



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MARKETING MANAGEMENT**

**EFFECTS OF SERVICE QUALITY ON CUSTOMER SATISFACTION:
THE CASE OF ETHIOPIAN SHIPPING AND LOGISTICS SERVICE
ENTERPRISE**

**BY:
WENDEWOSSEN SEIFU**

**RESEARCH THESIS SUBMITTED TO SCHOOLS OF GRADUATE STUDIES
OF ST. MARY'S UNIVERSITY IN PARTIAL FULFILMENTS OF THE
REQUIREMENTS FOR THE DEGREE OF MASTERS OF ART IN
MARKETING MANAGEMENT**

**MAY, 2018
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APPROVED BY THE BOARD OF EXAMINERS:

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DECLARATION

I, declare that this work entitled **“The Effect of Service Quality on Customer Satisfaction the Case Of Ethiopian Shipping and Logistics Service Enterprise ”** is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged.

I have produced it independently except for the guidance and suggestion of the research advisor. This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of Master’s Degree in Marketing Management.

Name

St. Mary’s University, Addis Ababa

Signature

May, 2018

ENDORSEMENT

This is to certify that Wendewossen Seifu carried out his project on the topic entitled ‘ **Effect of Service Quality on Customer Satisfaction: The Case of Ethiopian Shipping and Logistics Service Enterprise**’ under my supervision. This work is original in nature and is suitable for submission for the award of Master’s Degree in Marketing Management at St. Marry University with my approval as university advisor.

Advisor

St. Mary’s University, Addis Ababa

Signature

ACKNOWLEDGMENTS

This study is made possible by a great deal of support from a number of people who have been kind enough to stand beside me every step of the way through my stay in the program. Yet, it would not be in its current shape if it hadn't been for God's enormous will and support. Therefore, the highest gratitude goes to God.

First, I would like to express my heart felt appreciation to my advisor Teklegiorgiss Assefa (Ass. Prof.) his valuable comments and counsel guided the entire study to reach its current state. Thank you for being understanding and supportive. Special thanks go to all respondents who have sacrificed their time to provide me with the vital information needed to complete the study. I thank them all for their patience and understanding. Special thanks also go to Ethiopian Shipping and Logistics service Enterprise staffs and management to whom I am highly indebted.

Finally, my utmost gratitude goes to my beloved family; My Mother Aberash Hailu and my dearest Sister Elisabeth Seifu. Thank you very much and God bless you all. Dear friends thank you very much for being there whenever I needed your support and input.

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Abbreviations and Acronyms

ANOVA.....	Analysis of Variance
CLT.....	Container Lifting Trucks
CS.....	Customer Satisfaction
ESL.....	Ethiopian Shipping Lines
ESLSE.....	Ethiopian Shipping and Logistics Service Enterprise
MTO.....	Multimodal Operator
R & D.....	Research and Development
SAD.....	Single Administrative Document
SC.....	Share Company
SERVPERF.....	Service Performance
SERVQUAL.....	Service Quality
SPSS.....	Statistical Package for Social Science
SQ.....	Service Quality
TARP.....	Technical Assistance Research Program
VIP.....	Variance Inflation Factor

ABSTRACT

This study focused to examine the effect of service quality on customer satisfaction in Ethiopian Shipping and logistics Service Enterprise at head office level in Addis Ababa. There are some models to measure Service quality and customer satisfaction in service providing organization. In this study, the researcher chosen SERVPERF model for discussion and analysis purpose. The SERVPERF model is an important model to measure customer's satisfaction relative to customer perceptions for the Shipping and Logistics Services. It measures customer satisfaction based on five dimension of service quality such as tangibility, reliability, responsiveness, assurance and empathy. To make the analysis the researcher distributed questionnaires to 234 customers of ESLSE at head office in Addis Ababa, out of these 216 (92.3%) respondents returned the questionnaires. This study used both descriptive and inferential statistics to carry out the research analysis. The analysis result indicated that on tangibility, responsiveness and assurance dimension service quality except one item from each category in all items customers were agree level, relatively on reliability dimension service quality customers were disagree and on empathy dimension of the service quality customers of ESLSE are neutral to the service provided by the organization. The correlation matrix indicated that customer satisfaction have positive and significant relationship with tangibility, reliability, responsiveness, assurance and empathy dimension service quality in ESLSE at the head office in Addis Ababa. The regression model result indicated that the independent variables explain 49.4% of the variance in customer satisfaction (dependent variable) in ESLSE at the head office in Addis Ababa. Based on the findings the researcher recommended to improve the reliability dimension service quality and the specific items from other service quality dimension. The ESLSE should also keep update the tangibility, reliability and assurance dimension of the service quality to satisfy their loyal customers.

