsiveness (-1.745) was the one with most urgent attention. Although the customers were not satisfied with both banks, they preferred the first bank to the second bank.

In measuring or assessing the dimensions of service quality, Parasuraman et.al 1985 proposed the SERVQUAL scale, later Cronin, and Taylor (1992) came with four different measurement models which included SERVQUAL, SERVPERF, WEIGHTED SERVQUAL, and WEIGHTED SERVPERF. Another approach which is sought to determine which factors or items needed urgent improvement or which is sought to determine which factors or items needed urgent improvement or which resources were not properly allocated. This method is called the importance – Performance Analysis Grid (Martilla, and James, 1977).

Another study came with a method which identified five factors of service quality. These are core services or service product; human element of service delivery; systematization of service delivery; tangibles of services and social responsibility (Sureshchander 2002).

2.6.3. Using SERVQUAL to Measure Service Quality

The most well-known scale for service quality is SERVQUAL that is developed by Parasuraman et.al (1985). The scale is based on the gaps between customer's expectation and perception.

Tan et.al (2010) used SERVQUAL to show that assurance dimension has significant influence on knowledge in the student's perception of service quality rendered by the institution. According to the response by the students, knowledge sharing showed a positive link with trust and confidence.

Most agree that the measurement of the quality of service can be very difficult. It doesn't have specific specification like length, weight, height, thickness, etc. Thus, a service has numerous intangible or qualitative specifications. Additionally, factors such as prior experience, personal needs and what they hear about the service from others can affect service considerably. Researchers have therefore developed a methodology known as SERVQUAL – a perceived

service quality questionnaire survey methodology. SERVQUAL examines five dimensions of service quality.

- Reliability
- Responsiveness
- Assurance
- Empathy, and
- Tangible (e.g. appearance of physical facilities, equipment, etc).

For each dimension of service quality listed above, SERVQUAL measures both the expectation and perception of the service. Then, each of the five dimensions are weighted according to customer importance, and the score of each dimension multiplied by the weighting. Following this, the Gap Score for each dimension is calculated by subtracting the expectation score from the perception score. A negative Gap Score indicates that the actual service (the perceived score) was less than what was expected (the expectation score).

Since the Gap Score is a reliable indication of each of the five dimensions, service providers can use SERVQUAL to obtain an indication of the level of quality of their service provision, and the highlight the areas which require improvement.

One could follow the following steps to carry out a SERVQUAL survey.

1) Select the organization whose service quality you want to assess.
2) Design a questionnaire with statements of expectation and perception with Likert scale
3) Calculate the Gap Score of each of the statements where the Gap Score = perception – expectation
4) Obtain the average Gap Score for each dimension of service quality by assessing the Gap Scores for each of the statements that constitute the dimension and dividing the sum by the number of statements making up the dimension.

5) Sum the averages calculated in step 4 above and divide by 5 to obtain an average SERVQUAL score. This score is the unweighted measure of service quality for the area being measured.

6) If you want to have a weighted score, calculate the importance weights for each of the five dimensions of service quality constituting the SERVQUAL scale. The sum of the weights should add up to 100.

7) Calculate the weighted average SERVQUAL score for each of the five dimensions of service quality multiplying the averages calculated in step 4 above by the weighted scores calculate in step 4 above.

8) Sum the scores calculated in step 5 above to obtain the weighted SERVQUAL score of service quality for the area being measured.

2.6.4. Using SERVPERF to Measure Service Quality

Cronin and Taylor developed the SERVPERF model out of SERVQUAL (Cronin and Taylor, 1992). SERVPERF directly measures the customer's perception of service performance and assumes that respondents automatically compare their perceptions of the service quality levels with their expectations of those services. Cronin and Taylor argued that only perception was sufficient to measuring the service quality. SERVPERF works on the perceived performances and hence gap score between perception and expectation does not exist in this model. In contrary as discussed above, gap analysis is important for SERVQUAL. Wall and Payne stated that people tend to have higher expectation than perception. The psychological constraint guides people to have such trend of analysis for the "desired level" (expectations) of a service and the "existing level" (perceptions) of the service.

SERVPERF also adopts the five dimensions of SERVQUAL. Questionnaire with set of items under each dimension will be designed using Likert scale. According to Hartline, M.D. and Ferrell, O.C. 1996, SERVPERF scale is found to be superior not only as the efficient scale but also more efficient in reducing the number of items to be measured by 50%. This is because it reduces the Likert scale of items for expectation. It is found that service quality, as measured in the SERVQUAL scale, relies more significantly on the perception score than on the expectation score. For this reason, many studies have been conducted by adopting the SERVPERF model.

2.7. Customer Satisfaction and Service Quality

Service quality and customer satisfaction are important concepts in any sector and also for researchers who are studying customer evaluations. To practitioners the study of the relationship between customer satisfaction and service quality helps as a means of creating competitive advantage and consumer loyalty.

Iacobucci, and Ostrom, (1995) found no difference between quality and satisfaction for disconfirmation, keeping promises, customization, empathy, friendliness or purchase intentions. But by some researchers service quality has been described as a form of attitude related to but not equivalent to satisfaction that results from the comparison of expectations with performance (Shepherd, 1999).

There are generally two schools of thought about the relationship between service quality and customer satisfaction (Ahmed, et.al 2010). The first school argued that service quality is the ancestor of customer satisfaction (Antreas,. and Opoulos, 2003, Cronin, and Taylor,1992, Spreng, Mackey, 1996). Whereas, the second school of thought by Bolton and Drew 1991, view that customer satisfaction helps to develop perception of high quality. The earlier agreed with the conclusion by Anderson, et.al (2004) which stated that quality leads to satisfied customers or clients.

A positive relationship between customer satisfaction and service quality may lead customer loyalty (Ahmed, L. et.al 2010). High service quality means more customers who are loyal to the organization and the service provided (Coner, A. and Gunger M.O. 2000). Lai 2004 clearly presented the existence of a positive relationship between dimensions of service quality and customer satisfaction.

In a study by Ahmed (2010), it was found that all the service quality dimensions had a significant relationship with customer satisfaction. The study was conducted among telephone subscribers. The two dimensions of service quality; tangibles and assurance scored much higher than the other dimensions with empathy scoring the lowest. The study also showed that empathy was negatively related to customer satisfaction. In contrast, the other four dimensions were positively related to customer satisfaction.

According to a study of service quality in Mauritian hotels, assurance and reliability were the two most important determinants of customer satisfaction (Juwaheer and Ross,2003). Thus, a hotel could achieve high standard of service quality leading to customer satisfaction if assurance and reliability were given greater priority among the dimensions of service quality.
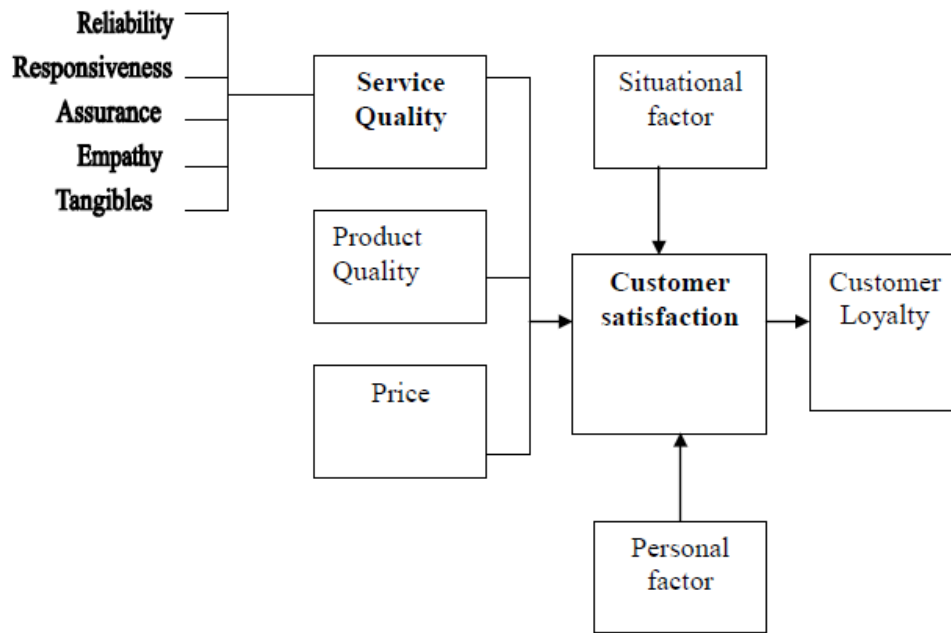
Figure 2.2 Customer perceptions of quality and customer satisfaction (Wilson et al., 2008)

Figure 2, presents a nice demonstration of customer perceptions which defined service quality. They include; reliability, responsiveness, assurance, empathy and tangibles. From the demonstration we see that price and product quality are also factors defining customer satisfaction in addition to service quality. Lastly, it demonstrates the critical aspect of company`s continuality. It is achieved through customer loyalty which is a result of customer satisfaction.