Key words: *Customer satisfaction, customer perception and service quality*

CHAPTER ONE

INTRODUCTION

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 diverse industries in the world. Services vary in many ways and include various stages. Lovelock and Wirtz (2004) defined service as “an actor 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 (Parasuraman ,1985).

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 (Biljana and Jusuf 2011). 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 (Oliver, 1997). 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 (Miles, 2013).

In a service business, the customer and the front-line service employee interact to create the service. Effective interaction, in turn, depends on the skills of front-line service employees and on the support processes backing these employees. Thus, successful service companies focus their attention on both their customers and their employees (Oliver, 1997). Unlike product

manufacturers who can adjust their machinery and inputs until everything is perfect, service quality will always vary, depending on the interactions between employees and customers (Kotler and Armstrong, 2012).

Due to growing competition in the shipping industry, providing high level of customer satisfaction is an important element to sustain in the dynamic business environment (Midoro,2005). In general, as shipping firm can satisfy its customers by offering low-cost or differentiated services can sustain and be profitable in the industry (Kotler and Armstrong, 2010). One way to differentiate a firm's services from its competitors is by offering high-quality services (Dadfar and Brege, 2012;).

However, service quality (SQ) is an abstract measurement, and numerous models were proposed in the literature to operationalize SQ. The most prominent models are SERVQUAL and SERVPERF, which consists of five SQ dimensions. They are Tangibles, Reliability, Responsiveness, Empathy, and Assurance (Parasuraman et al., 1985).

The models were claimed to be broad and can be applied invariantly across all contexts. However, there have been growing conditions that the interpretation of SQ differs across industries, customer groups and cultures (Ladhari, 2009). In the context of shipping, Chen, 2009) found that SERVQUAL suffers from both discriminate and convergent validity when it was applied to samples consisting of shippers and freight forwarders. Attributing to the aforementioned criticisms, a few SQ models that tailor to the shipping industry were subsequently proposed (Kang and Kim, 2009). Some of the models further accounted for sector differences. For example, SQ in tramp shipping was recently studied (Thai,2014). However, research on defining SQ in shipping is scant, despite its dominant role in transporting semi-processed components and finished products globally (Lobo,2010).

Service quality and customer satisfaction have been proven from past researches to be positively related (Kuo, 2003). Moreover, it has been proven that service quality could be evaluated with the use of both SERVQUAL and SERVPERF dimensions of service quality models that is technical and functional (Bennett & Barkensjo, 2005) with the customer perspective, yet SERVPERF model is still a method of evaluation for service quality particularly very important for shipping customers. Therefore, this was needed to assess the effect of service quality and

customer satisfaction dimensions especially with the SERVPERF dimensions model in the case of Ethiopian Shipping & Logistics Service Enterprise (ESLSE).

Therefore, this study aims to study the effect of service quality on customer satisfaction the case of Ethiopian Shipping & Logistics Service Enterprise.

Before the researcher proceed to the details and let how the company profile of Ethiopian Shipping & Logistics Service Enterprise seems. To maintain the commendable economic growth that has been registered in the country over the last several years, one of the strategic measures taken by the Federal Government of Ethiopia is merging the former three public enterprises that have until recently been operating separately in a rather similar and interdependent maritime sub-sectors; namely, Ethiopian Shipping Lines S.C, Maritime, Transit Services Enterprise and Dry Port Enterprise.

The Ethiopian Shipping and Logistics Services Enterprise (ESLSE for short) is the result of this merger. This newly amalgamated enterprise came into being following the issuance of Regulation by the Council of Ministers (Regulation No. 255/2011), and is vested with the huge responsibility of rendering sea-transport & logistics services to the country's importers, exporters, and investors in a more effective and efficient way, by reducing transit time, cost and handoffs. Besides, a truck operating company named Comet Transport SC has recently been transferred to ESLSE following a government decree issued in the mid of 2014.