Since customer satisfaction is prevailed during service deliverance or after receiving the service, there is a clear relationship between service quality and customer satisfaction. This has been widely studied and documented. As to Cronin and Taylor 1992, service quality is a determinant of customer satisfaction, because service quality comes from the outcome of the services the customers themselves get. Studies by Anderson and Sullivan 1993, and Spreng and Macky 1996, have presented empirical results supporting customer satisfaction came as a result of service quality. These days, it becomes very important for organizations to perform all the necessary

activities to guarantee customers satisfaction. Positive feedback towards service quality by customers boosts company`s sales and hence a dramatic effect on the overall performance of the company.

Researchers have attempted to precisely define and measure level of satisfaction and service quality. But also admit that the overall process is a broader concept. Where satisfaction is a broader concept, service quality focuses specifically on dimensions of service (Wilson et al 2008). Factors such as price and quality of the product may affect customer satisfaction. Parasuraman et al (1985) in their study proposed that high perceived service quality might lead to increase in customer satisfaction.

Amanfi Jnr Benjamin (2012) explored the relationship between service quality and client satisfaction in the commission on human rights and administrative justice (CHRAJ). One of the recommendations stated that the commission needed to work on service quality attributes which the clients considered most important.

Gap1 – is the distance between what customers expect and what managers think they expect. Due to the managers thinking miss matched with the customer's expectation, the organization may provide 'poor'/ 'wrong' service. To alleviate this problem survey research is often used by organizations. This gap is referred as *positioning gap.*

Gap 2 – is the distance between management perceptions and actual expectations of the customer's experience. Managers need to make sure the organization is defining the level of service they believe is needed. This gap is referred as *the specification gap.*

Gap 3 – is the distance from the experience specification to the delivery of the experience. It is always important to collect feedback from customers after they received the product or being served. Auditing such experience of the customers help the managers to make the services live up to the specifications. This gap is referred as *the delivery gap.*

Gap 4 – is the distance between the delivery of the customer experience and what is communicated to customers. This is also one of the critical gaps which should be addressed by the managers. Organizations usually make customer to have higher expectation during adverts

but doesn't stick (live up) to those expectations and as a result harm customers' perceptions. This gap is referred as *the communication gap.*

Gap 5 – is the distance between the customer's perception of the experience and the customer's expectation of the service. Since word-of-mouth and their own experience and needs affect customer's perception, managers need to understand these important aspects (Nyeck et.al 2002). This gap is referred as *the perception gap.*

2.8. Customer Satisfaction and Service Quality Studies in Ethiopia

Ethiopia is one of the fastest growing countries in Africa. Over the last two decades, many new factories, service delivery institutes and others become functional. As a result Ethiopia is trying its best to cope up with the challenge and go in line with the rest of the world. In a competitive market, customers or clients want effective and satisfactory service. Most people agree that business and services in Ethiopia has been traditional. But recently there are signs of improvements about service quality. For example, monthly bill (water, power usage, telecommunication and other) were collected in less organized way until recently. But now through `*Lehulu*` agent residents of Addis Ababa can pay different bills at the same place at a time.

Companies, organizations and others in Ethiopia are modernizing the overall performance through research and application of new technologies. Call centers by Ethio telecommunication could be mentioned here. Most banks at their busiest branches have started using machine (by printing number) to keep the queue in order, first come first served principle. There are very handful numbers of research in pharmaceutical industry, whereas we see many researches on service quality and customer satisfaction in the banking industry. Researches by Melaku, M. (2015), Awlachew, A. (2015), Deribe and Deribie (2012), Shanmugapriya G. (2014) and Abebe, E. (2013) are few from the banking industry.

Even though, customer perception and expectation are not studied intensively in Ethiopian service industry we have few published studies (see Abrham G/Egziabher, 2015). Perception is a psychological term related with feeling/opinion a person has about something viewed and assessed. Hence, customer satisfaction is influenced by customers' perceptions and expectations. If the perceived service or product quality is close to customer's expectations it leads to

satisfaction. Ethiopian customers to the hotel had lower perceptions score as compared to international guests (Abrham G/Egziabher, 2015).On the other hand, customer expectation among Ethiopian and international guests in three star hotels in Addis Ababa was different (Abrham G/Egziabher, 2015). Ethiopian customers tend to have lower expectations than international customers. The research in the three star hotels shows a positive relationship between the service quality dimensions and customer satisfaction.

2.9. Empirical Review

In a study Amanfi Benjamin (2012), only less than half of the respondents (43%) categorized that the service quality as average. Quite significant proportion of the respondents said that the service quality as below average (approximately 33%). Very small proportion (5%) rated the service as excellent, where as 7% rated the service as poor. The study had specific recommendation to the commission. These recommendations which might help to handle complaints easily and conduct investigations include:

- Ensuring that cases are handled impartially and with an open mind;
- Ensure high professional standards and ethics;
- Ensure procedural fairness by complying with the rules of administrative and natural justice;
- Observe strict confidentiality;
- Ensure transparency, reasonable access to information to all parties and ensure that services are free of charge to all members of the public.

Melaku, M. (2015) studied the impact of service quality on customer satisfaction on a banking sector. The results show that the five dimensions of service quality; tangibility, reliability, responsiveness, empathy and assurance have positive and significant relationship with customer satisfaction. Furthermore, nearly half of the variations (44%) in the customer satisfaction were explained by service quality dimensions in the bank of Abyssinia Share Company.

A study on three insurance companies in Ethiopia show that reliability was the most important determinant of service quality followed by responsiveness, empathy, tangibles and assurance (Awlachew,2015). In somehow related industry, banking, we also see similar analysis.

Competition in the banking industry of Ethiopia has put into a lot of pressure on the operating banks. Thus, various strategies are being taken by the banks to retain their customers (Mesay Sata Shanka, 2012). Increasing the level of service quality was one of them which coincide with study by Almossawi 2001. It stated that service quality is particularly important component in banking services as it provides high level of customer satisfaction and hence become a key to competitive advantage. Mouawad and Kleiner 1996 also mentioned that bank's success and performance is highly dependent on the service quality it provides to customers.

Another study in Ethiopia presented the mean score of the five dimensions of service quality. The highest mean was scored by tangibility (3.400) followed by assurance and reliability with mean score of 3.175 and 3.000, respectively, Mesay Sata Shanka (2012). The numbers showed that private banks in Ethiopia are doing well with regard to satisfactory level of possessing good looking equipment, visually appealing materials and neat appearing employees. The mean score values for service quality dimensions ranged between 2.6 and 3.4. The assurance component of dimension of service quality showed that the banks secure and trustworthy service made the customers to have good perception. Another interesting result was the existed significant positive relationship between the five dimensions of service quality. The study concludes by recommending organization to always strive to ensure customer satisfaction.

The correlation analysis done by Terefe and Singh 2016, showed a positive and significant relationship between each dimensions of service quality and customer satisfaction. Accordingly, about 59% of variance in customer satisfaction can be explained by these five dimensions of service quality. In this study the dimension reliability was seen as the most important predictor of overall customer satisfaction. A unit increase to reliability would result with 37 percent increase in the customer's satisfaction, while other dimension held constant.

In alcohol and liquor industry, Zeleke 2012 showed that 79.2% of the variation in customer's satisfaction was explained by the five service dimensions, while the remaining 20.8% variation was explained by other factors not discussed in this study. The lowest mean score achieved from the answers of the questions designed for SERVQUAL analysis was 3.64, whereas the highest score was 3.98. Moreover, assurance has the greatest impact on customer satisfaction, while empathy and responsiveness were found to have least effect on customer satisfaction.

According to a study on the effect of service quality on customer satisfaction in a Vodafone industry in Ghana a regression model showed that 63% of the observed variability in total customer satisfaction was explained by the total service quality variables (Agyapong,2011). The result recommended that Vodafone Ghana must put more effort into improving the competence of staff and also making their services more tangible.

2.10. Conceptual Framework

Service Quality is a vital antecedent of customer's satisfaction (Cronin,, and Taylor 1992).In turn customer satisfaction is believed to affect post-purchase and perception and future decisions. Previous literatures show that there is a relationship between service quality and customer satisfaction. Based on Service quality and Customer satisfaction theory there are relational factors such as Tangibility, Responsiveness, Reliability, Empathy and Assurance on the Satisfaction of customers. Moreover, the SERVPERF model has been proven to be one of the best models to measure service quality in service sectors especially with the customer perspective. This idea generates an assumption that those five dimensions of SERVPERF model could have a direct relationship with customer satisfaction. In other words, the researcher wants to study that whether if these five dimensions of service quality can positively affect the customer satisfaction towards the services provided by ZAF pharmaceuticals or not.

The conceptual framework indicates the crucial process, which is useful to show the direction of the study. Thus, the researcher presents a pictorial demonstration of these five dimensions collectively named as dimensions of service quality following theories indicated in Parasuraman et.al, (1988)(see Figure 2.3).
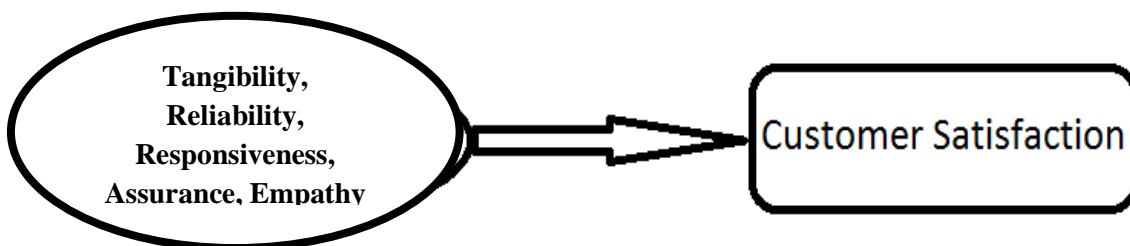
Figure 2.3 Conceptual frameworks on the effect of the service quality on customer satisfaction

Chapter Three
Research Methodology

3.1. Research design

The researcher used a descriptive and cross-sectional design. Only one time event data was collected even though perception towards same service is dynamic and hence might change overtime.

3.2. Research approach

There are several method and procedures that were used in this study. Both qualitative and quantitative methods were used to analyze the data collected from customers. For a reliable and valid service quality measurement scale, an empirical study was undertaken on specific methodology. Due to the reasons mentioned in detailed in the literature part the researcher preferred to use SERVPERF model than SERVQUAL.

3.3. Source of Data

Qualitative and quantitative data were collected using structured questionnaire and key informant interview. Primary data was collected from sampled customers and secondary from available documents in the company and other relevant documents from the customers' side. In the process of collecting data, a questionnaire consisting of both structured and open ended questions were developed. Key informant questionnaire was also designed to get qualitative and in-depth information. The service quality dimensions were measured using different techniques.

3.4. Sampling techniques

A systematic random sampling method was used to select the first customer from each customer type (wholesalers and pharmacies). After this, every nth list was taken until the researcher gets the representative number from the list of the customer types.

3.5. Sample size

The sources for samples of this study are wholesaler and retailer customers (pharmacies) of ZAF Pharmaceuticals. The company has currently a total of 283 wholesaler customers out of 305 registered throughout Ethiopia. From this, 139 wholesalers are located in Addis Ababa. Additionally, it has 492 retailers in Addis Ababa out of 510 registered retailers. Active wholesalers distribute company's products to retailers (drug stores, hospitals and pharmacies).

To determine sample size, here the researcher considered the two major categories of customers; wholesalers and pharmacies. Total customers of ZAF in Addis Ababa were 631 (139 + 492 from wholesalers and retailers). Because of time and financial constraint the researcher considered a sample size equal to 20% of the total population (American Publication Manual, 2010). Therefore, the total sample size for study was 126. To keep the proportionality, questionnaire was distributed accordingly; 100 questionnaires were distributed to pharmacies (retailers), whereas 26 were distributed to the wholesalers.

3.6. Method of data analysis

SPSS version 20 Statistical package was used to analyze and present the data collected. The descriptive statistical results were presented using tables, frequency distributions and percentages to analyze the data. Summary statistics such as mean values and percentages was computed for each variable. In addition correlation techniques were used to evaluate the relationship between service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) and customer satisfaction.

3.7. Research Ethics

The data collected was only used for the intended purpose of the study. As it was clearly indicated on the questionnaire, the responses of the respondents were kept confidentially. The same was true for the responses obtained from the key informant interviews. Identity of the interviewees was kept confidentially and it will stay that way. In both methods of data collection, the researcher approached the customers and assured about the confidentiality and privacy of their responses.

3.8 Reliability and Validity

3.8.1 Reliability

Reliability is the degree to which an assessment tool produces stable and consistent results. In other words, it refers the repeatability of findings if the study were to be done a second time. Moreover, we want to be sure that all our indicators are related to each other. The reliability can be tested using Cronbach's alpha method.

3.8.2 Validity

Validity refers to the credibility or believability of the research. It is also indicated that the important issues of measuring validity relates to whether measure of concepts really measures concept. In this research, construct validity has been used. To construct validity in terms of discriminate validity test, correlation analysis between the variables was performed.

Chapter Four

Data Presentation, Analysis and Interpretation

4.1 Introduction

This chapter describes the analysis and interpretation of the collected data. During the survey a total of 126 questionnaires that prepared in English were distributed to customers of ZAF and 112 of the distributed questionnaires were returned, of which 88 are returned from those who are distributed to retailers and the rest 24 are from wholesalers. This gives an 88.9% return rate. Individual return rate by customer type is 88.0% (88 out of 100) for pharmacy only and 92.3% (24 out of 26) for wholesale. The analysis is therefore made based on these 112 returned questionnaires. The questionnaires were developed by constructing Likert scales for SERVPERF model. The statements used to assess the satisfaction of customers are set with five scales ranging from one to five; where 1 represents strongly disagree, 2 disagree, 3 neutral, 4 agree, and 5 strongly agree. All questionnaires were filled by the customers of ZAF. Descriptive statistics were used for demographic factors and further analyses were done in order to know the current information of ZAF with regard to the factor that influences customer satisfaction. The data was analyzed using SPSS version 20.

Table 4.1 Number of respondents by customer type (pharmacy or wholesale)

	Male	Female	Total	Percent	Cumulative Percent
Pharmacies	55	33	88	78.6	78.6
Wholesales	18	6	24	21.4	100.0
Total	73	39	112	100.0	

ZAF has two types of customers; pharmacies (retailers) and wholesales. The majority of ZAF customers are pharmacies. From the collected data, 88 respondents (78.6%) were from pharmacies, whereas the 24 (21.4%) were from wholesales (see Table 4.1).

4.2 Respondents Profile

Descriptive statistics were used for the demographic factors of are gender, education qualification, age, and job title at their respective wholesales and pharmacies/retailers. The results obtained from the structured questionnaire are represented on the table below, Table 4.2.

Table 4.2 Gender profile of the respondents

Gender	Frequency	Percent	Cumulative Percent
Male	73	65.2	65.2
Female	39	34.8	100
Total	112	100	

From the 112 respondents 73 (65.2%) respondents were male and the rest 39(34.8%) respondents were female.