Services of Ethiopian Shipping and Logistics Enterprise

1. Major Services Provided by Shipping Sector

Sea Transport Services: The main focus of the Shipping Sector of ESL is to provide Coastal and International Marine Transport services to and fro Djibouti Port, through the Ports of: Gulf and Indian sub-Continent, China, Korea, Japan, Singapore, South Africa, and Indonesia. The Shipping Sector provides uninterrupted sea transport service in and around the above ports with own ships as well as via slot chartering of major global carriers.

Agency Services: ESLSE's Shipping Sector branch office, at city and port of Djibouti makes prompt notification to port authorities, whenever its own ships as well as other principal ships call to port and process all due formalities. It makes all the necessary provisions available for

the ships and their crew. It prepares timely notifications for importers, and facilitates seamless flow and recollection of containers at Djibouti port. It also provides booking and canvassing services for huge amount of Ethiopian export goods destined to various parts of the world.

Stevedoring: ESLSE is one of the major stevedores in the port of Djibouti that provide efficient loading and discharging service of import and export cargoes, by making use of modern port equipment. In this case, ESL discharges various types of import cargoes from ships. It also renders stuffing service, thus facilitating the loading of cargoes for shipment. It also avails needed containers timely and expedites the recollection of empty containers to carriers.

Shore handling: This service includes safe storage of discharged cargoes from vessels in Djibouti Port until they have been transported to their destination in the country. ESLSE's Djibouti Branch offers coordinated and efficient shore handling services with its CLT (Container Lifting Trucks), trucks, truck trailers, tractors and forklifts of various capacities. Cargoes under ESL's custody are handled with care and with maximum discharging and dispatching rates. In case of bulk cargoes and other containerized goods, a quick direct delivery service is provided with minimum transit time. In this manner a number of gangs are operated in all the three shifts throughout the day.

2. Services Provided by Freight Forwarding Sector

The Freight Forwarding Sector of the Enterprise is mainly concerned with multimodal and uni-modal service provisions of import and export cargoes.

Multimodal transport service: Essentially, this is a door-to-door cargo service with SAD (single administrative document) from the point of origin to the point of destination. In ESLSE's case, the cargoes are shipped all the way from the port of their origin via Djibouti port and finally to Modjo Dry Port as well as other inland ports. Therefore, ESLSE as official Multimodal Operator /MTO/, takes all possible care to the cargo under its custody, as of the time the shipment is confirmed and ordered.

Unimodal transport service by contrast involves one mode of transportation, i.e, Sea, Rail or Road, or Air freight of cargo. Here services are disintegrated, with many operators and agreements involved. In ESLSE's case, the un-imodal service ends at port of Djibouti, after which the consignee will choose his/her transitor and/or transporter and enter agreement with to receive cargo in the hinterland of the country.

Customs and Port Clearing: Introducing time saving and reliable documentation process, ESLSE accomplishes, with utmost care, port and customs formalities and enables imported/exported cargoes to arrive at appropriate destination.

Trucking: ESLSE is equipped with modern heavy trucks with the objective of speeding up transportation of freight from Djibouti to inland ports or other designated destinations and vice versa. In this regard, ESLSE originally had 60 heavy duty trucks with a total lifting capacity of 2400 tons of dry cargo at a time. Its recently transferred company, Comet Transport SC, runs around 205 heavy duty trucks of its own. With Comet now merging with ESLSE, the Enterprise's (ESLSE's) present fleet size has risen to 265.

Besides, last June, ESLSE and Comet jointly entered into Agreement Contract with Renault Trucks for the supply of 215 brand new heavy duty trucks by early 2015. This will soon raise the land fleet capacity of ESLSE to 480 trucks. Apart from its own trucks, ESLSE sub-contracts all the necessary trucks for direct or consolidated cargo delivery from private and public transport operators.