Table 4.3 Age profile of the respondents

Age	Frequency	Percent	Valid Percent	Cumulative Percent
18-29	6	5.4	5.4	5.4
30-39	88	78.6	78.6	83.9
40-49	14	12.5	12.5	96.4
50 and above	4	3.6	3.6	100.0
Total	112	100	100	

As it is indicated in Table 4.3, the majority of the respondents were from 30 to 39 years old, which accounts for 88 (78.6%) of the respondents. Whereas 6 (5.4%) respondents were between 18 to 29 years old, 14 (12.5%) of the respondents were from 40 to 49 years old and the rest 4 respondents were 50 and above years old.
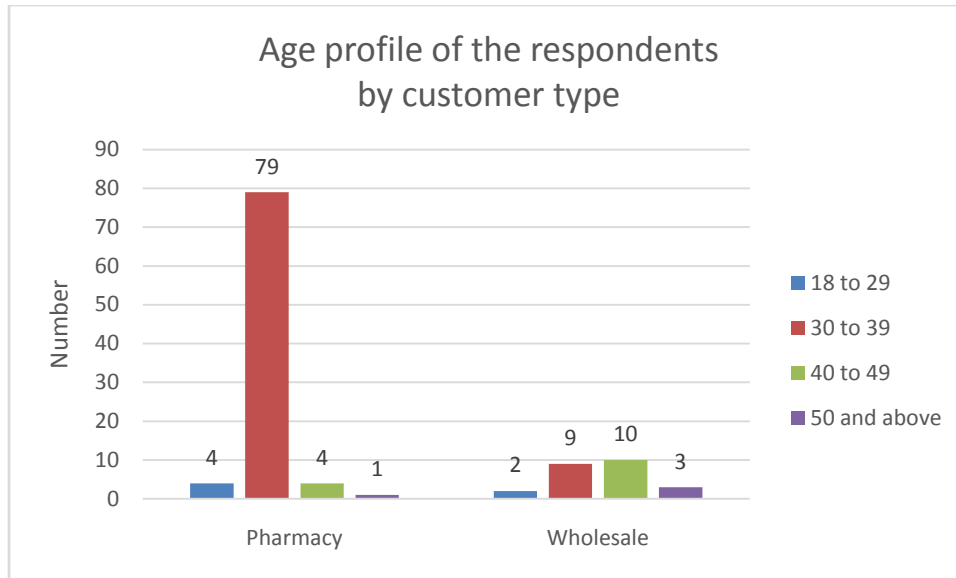
Figure 4.1 Age profile of the respondents by customer type

As it evident from the bar graphs above (Figure 4.1), the majority of the respondents of the pharmacy customer type are between 30 and 39 years old whereas, in the wholesale customer type, the majority of the respondents are either between 30 to 39 or between 40 to 49 years old.

Table 4.4 Education level and job title profile of the Respondents

Demographic Factor		Frequency	Percent	Cumulative Percent
	Diploma	4	3.6	3.6
	Degree	100	89.3	92.9
Education level	MSc.	8	7.1	100.0
	Total	112	100	
	Manager	41	36.6	36.6
	Owner	35	31.3	67.9
Job title	Manager and Owner	5	4.5	72.3
	Salesperson	31	27.7	100.0
	Total	112	100	

Regarding educational level, Table 4.4 showed that nearly 90% of the respondents were degree holders. 100 respondents out of 112 were degree holders. The rest 3.6 % (4) and 7.1 % (8) respondents were diploma and MSc holders, respectively. The same table, Table 4.4 presents job title or linkage of the employee at the customer of ZAF. Very few respondents own the company as well as managing which accounts for only 4.5 % (5). Almost equal proportion of the respondents were either managers or owners or salesperson which account for 36.6 % (41), 35(31.3%) and 31 (27.7%) of the respondents, respectively.
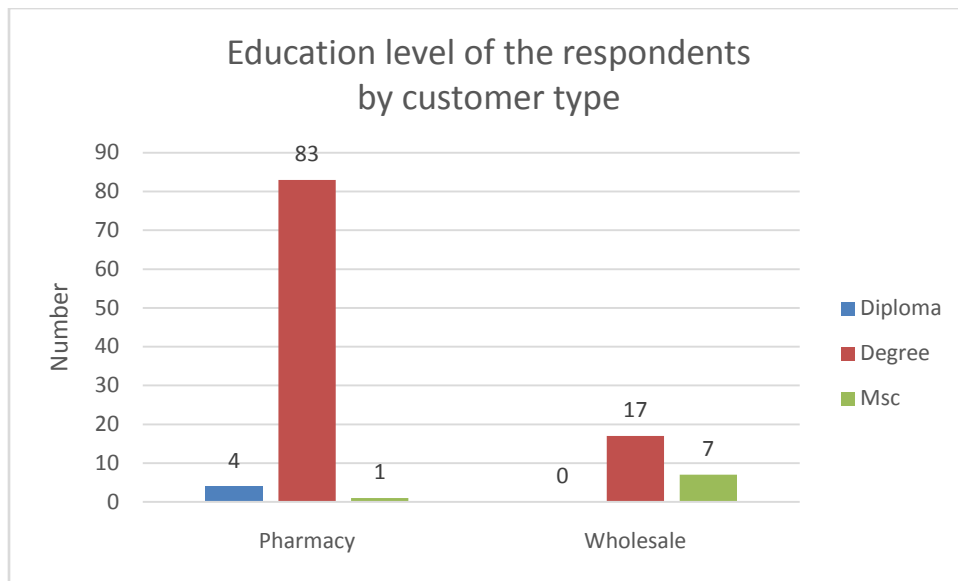
Figure 4.2 Education level of the respondents by customer type

From the bar graph in Figure 4.2 the majority of the respondents of both pharmacy and wholesale are degree holders. This shows that the pharmaceutical customers were either run or owned by first degree qualified individuals.

4.3 Descriptive Analysis of Service Quality Measurement

To measure the customer's perception of the service quality provided by ZAF, SERVPERF model was used. The method directly measures the customer's perception of service performance. The model contains questions with a five point Likert scale which help measuring the performance. For all the five dimensions of service quality, the mean score have been computed and presented in Table 4.5.

Table 4.5 Measure of Service Quality (All customers)

Dimensions	Measurement items	Mean	S.D
Tangibility	ZAF Pharmaceuticals has up-to-date technology and equipment	4.5179	.71006
	Physical facilities at ZAF Pharmaceuticals (office building, parking and others) are appealing	3.9732	.43413
	Employees are well dressed and friendly	3.1964	.69541
	The products are never expired (medical)	3.1696	.75800
	Tangibility	**3.7143**	**.86883**
Reliability	Services are provided at the time they promised to do so	2.7411	.81368
	The employees show sincere interest in solving your problem	2.6696	.75203
	The employees perform error free service from the start	2.6161	.77396
	Records of your orders, payments and delivery are kept in order	2.4286	1.00193
	Reliability	**2.6138**	**.84636**
Responsiveness	The number of employees are adequate during your contact (whether phone or physical visit)	4.0446	.87393
	The employees always provide you the basic information (such as expected date of deliverance of your product, steps in the logistics)	3.5357	.80459
	The employees are always very helpful	3.3125	.77146
	Responsiveness	**3.6310**	**.87116**
Assurance	Confidence about the service is installed on the first visit or contact	3.1161	.62595
	You feel safe and confident with the overall service	3.1875	1.08662
	The employees are constantly polite	2.9821	.72263
	The employees always provide you the adequate	3.0089	.60769

	information on the service requested		
	Assurance	**3.0737**	**.78659**
	The employees always give individual attention	**2.5982**	**.74083**
	The employees understand your specific needs	**2.8304**	**.68298**
Empathy	Office hours are convenient for your acquaintance	**2.8125**	**.77728**
	Empathy	**2.7470**	**.74010**

Decision Rule

- ✓ **Poor : 1—1.49**
- ✓ **Fair : 1.5—2.49**
- ✓ **Average : 2.5—3.49**
- ✓ **Good Quality : 3.5—4.49**
- ✓ **Supreme Quality : 4.5—5.00**

4.3.1 Tangibility

It refers to the appearance of physical facilities, equipment, personnel and communication materials. From the table above, the mean value of tangibility is 3.7143. The highest mean score obtained is from the company's usage of up-to-date technology and equipment which is a good quality. Whereas, the lowest mean score is from the statement which ask the products never expired Likert scale question.

4.3.2 Reliability

This dimension of service quality determines the ability to perform the promised service dependably, accurately and consistently. Reliability in general refers to the ability of providing service as promised. Accordingly the mean value of reliability is 2.6138. This was very low compared to that of the previous dimension of service quality, tangibility. The highest mean score is obtained on question which asks whether if services are provided at the time they promised. The least was from the response to the question, records of orders, payments and delivery are kept in order.

4.3.3 Responsiveness

Responsiveness refers to the prompt response to the service need of the customer and the readiness of the employees to provide service. Communication is one of the key determinants as to this dimension of service quality. Therefore, responsiveness touches on the subjects as information about the request by customers being authorized promptly, communication of new products and the overall handling of customer very professionally. As it is noted in the table, the mean score of responsiveness is 3.6310. The highest mean score is obtained on the question which asks whether if the numbers of employees assisting are adequate. Whereas, the lowest mean score was on the question which asks whether if the employees are always very helpful.

4.3.4 Assurance

This dimension of service quality refers to the knowledge and courtesy of employees and their ability to convey trust and confidence. According to the respondents reply, assurance has a mean score of 3.0737. The highest mean score came from the question which asks you feel safe and confident with the overall service, whereas, the lowest score came from the question which asks whether if the employees are constantly polite.

4.3.5 Empathy

Empathy is providing caring and individualized attention to customers. This usually makes the customers feel they are receiving caring services and individualized attention. True empathy comes from putting one's self in the shoes of the customer. Accordingly, the mean score of empathy is 2.7470, in which the highest score is from the question which asks the employees understand your specific needs Whereas, the majority of the respondents believe that individual attention given by the employees in minimum.

In the tables below (Table 4.6 to Table 4.8) the researcher presents the mean score of the service quality dimensions by gender for pharmacy only, wholesale only and both pharmacy and wholesale. Table 4.6 presents mean scores for pharmacy only, and Table 4.7 presents mean scores for wholesale only. The averaged mean scores by customer type is presented in Table 4.8.

Table 4.6 Mean Score of Service Quality Dimensions by Gender (Pharmacies)

Dimensions	Gender	Frequency	Mean	S.D.	Std. Error Mean
Tangibility	Male	55	3.7045	.81031	.05463
	Female	33	3.6970	.87317	.07600
Reliability	Male	55	2.5000	.78514	.05293
	Female	33	2.3712	.57166	.04976
Responsiveness	Male	55	3.7212	.90788	.07068
	Female	33	3.7172	.72900	.07327
Assurance	Male	55	3.0727	.81324	.05483
	Female	33	3.0985	.72953	.06350
Empathy	Male	55	2.6280	.63782	.04981
	Female	33	2.6364	.63010	.06333

From the mean score summary results presented in Table 4.6 for pharmacy customers, the mean score value for the dimensions; tangibility, reliability and responsiveness have highest score by male whereas, assurance and empathy have highest mean score for the opposite gender.

Table 4.7 Mean Score of Service Quality Dimensions by Gender (Wholesales)

Dimensions	Gender	Frequency	Mean	S.D.	Std. Error Mean
Tangibility	Male	18	3.7917	1.03376	.12183
	Female	6	3.6667	.86811	.17720
Reliability	Male	18	3.2222	1.06443	.12544
	Female	6	3.1667	.86811	.17720
Responsiveness	Male	18	3.2963	.88231	.12007
	Female	6	3.3333	.97014	.22866
Assurance	Male	18	3.0278	.75007	.08840
	Female	6	3.0833	.97431	.19888
Empathy	Male	18	3.1481	.91954	.12513
	Female	6	3.1111	.90025	.21219

Similar to the trend for pharmacies, the two service quality dimensions; tangibility and reliability have highest score for male from respondents of wholesale customers (see Table 4.7). However, as opposed to the pharmacy respondents, females of wholesale respondents have given highest mean score for responsiveness. The trend for the mean score for assurance stayed the same where female respondents have highest mean score. Lastly, male respondents of whole have the highest score for empathy compared to the other gender counterpart.

Table 4.8 Mean Score of Service Quality Dimensions by Gender (All customers)

Dimensions	Gender	Frequency	Mean	S.D.	Std. Error Mean
Tangibility	Male	73	3.7280	.86965	.05089
	Female	39	3.6923	.86967	.06963
Reliability	Male	73	2.6781	.91520	.05356
	Female	39	2.4938	.68624	.05494
Responsiveness	Male	73	3.6164	.91817	.06204
	Female	39	3.6581	.77862	.07918
Assurance	Male	73	3.0616	.79710	.04665
	Female	39	3.0962	.76857	.06153
Empathy	Male	73	2.7671	.76363	.05160
	Female	39	2.7094	.69555	.06430

Regarding the gender variability of the mean scores averaged over customer types of ZAF the researcher has presented a summary table, Table 4.8. As in the case for pharmacy and wholesale respondents, we see differences of mean scores by gender for the entire data (when pharmacy and wholesale are grouped as one). As it can be seen from the table, tangibility, reliability and empathy have highest mean scores by male respondents. Whereas for two dimensions of service quality; responsiveness and assurance, mean score of female respondents is higher than that of the male counterpart.

4.4 Attitudes towards staff of ZAF

The perception of customers towards the staff of ZAF is very important for the overall satisfaction of the customers. Below in Table 4.9 the researcher presents a summary of the results to demonstrate the specific issues related with staff.

Table 4.9 Summary of attitudes of the customers towards staff of ZAF

	Very Bad	Satisfactory	Good	Very Good	Do not know	Total
Staff friendliness		6	40	63	3	112
Staff appearance	1	12	46	52		112
Staff skills	3	13	38	56	2	112

As it can be seen from Table 4.9, the majority of respondents believe that ZAF staff are friendly to the customers, which accounts for 63(56%) of the respondents attitude towards staff friendliness. 103 (92%) respondents replied that staff friendliness is either good or very good. Only a handful proportion (6 respondents) have low, satisfactory, attitude towards ZAF staff friendliness. With regard to staff appearance, one respondent has very bad experience and 12(10.7%) respondents have satisfactorily attitude. However, the majority of the respondents, 98(87.5%) have either good or very good experience with staff appearance. We also see a similar trend with attitude towards staff skills with exception that more respondents (3) have very bad attitude towards staff skills. The majority, 94(84 %) of the respondents believe that the skill of the staff of ZAFis either good or very good.

4.5 Overall feeling towards service quality

The table below presents the overall feeling towards the service quality provided by ZAF.

Table 4.10 Overall feeling towards service quality

	Frequency	Percent	Valid Percent	Cumulative Percent
Very Bad	1	0.89	0.89	0.89
Satisfactory	7	6.25	6.25	7.14
Do not Know	1	0.89	0.89	8.04

Good	46	41.07	41.07	49.11
Very Good	57	50.89	50.89	100.00
Total	112	100.00	100.00	

As it can been seen from Table 4.10, slightly over half of the respondents have very good feeling towards the service quality provided by ZAF. An additional huge proportion 46(41%) of the respondents also have good feeling towards the service quality provided by ZAF. Nearly 6% of the respondents have satisfactory level of service quality. One respondent believe that the service quality is very bad. Moreover, one respondent doesn't know the exact feeling towards the service quality.

Below the researcher presents, the level of customers' expectation on the service of ZAF

Table 4.11 the level of customers' expectation towards the service of ZAF

	Pharmacies	Wholesales	All Customers
Number of individuals with high expectation	79	18	97
Number of individuals with low expectation	9	6	15
Total	88	24	112

According to Table 4.11, for pharmacy customers of ZAF, 79(89.7%) respondents have high expectation, whereas the remaining 9(10.3%) respondents have low expectation. On contrast, as compared to pharmacy customers, respondents of wholesale customers have reduced expectation towards the service of ZAF. Three quarter of the respondents of wholesale have high expectation, whereas the rest one quarter have low expectation towards service of ZAF. When all the respondents considered as one group, 97 out of 112 (86.6%) have high expectations, whereas the rest 15 (13.4%) have low expectations.

A following up question was designed to ask the respondents whether if their expectations have been met by ZAF or not. The researcher has presented the summary of the results in the table below.

Table 4.12 Customers' response whether if their expectations to the service are met or not

Responses	Pharmacies	Wholesales	All Customers
Yes, ZAF did meet my expectation	72	17	89
No, ZAF did not meet my expectation	16	7	23
Total	88	24	112

As it can be seen from Table 4.12, 72(81.8%) of the respondents from pharmacy, their expectations have been met. However, the remaining 16(18.2%) responded that their expectations have not been met. From the respondents of the wholesale, 17(70.8%) replied that their expectation have been met. Whereas, 7(29.2%) respondents' expectations have not been met. The overall experience (pharmacy and wholesale) towards expectation is that 89(79.5%) respondents out of 112 have their expectations met. Whereas, the rest nearly 20% of the respondents responded that their expectations have not been met.