3. Services Provided by Port & Terminal Sector

It is essential that all imported goods have to timely serve the purpose they are intended for. They should reach the ultimate user at the right time. However, just before the import cargoes are supplied to the desired clients, they should be safely kept and processed in the dry ports. The Port & Terminal Sector of the Enterprise is a point of destination to Ethiopia's imports and a point of consolidation for exports, where goods are loaded and unloaded; customs formalities are completed; goods are temporarily stored, stuffed and un-stuffed, made ready for transport, and dispatched to their final destinations.

Major services delivered in Port and Terminal Sector includes:

- o Receiving and delivering cargoes
- o Cargo loading and unloading
- o Stuffing and un-stuffing of container goods
- o Temporary storage for import and export cargoes
- o Container cleaning and maintaining
- o Weight bridge
- o Costumes control and clearance
- o Banking and Insurance

The Enterprise endeavors to make these services more efficient and convenient to importers and exporters and play a crucial role in the logistics value chain. www.ethiopiashippinglines.com.et/

1.2 Statement of the problem

In the world of competition, service quality is the most important parameter that needs critical attention for an organization to exceed its competitors. This is especially true in the service sector where there is frequent interaction with customers which hold the highest stake in ensuring the organization exceeds its competitors and enhance in the service it provides. In winning this competition, it is obvious that customer satisfaction is a critical issue as it is highly correlated with the quality of services provided by competing organization (Sivadas and Baker-Prewitt, 2000).

Being one of service offering institutions, the quality of the service offered by Ethiopian Shipping and Logistics is very crucial for its survival and to make profitability. Ethiopian shipping and logistics service Enterprise is the only dominant enterprise in Ethiopia in delivering a sea and in land transport services. However, customers complain in delay of delivery of cargo, unreasonable service selling price, long custom procedures and poor Djibouti port facility, lack of well-organized system and some personnel related problems of this enterprise and other related factors affect customers satisfaction of Ethiopian Shipping and Logistic Service Enterprise (ESLSE) were identified according to 2016/17 annual report and the researcher informal observation.

Therefore, the main interest of this study is to measure the perception of customers concerning a service provided by Ethiopian shipping and Logistics Service Enterprise and find out whether the enterprise has met the perception of its customers under all the SERVPERF dimensions of service quality as service quality is becoming key choice driver of any customers.

Research Gap After review of literature, the researcher found that studies related to service quality and customer satisfaction. However, no one of a researcher conducted a research to resolve the service quality problems like delay of delivery cargo, lack of well-organized IT system in the Ethiopian Shipping and Logistic Enterprise at head office level, in Addis Ababa. That is why; the researcher has undertaken this study.

1.3. Research questions

The following basic research questions were raised in this study:

1. What is the relationship or significant effect of service quality dimensions on customer satisfaction in Ethiopian Shipping and Logistic Enterprise?
2. Which service quality dimension is dominant in Ethiopian Shipping and logistics Service Enterprise?
3. How the Ethiopian shipping and Logistics Service Enterprise can resolve service quality related problems?

1.4 Objective of the study

1.4.1 General objective

The general objective of this study was to assess the effect of service quality on customer's satisfaction the case Ethiopian Shipping and logistics service enterprise.

1.4.2 Specific objectives

The followings are the specific objectives of this study:

1. To examine and evaluate the effects of quality services on customer satisfaction in Ethiopian Shipping and logistics Service Enterprise.
2. Identifying the dominant dimension of service quality that drives customers' perceived service quality in Ethiopian Shipping and logistics Service Enterprise.
3. To recommend suggestion in order to resolve quality related problems in Ethiopian shipping and Logistics Service enterprise.

1.5. Research hypothesis

H1: Tangibility service quality dimension has positive relationship and significant effect on customer satisfaction.

H2: Reliability service quality dimension has positive relationship and significant effect in customer satisfaction.

H3: Responsiveness service quality dimension has positive relationship and a significant effect in customer satisfaction.

H4: Assurance service quality dimension has a positive relationship and significant effect in customer satisfaction.

H5: Empathy service quality dimension has a positive relationship and significant effect on customer satisfaction.

1.6. Significance of the study

This study was assessed the service provided by ESLSE and its effect on customer satisfaction. The identified strengths and weaknesses of the service delivered by the Enterprise and its effect on customer satisfaction will be used as an input for top managers of the ESLSE for their future service related decisions making to satisfy their valuable customers. The significance of the study will to give sufficient information on the service that the enterprise is currently providing and help it to know areas which need improvement and plan towards it, so that its customers enjoy quality service.