Some respondents of the questionnaire have given responses as to why their expectations with regard to the service of ZAF were not met. Here the researcher presented a summary of the selected responses.

"Sometimes we will receive our orders after a delay for about five to ten days. Moreover, compensation to losses or inconveniences is unthinkable". According to the respondents, only apologies and promises are the usual responses for an improvement for the next order.

"*Communication gap and bureaucracy created some uncomfortable condition during the order of some items and also at the time of receiving our orders. The communication gap is worst when dealing orders over a phone. Sometimes orders become displaced or not put properly and make it difficult for employee to track of activities on that specific order.*"

As a suggestion for improvement, some respondents advised ZAF pharmaceutical to focus on the importance of efficient and quick service delivery.

Table 4.13 Customer satisfaction towards the service provided by ZAF

Over all feeling	Pharmacies		Wholesales		All customers	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Highly Dissatisfied	2	2.27	1	4.17	3	2.68
Dissatisfied	4	4.55	4	16.67	8	7.14
Neutral	20	22.73	4	16.67	24	21.43
Satisfied	57	64.77	13	54.70	70	62.50
Highly Satisfied	5	5.68	2	8.33	7	6.25
Total	88	100.00	24	100.00	112	100.00

As it can be seen from Table 4.13, only 5 (5.68%) of the respondents from pharmacy customers are very satisfied by ZAF's service provided to them. However, a significant proportion of respondents (approximately 65%) are satisfied. 20 (22.73%) of the respondent remain neutral. On contrary, four and two respondents out of 88 respondents from pharmacy are dissatisfied and highly dissatisfied, respectively. Therefore, even if the highest percentages of respondents are somehow satisfied by the service provided by ZAF nearly 7% of the respondents of pharmacy customers are dissatisfied. The dissatisfaction level increases for wholesale customers. More than 20% (5 out of 24) of the respondents of wholesale are dissatisfied by the service of ZAF. Whereas, 62.5% (15) respondents are still either satisfied or highly satisfied. Therefore, service provided to wholesale customers is relatively poor as compared to those given to pharmacy customers. With regard to the overall customer satisfaction, 70(62.50%) of the respondents of ZAF (both pharmacy and wholesale) are satisfied, with additional 7 (6.25%) are highly satisfied.

4.6 Reliability and validity test

Cronbach's alpha is the most common measure of internal consistency ('reliability'). It is most commonly used when we have multiple Likert questions. In this study, there were 112 returned questionnaire with all the feedbacks filled and no missing data. In Table 4.14, we have included the summary of the reliability test, Cronbach's Alpha. Clearly we can see that the Cronbach's alpha are higher than 0.70 for all the service quality dimension questions as suggested by Hair,

J.F. et al. (1998). The values for Cronbach's Alpha of this questionnaire show higher consistency.

Table 4.14 Reliability Statistics

Service quality Dimension	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Tangibility	.860	.876	4
Reliability	.940	.946	4
Responsiveness	.929	.931	3
Assurance	.904	.930	4
Empathy	.922	.923	3

For the validity test, one has to look at the correlation results. Based on the result of the Pearson correlation coefficient, the result shows that correlations are low with values no higher than 0.9, as proposed by Hair, J.F. et al. (1998)(see Table 4.15 for the details of the correlation).This indicates that the constructs are distinct from one another and is deemed to be an acceptable level of discrimination. Therefore, content validity of the questionnaire which has the Likert questions is also established.

4.7 Correlation Analysis between Service Quality Dimensions and Customer Satisfaction

Table 4.15 Correlations

		Tangibility	Reliability	Responsiveness	Assurance	Empathy	Customer Satisfaction
Tangibility	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	112					
Reliability	Pearson Correlation	.721**	1				
	Sig. (2-tailed)	.000					
	N	112	112				
Responsive ness	Pearson Correlation	.610**	.636**	1			
	Sig. (2-tailed)	.000	.000				

	N	112	112	112			
Assurance	Pearson Correlation	.605**	.555**	.717**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	112	112	112	112		
Empathy	Pearson Correlation	.631**	.822**	.770**	.690**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	112	112	112	112	112	
Customer Satisfaction	Pearson Correlation	.724**	.538**	.550**	.324**	.447**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	112	112	112	112	112	112

**. Correlation is significant at the 0.01 level (2-tailed).

From the results presented in Table 4.14 we can see that tangibility is highly correlated to customer satisfaction (0.724) followed by responsiveness (0.550), reliability (0.538), and empathy (0.447) and assurance (0.324). We have positive and significant interrelation among the service quality dimensions. This shows that one of the service quality dimensions will positively motivate the other service quality dimension. The highest inter correlation is between reliability and empathy followed by the correlation coefficient between responsiveness and empathy.

The result in Table 4.15 confirms that there is a positive and significant relationship between the service quality dimensions and customer satisfaction. Hence any improvements to any of the service quality dimensions contribute to better satisfy the customers.

4.8 Regression Analysis

In this section the researcher discusses the relationships among variables using a statistical process namely regression analysis. It allows us to find the relationship between a dependant variable and one or more independent variables. Additionally, it allows us to predict the value of the dependant variable when a chosen independent variable is varied while the rest are held constant. For the regression analysis, the five service quality dimensions; tangibility, reliability, responsiveness, assurance and empathy are the independent variables Whereas, customer satisfaction is the dependant variable.

4.8.1 Tangibility

In the table below, the researcher has presented model summary of tangibility.

Table 4.16 Model Summary for Tangibility

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.724[a]	.524	.520	.56674

a. Predictors: (Constant), Tangibility

We can clearly see from Table 4.16, there is a positive statistical relationship between tangibility (the independent variable) and customer satisfaction (the dependant variable). The R-Square shows that a proportionate amount of variation in the response (customer satisfaction) is well explained by tangibility. 52% (R^2 = 0.524) of the variation of the customer satisfaction is explained by tangibility.

Table 4.17 Coefficients for Tangibility

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.335	.364		-.922	.359
	Tangibility	1.066	.097	.724	11.007	.000

a. Dependent Variable: CustomerSatisfaction

From Table 4.17 above, a unit increase in tangibility increases the level of customer satisfaction by more than a unit (1.066). This shows that there is a strong correlation that the independent variable influences the dependant variable. Therefore the more ZAF pharmaceuticals invest on facilities, technology and appearances of its personnel help (improve) the satisfaction level of the customers.

4.8.2 Reliability

In the table below the researcher has presented a model summary for reliability.

Table 4.18 Model summary for reliability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.538[a]	.289	.283	.69269

a. Predictors: (Constant), Reliability

Similar to tangibility, from Table 4.18we see a positive statistical relationship between reliability (the independent variable) and customer satisfaction (the dependent variable). Moreover, 28%(R^2 = 0.283) of the variation on customer satisfaction is explained by the independent variable reliability.

Table 4.19 Coefficient for Reliability

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.140	.231		9.243	.000
	Reliability	.568	.085	.538	6.689	.000

a. Dependent Variable: Customer Satisfaction

From Table 4.19, which presents the coefficients, we see that a unit increase reliability increases the customer satisfaction by 0.568 when others are held constant. This value is the measure for how strongly the independent variable influences the dependent variable. ZAF pharmaceuticals should invest to improve fast delivery to the promised level. It should work to improve the documentation of orders and efficient way of solving issues which might encounter during business with clients.

4.8.3 Responsiveness

Below the researcher presents the model summary of the regression analysis for the service quality dimension: responsiveness,

Table 4.20 Model summary for responsiveness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.550[a]	.302	.296	.68642

a. Predictors: (Constant), Responsiveness

From the regression analysis presented in Table 4.20, we can see that there is a positive statistical relationship between the independent variable (responsiveness) and the dependent variable

(customer satisfaction). The R Square value shows the proportion of variability of customer satisfaction due to the variability of the responsiveness dimension. Thus, 30% ($R^2 = 0.302$) of the variation on the customer satisfaction is explained by the variation of the independent variable responsiveness.

Table 4.21 Coefficients for Responsiveness

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.492	.316		4.722	.000
	Responsiveness	.587	.085	.550	6.898	.000

a. Dependent Variable: Customer Satisfaction

A unit change of the independent variable's impact on the dependent variable is indicated in Table 4.21. Here a unit change of the service quality dimension responsiveness changes the level of customer satisfaction by 0.587 (positively). This suggests that ZAF pharmaceutical needs to improve the number of employees per clients and more importantly, the overall ability of the employees' to help customers and become responsive to all inquiries by the customers.

4.8.4   Assurance

Below, the researcher presents a model summary for the service quality dimension assurance.

Table 4.22 Model summary for Assurance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.324[a]	.105	.097	.77725

a. Predictors: (Constant), Assurance

From Table 4.22, we see a positive and significant relationship between assurance (the independent variable) and customer satisfaction (the dependent variable). Thus, 10% ($R^2 = 0.105$) variation level on the customer satisfaction is explained by the dependent variable assurance.

Table 4.23 Coefficients for assurance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.447	.336		7.282	.000
	Assurance	.383	.107	.324	3.593	.000

a. Dependent Variable: Customer Satisfaction

The coefficients in Table 4.23 show how strongly the independent variable influences the dependent variable. Thus, a unit increase in assurance increases the level of customer satisfaction by 0.383 while others are held constant. This result suggests that ZAF pharmaceuticals should invest more on building confidence on the customers. Through capacity building the knowledge, skill and employee's ability must be enhanced to instil confidence on customers by providing adequate information and service.

4.8.5 Empathy

Below the researcher presents model summary for empathy.

Table 4.24 Model summary for Empathy

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.447[a]	.199	.192	.73508

a. Predictors: (Constant), Empathy

From Table 4.24, we see a positive and significant relationship between empathy (the independent variable) and customer satisfaction (the dependent variable). The R Square value from the table shows the proportion of the variability on the level of customer satisfaction which can be explained by the independent variable. Thus, 20% ($R^2 = 0.199$) variation level of customer satisfaction is explained by the independent variable, empathy.

Table 4.25 Coefficients for Empathy

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.157	.289		7.463	.000
	Empathy	.535	.102	.447	5.236	.000

a. Dependent Variable: Customer Satisfaction

The measures of how strongly the independent variable influences the dependent variable are explained by the coefficients from the table above. Here, a unit increase in empathy increases the level of customer satisfaction by 0.535, when others are considered constant (indicated in Table 4.25). Therefore, ZAF pharmaceuticals should empower employees to give individual attention during service delivery. To increase the overall satisfaction level of the customers, employees of ZAF should work very closely with customers from facilitation to delivery of the products.

4.9 Overall regression Analysis

In the sections before this the researcher has presented regression analysis of individual independent variable by fixing the others constant. Here the researcher discusses the overall regression analysis of the independent variables (tangibility, reliability, responsiveness, assurance and empathy).

Table 4.26 Model summary for the service quality dimensions

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.785[a]	.616	.598	.51840

a. Predictors: (Constant), Empathy, Tangibility, Assurance, Responsiveness, Reliability

From Table 4.26, we clearly see a positive and statistically significant relationship between the independent variables and the dependent variable (customer satisfaction). The R Square value equal to 0.616 shows that approximately 62% variation on the customer satisfaction is explained by the independent variables.

Table 4.27 ANOVA for service quality dimensions and customer satisfaction

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	45.764	5	9.153	34.058	.000[b]
1	Residual	28.486	106	.269		
	Total	74.250	111			

a. Dependent Variable: Customer Satisfaction
b. Predictors: (Constant), Empathy, Tangibility, Assurance, Responsiveness, Reliability

From the ANOVA table, it has been determined that F=34.058 and Sig. is .000 which confirms that service quality dimensions have significant impact on customer satisfaction (see Table 4.27). Therefore, service quality has a significant impact on customer satisfaction of the services provided by ZAF pharmaceuticals.

Table 4.28 Coefficients for service quality dimensions on customer satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	-.420	.360		-1.167	.246
	Tangibility	1.068	.139	.725	7.680	.000
	Reliability	.059	.128	.056	.459	.647
1	Responsiveness	.480	.112	.449	4.301	.000
	Assurance	-.430	.112	-.363	-3.844	.000
	Empathy	-.181	.160	-.151	-1.135	.259

a. Dependent Variable: Customer Satisfaction

The coefficient table, presented in Table 4.28, for service quality dimensions indicates the beta values of the independent variables. Therefore, we derive the following regression model equation as below:

Regression Equation

$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5$

CS = -0.420 + 1.068TAN + 0.059REL + 0.480RES - 0.430ASS - 0.181EMP

Where,

CS = Customer Satisfaction

TAN= Tangibility

REL= Reliability

RES= Responsiveness

ASS= Assurance

EMP= Empathy

4.10   Feedback from Key Informant Interview

In this section the researcher provides responses from the key informant questions. The researcher have designed few questions (indicated at the end of this document/thesis) and interviewed key informants from both ZAF employees (mainly from the sales and distribution department) and ZAF customers. The responses are summarized as below.

On average, customers who visited the head office can get service within 20 to 30 minutes time. Whereas, when individuals or companies order for items, ZAF pharmaceuticals makes sure that the items are delivered within 2 to 3 days. Respondents, however, have indicated that delays of their orders occasionally happen. ZAF employees from the sales and distribution department also asserted this complain. According to ZAF employee response apologies are often given to the customers when delays and inconveniences occur.

From both ZAF pharmaceuticals and customers side, key informants have replied to the major challenges. Communication gap is mentioned as a challenge by both. In some occasions, false promises were given to customers and were difficult to meet the expectation of the customers. ZAF employee at sales and distribution mentioned that efficient way of tracking customers' history (daily base sales) is another challenges. Additionally, bureaucratic procedures were mentioned as a challenge by ZAF customers. Moreover, inflexibility and strict policy, and inability of some managers to take risk or take responsibility to urgency matters were challenges as to the key informants from ZAF customers.

A question aimed at collecting feedback for improvement was asked to both ZAF employees and ZAF customers. The ZAF employee at the sales and distribution department believed that two more cars should be bought for efficient delivery system. Moreover, it was indicated the importance of hiring two persons; one for delivery coordinator and another for call center. It was also mentioned that the pharmaceutical should adopt efficient tracking and delivery system (like GPS). Key informant respondents from ZAF customers mentioned that the company should adopt/learn fast and efficient delivery system from other companies, not necessarily from the pharmaceuticals. Moreover, the bureaucratic procedures must be improved as a suggestion given by ZAF customers.

4.11   Comparisons between the result of questionnaire and key informant interview

From both results, customer satisfaction is highly correlated with tangibility among five service quality dimensions.

And also the major challenges for dissatisfaction of customers are Communication gap and bureaucratic procedures.

The only difference b/n two results are customers dissatisfaction is more related with assurance in questionnaire result where as in the key informant results is more on responsiveness.

Chapter Five
Conclusion and Recommendation

5.1 Major Findings

The study presented here was designed to empirically examine the nature of the relationships between service quality dimensions and customer satisfaction in ZAF pharmaceuticals, Addis Ababa, Ethiopia. The researcher has used different methods of statistical analysis to achieve the objectives.

The regression analysis indicated that service quality as an important antecedent of customer satisfaction. Approximately 62% variation on the customer satisfaction for the services provided by ZAF was explained by the five dimensions of service quality. This result coincided previous findings by Terefe T. and Singh A. 2016 which studied the relationship between service quality and customer satisfaction in the commercial bank of Ethiopia. According to their result, 59% of the variations on the customer satisfaction were explained by variation of the service quality dimensions.

According to the findings of this study, except one question designed for the SERVPERF analysis (with mean score of 2.4286), all have above average mean score from the Likert scale 1 to 5. The highest mean score being 4.5179. This supports previous findings which reported the perception of the five service quality dimensions.

The result of the background information of the respondents indicated that the majority of the respondents were male (65.2%). With regards to age category, the majority of the respondents were between 30 and 39 years old (78.6%). Moreover, the majority were degree holders (89.3%).

The findings from the correlation result reveal that there is a positive and significant relationship between the service quality dimensions and customer satisfaction. Tangibility has the highest correlation with customer satisfaction whereas; assurance has the lowest correlation with customer satisfaction. Moreover, the inter-correlation result among service quality dimensions showed that reliability and empathy have higher correlation among themselves.