It also allows the stakeholders to have knowledge on where the enterprise stands in the eyes of its customer. Moreover, as employees are one of the stakeholders, it will help them to evaluate their service deliveries through the eyes of the customer. The study will also add new knowledge to the existing literature and it will be a stepping stone for academicians to carry out further studies on the area.

1.7. Scope of the study

There are a number of newly emerging branches under Ethiopian Shipping and Logistics Enterprise. However, this study was only focused on the Head Office of ESLSE service quality.

Thus, the study was examined the service quality dimensions only from customers' perspective at head office of ESLSE located in Addis Ababa. Moreover, the study was focused on the relationship between service quality dimension and its effect on customer satisfaction. The study used to measure customers satisfaction based on five service quality dimensions such as Tangibility, Reliability, Responsiveness, Assurance and Empathy by using SERVPERF model.

Therefore, geographically the research was de-limited to only customers in Addis Ababa at head office.

1.8. Limitation of the study

This study was limited in scope and sample size because of limited financial resources, time and accessible information regarding other branches. Thus, the findings of this study may not give a general picture of the quality of the ESLSE. But it can contribute to further study on quality of the Enterprise services.

1.9 Organization of the Study

The study was organized in to five chapters. Accordingly the chapter commences with the introduction part which consists of Background of the study, Statement of the problem, Research objectives, Scope of the study, Significance of the study, Limitation and Organization of the study ; the Second chapter discuss both theoretical and empirical related literature of the study ,the Third chapter focus on research design and methodology and the Fourth chapter discuss data analysis and discussion and finally in chapter Five presents summary of key findings, Conclusions and possible Recommendation will be forwarded by the researcher.

CHAPTER TWO

LITERATURE REVIEW

This chapter discusses the concept of service quality and customer satisfaction. It starts by reviewing some of definitions and terms of dimensions of customer satisfaction and service quality, and try to grasp the relationship between customer satisfaction and service quality then leads us to the conceptual frame work of the study.

2.1. Theoretical Review

2.1.1 Customer

Customer has been defined by different individuals and groups some of the definitions that suite to this study are; Israel (2015), defined customer that those who buy the goods or services provided by companies are customers. In other words, a customer is a stakeholder of an organization who provides payment in exchange for the offer provided to him by the organization with the aim of fulfilling a need and to maximize satisfaction. Sometimes the term customer and consumer are confusing. A customer can be a consumer, but a consumer may not necessarily be a customer.

Customer is the most important factor in goal setting, activity and trying for quality improvement. Evanschitzky and Wunderlich (2006) added that customer is a real or legal person who somehow relates to organization and benefits from its goods and services. The concept of customer as: "Most people suppose that customer is the final consumer whereas the customer is both categories of the intra organizational and the extra organizational, i.e. whoever the product and/or service are produced to meet his or her need.

Another author Almassawi (2012) explained that customer is the person who does the buying of the products and he also differentiate between customer and consumer that the consumer is the person who ultimately consumes the product or service.

2.1.2. Customer Satisfaction

The link between customer satisfaction and company success has historically been a matter of faith, and numerous satisfaction studies have also supported the case. Customer satisfaction has always

been considered an essential business goal because it was assumed that satisfied customers would buy more. Customer satisfaction is often defined in the marketing literature as a customer's overall evaluation of his or her purchase and consumption experience of a good or service. In addition, perceived service quality refers to consumer's judgment about the performance of product or service. Customer satisfaction is critically important because it reflects subjective customer evaluations of the attribute performance associated with the consumption experience (Namkung 2008).

Previous researches have given significant importance to customer satisfaction. Satisfaction can be defined as a features or characteristics that can full the either a need or want of a consumer in better way than competitors. Although this satisfaction explained by different researchers in different ways. If a company provides a product according to the requirements of their consumers it will lead the satisfaction of those consumers.

According to Solomon (2009) Satisfaction can also be a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations. As a matter of fact, satisfaction could be the pleasure derived by someone from the consumption of goods or services offered by another person or group of people; or it can be the state of being happy with a situation.