5.2 Conclusion

In conclusion the customer satisfaction of Zaf pharmaceuticals are explained by the variation of the service quality dimensions especially Tangibility that they positive and significant relationships.

5.3 Recommendation

Based on the findings and conclusions of this study, the researcher forwards the following recommendations to the management of ZAF and proposes some suggestions for future research directions:

- One of the limitations of this study was that the research was limited to customers of ZAF in Addis Ababa town:

    - ✓ Thus, the researcher suggests that other customers of ZAF outside of Addis Ababa to considered for future so that the generalization of the results could base on data from the entire country.
    - ✓ Moreover, the study was limited to one of the largest pharmaceuticals; ZAF. The results cannot be replicated to other pharmaceutical companies or other sectors. Therefore, the researcher recommends consideration of other pharmaceutical companies throughout Ethiopia. Such kinds of investigations could help understand variations of customer satisfaction among different pharmaceuticals.

- In the study tangibility was the dominant service quality which has a highest positive correlation with customer satisfaction.
    - ✓ Therefore, ZAF pharmaceuticals need to work intensively on the indicators of this dimension. These include; the usage of up-to-date technology, convenience of physical facilities at ZAF offices and stores, professionalism of the employee (such as dressing code), and more importantly date of expiration of the products sold.

- The satisfaction level result of this study showed that 10% of the respondents were either dissatisfied or even highly dissatisfied.

  - ✓ Therefore, ZAF pharmaceuticals should improve all services and strive for improving the satisfaction level of its customers. We are in a very dynamic market and sustainability can be guaranteed only if individuals are satisfied by what they get.

- As the study showed that 62% of the variability of customer satisfaction was explainable by the variability on the service quality dimensions, ZAF pharmaceutical should work on every service quality dimensions.

- Key informant interview results suggest the importance of checklist or quick survey question for continual improvement by ZAF. Based on the results and suggestions of the key informants, the researcher recommends ZAF to develop tools for monitoring customer satisfaction.

  - ✓ As a sample, the researcher recommends the following tool. But the researcher also advises ZAF to assign monitoring and evaluation experts and establishes efficient method to monitor customer satisfaction.

General feedback / checklist

This feedback is to be filled by customers of ZAF immediately after getting a service. ZAF will use feedback filled by you to improve the satisfaction of its customers.

1) For what kind of service did you come to ZAF pharmaceuticals?

   a. To order   b. to collect my order c. Other (such as information).

2) Did you get satisfactory service?

   a. Yes   b. No

   If No, why isn't it a satisfactory service? _____

   _____

3) If you came to ZAF to collect your orders, was it ready at the promised time?

   a. Yes   b. No

   If your answer is 'No', by how many days (weeks) was the delay? _____

4) Give a scale from 1 to 5 for the service provided by ZAF. **'1'**being the worst service and **'5'** as the most satisfactory service. Please, circle on the numbers.

1	2	3	4	5
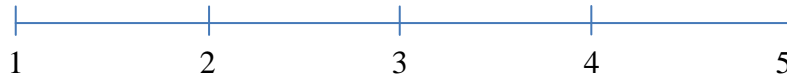
5) Will you recommend ZAF pharmaceuticals to new customers?

   a. Yes   b. No

   If your answer is 'No', what is your main reason? _____

   _____

   _____.

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Annex 1
Research Questionnaire

Dear Respondent,

First of all, I would like to thank you for agreeing to fill the questionnaire.

I am Redeat Tesfaye, a graduate student at St Mary University, school of graduate studies. At the moment I am doing my thesis work which is part of my studies. My research is entitled "ASSESSMENT OF SERVICE QUALITY AND CUSTOMER SATISFACTION IN SERVICE INDUSTRY: THE CASE OF ZAF PHARMACEUTICALS IN ADDIS ABABA, ETHIOPIA''.

According to the responses of the customers of ZAF Pharmaceuticals, the company would have an opportunity to improve the service quality provided in order to meet your expectations in a better way. Filling in this questionnaire form takes only a couple of minutes and all the respondents remain anonymous.

I kindly ask you to answer the questions and leave the form after you received service. Your genuine response is highly appreciated for the outcome of the project.

Thank you for your kind cooperation in filling the questionnaire.

Part I: General information

Direction: Please put a check mark (X) on the appropriate box

1. Gender   Male ☐   Female ☐
2. Age   18-29 ☐   30-39 ☐   40-49 ☐   50 and above ☐
3. Educational background

   Grade 8 and below ☐   High school ☐   Diploma ☐

   Degree ☐   MSc ☐ bove   ☐

4. Customer type: Wholesaler ☐   Retailer ☐
5. Your job title at your retailer or wholesaler (e.g. Manager, owner, manager and owner, salesperson).

   _____

Part II: Survey on Service Quality and Customer Satisfaction

Direction: This part of the questionnaire intends to find your perception or feeling towards the service quality and customer satisfaction. Please circle the number which reflects your perception.

No.	Statement of service quality	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I	**Tangibility**					
	ZAF Pharmaceuticals has up-to-date technology and equipment	1	2	3	4	5
	Physical facilities at ZAF Pharmaceuticals (office building, parking and others) are appealing	1	2	3	4	5
	Employees are well dressed and friendly	1	2	3	4	5
	The products are never expired (medical)	1	2	3	4	5
II	**Reliability**					
	Services are provided at the time they promised to do so	1	2	3	4	5
	The employees show sincere interest in solving your problem	1	2	3	4	5
	The employees perform error free service from the start	1	2	3	4	5
	Records of your orders, payments and delivery are kept in order	1	2	3	4	5
III	**Responsiveness**					
	The number of employees are adequate during your contact (whether phone or physical visit)	1	2	3	4	5
	The employees always provide you the basic informations (such as expected date of deliverance of your product, steps in the logistics)	1	2	3	4	5
	The employees are always very helpful	1	2	3	4	5
IV	**Assurance**					

		1	2	3	4	5
	Confidence about the service is installed on the first visit or contact	1	2	3	4	5
	You feel safe and confident with the overall service	1	2	3	4	5
	The employees are constantly polite	1	2	3	4	5
	The employees always provide you the adequate information on the service requested	1	2	3	4	5
V	**Empathy**					
	The employees always give individual attention	1	2	3	4	5
	The employees understand your specific needs	1	2	3	4	5
	Office hours are convenient for your acquaintance	1	2	3	4	5

Part III: General questions about expectation and over all service

1. Perception

		Very Bad	Satisfactory	Good	Very Good	Do not know
1	Staff friendliness	1	2	3	4	5
2	Staff appearance	1	2	3	4	5
3	Staff skills	1	2	3	4	5
4	Service quality	1	2	3	4	5

2. What was the level of your expectation on the services from ZAF Pharmaceuticals before receiving (i.e. before collecting your orders)? High ☐   Low   ☐

3. Did ZAF Pharmaceuticals meet your expectations? Yes ☐   No   ☐
   If Not, why?

   _____

   _____

4. Your overall feeling about the service you received from ZAF Pharmaceuticals?
   a. Highly Dissatisfied

b. Dissatisfied

c. Neutral

d. Satisfied

e. Highly Satisfied

5. What in your opinion should be changed or developed in ZAF Pharmaceuticals in order to fully meet your expectations?

_____

_____

_____

Thank you again for filling the form.

Key informant interview questions:

The following questions are designed to get additional information or feedback from employees of ZAF as well as customers of ZAF; it could be either from pharmacy or retailers.

To selected ZAF employees from the department of Sales and distribution

1) On average how long does a customer have to wait to collect their orders?
2) Are there any delays with ordering time and delivering?
3) How often does a delay occur?
4) If you don't provide services at the promised data, do you have any compensation or some sort of re-imbursement?
5) What do you think are the major challenges with services at ZAF?
6) What kind of measures is the company willing to take

To Selected Pharmacy and Wholesale managers, owners or salesperson

1) Have you faced any delays of your orders at ZAF pharmaceutical?
2) If yes, by how many days (weeks) was the delay? Did ZAF try their best to compensate for your loss?
3) What do you think are the major challenges with services at ZAF?
4) Any suggestion you wish to give to ZAF pharmaceuticals for improvement at ZAF?