Customer satisfaction also defined by Oliver (1997), that customer satisfaction is the consumers' fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment. Here, pleasurable implies that fulfillment gives pleasure or reduces pain, as when a problem in life is solved.

Customer satisfaction has also been defined by Kotler et al. (2000) that, the extent to which a product's perceived performance matches a buyer's expectations. According to Kotler customer satisfaction can be defined as the individual's perception of the performance of the products or services in relation to his or her expectations. At the same time customer satisfaction is defined by one author Tse& Wilton (1988) as "the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product or service as perceived after its consumption.

It is factual that, there is no specific definition of customer satisfaction since as the years passes, different authors come up with different definitions but based on the above definitions customer satisfaction can be commonly defined as a personal feeling of satisfaction or dissatisfaction resulting from comparing service performance in relation to his or her expectation (Jamal and Anastasiadou (2009),

Satisfaction varies from one person to another because it is utility. One man's meal is another man's poison," an old adage stated describing utility; thus highlighting the fact that it is sometimes very difficult to satisfy everybody or to determine satisfaction among group of individuals. Client happiness, which is a sign of customer satisfaction, is and has always been the most essential thing for any organization (Solomon, 2009).

The higher or lower satisfaction of a consumer will depends upon the quality of brand characteristics that offered by a company. This is the consumer satisfaction which contributes for the future money making for a company. For the retention of consumer, it is important to satisfied consumers. The unsatisfied consumers of a company do not take time to switch that brand. Low quality services can also lead dissatisfaction. A low quality service is such type of service which does not fulfill the requirements. However it's all depends upon that which segments a company is targeting and what are their expectations for that product (Kotler et al., 2002).

Customer satisfaction is the key factor which is used to measure the company internal and external performances and assigning funds to each and every activity. Service is a key factor for consumer satisfaction although this is not the only factor which is responsible. However, Levy According to (2009), measuring customer satisfaction could be very difficult at times because it is an attempt to measure human feelings. It was for this reason that some existing researcher presented that "the simplest way to know how customers feel, and what they want is to ask them" this applied to the informal measures.

Levy (2009), in his studies, suggested three ways of measuring customer satisfaction:

- A survey where customer feedback can be transformed into measurable quantitative data:
- Focus group or informal where discussions orchestrated by a trained moderator reveal what customers think.
- Informal measures like reading blocs, talking directly to customers.

- Asking each and every customer is advantageous in as much as the company will know everyone's feelings, and disadvantageous because the company will have to collect this information from each customer (NBRI, 2009). The National Business Research.

2.1.3 Satisfied and Dissatisfied Customer

This is the situation when actual service is equal to their experience. It is not any better significantly, neither is it any worse- they are satisfied. However, this does not seem to enter the customer's memory for any long period of time. This is situation when actual service is greater than or equal to the expected service. This kind of customer will come back and tell his friends about his experience and will become an advocate for your service (Jamal and Anastasiadou, 2009), This is the case when actual service is less than experienced service. As well known, many organizations today struggle to win customers by telling those things they think in their services by using brochures and presentations (EMI, 2011). This over promising has poor experience and poor customer satisfaction built into it. So always make sure that you and your organization deliver more than you promise.

Customer satisfaction can be determined by deferent factors Kotler et al. (2000) have suggested as the main factors contributing to customer satisfactions

2.1.4 Customer Expectations

Expectations play an important role in the satisfaction formation. The extent to which a product or service fulfills a customer's need and desire may play an important role in forming feelings of satisfaction because of the impact of confirmation or disconfirmation that have on satisfaction. Consumers expect to be delivered quality products and services; therefore companies try to offer quality products and services. The term expectations really matters to companies because they want to know what customers' expectations are. The term "expectations" has different uses, in the satisfaction literature, it is viewed as a prediction made by a consumer about what is likely to happen during an exchange or transaction. According to Oliver (1981) "... expectations are consumer-defined probabilities of the occurrence of positive and negative events if the consumer engages in some behavior" (pp.25-48).

In the contrast, in the service quality literature it is defined as desires and wants, what a service provider should offer rather than would offer. Customers form their expectations from their past experience, friends' advice, and marketers' and competitors' information and promises (Kotler, 2002). Therefore, perceived service quality is viewed as the difference between consumers' perceptions and expectations for the service provided. Organizations in order to keep expectations from rising, they have to perform services properly from the first time (Parasuraman et al. 1988). Thus, customer expectations for the service are likely to rise when the service is not performed as promised. Expectations serve as reference points in customer's assessment of performance (Cronin& Taylor, 1992). Thus, retailers can increase customer satisfaction by decreasing customer expectations.

2.1.5 Customer Perception

Perception is an opinion about something viewed and assessed and it varies from customers to customers, as every customer has different beliefs towards certain services and products that play an important role in determining customer satisfaction. Customer satisfaction is determined by the customers' perceptions and expectations of the quality of the products and services. In many cases, customer perception is subjective, but it provides some useful insights for organizations to develop their marketing strategies. Providing high level of quality service has become the selling point to attract customer's attention and is the most important driver that leads to satisfaction (Reichheld, 1996).

Therefore, customer perception and customer satisfaction are very closely linked together, because if the perceived service is close to customer's expectations it leads to satisfaction. Satisfied customers provide recommendations; maintain loyalty towards the company and customers in turn are more likely to pay price premiums (Ibid., 1996).

2.1.6 Customer Loyalty

Customer loyalty broadly refers to customer behaviors that indicate a desire to better an ongoing relationship with a company (Palmatier et al., 2006). The customer's willingness to purchase again from the company, having a preference for the company, or recommending the company to others

could be indications to customers' desire to remain in a relationship with a company that demonstrate how much a customer is related to a company. Loyal customers are often worth the marketing effort, owing to their willingness to buy additional products and spread positive word of mouth as well as their reliability as a source of continuous revenues (Zeithaml, Berry, & Parasuraman 1996). The programs of customer retention could lead to a higher rate in buyer loyalty.

Although that marketing manager's primary concern is maintaining and increasing brand loyalty, there is no guarantee for loyal buyers, because today's buyer might not be so in the future since loyalty is considered so transient. "Loyalty is developed over a period of time from a consistent record of meeting, and sometimes even exceeding customer expectations" (Teich, 1997). Kotler et al. (1999) claims that the cost of attracting a new customer may be five times the cost of keeping a current customer happy. Customer loyalty is very difficult to be achieved. More and more unique ways are adopted to meet the ever changing nature of the service industry. Additionally, time constraints are most often a barrier to customer satisfaction. Every organization in the market competes to develop advanced methods to keep on track. Technology, for example affects the service industry, since constantly meeting customer satisfaction over a period of time is the only way to achieve customer loyalty (Teich, 1997).

2.1.7 The Importance of Customer Satisfaction

"Without customers, the service firm has no reason to exist. Every service business needs to proactively define and measure customer satisfaction. Waiting for customers to complain in order to identify problems in the service delivery system or gauge the firm's progress in customer satisfaction based on the number of complaints received is naïve" (Hoffman and Batteson, 2011). They also cited the figures gathered by the Technical Assistance Research Program (TARP) and presenting the following facts about customers

- The average business does not hear from 96 percent of its unhappy customers.
- For every complaint received, 26 customers actually have the same problem.
- The average person with a problem tells nine or 10 people. 13% will tell more than 20.

- Customers who have their complaints satisfactorily resolved tell an average of five people about the treatment they received
- Complainers are more likely to do business with you again than non-complainers: 54-70 percent if resolved at all, and 95 percent if handled quickly.

The TARP figures demonstrate that customers do not actively complain to service firms themselves. Instead, consumers voice their dissatisfaction with their feet, by defecting to competitors, and with their mouths by telling your existing and potential customers exactly how they were mistreated by your firm. Based on the TARP figures, a firm that serves 100 customers per week and boasts a 90 percent customer satisfaction rating will be the object of thousands of negative stories by the end of a year. For example, if 10 dissatisfied customers per week tell 10 of their friends of the poor service received, by the end of the year (52 weeks), 5,200 negative word-of-mouth communications will have been generated. The TARP figures are not all bad news (Palmatier et al., 2006). Firms that effectively respond to customer complaints generate positive word-of-mouth communications. Although positive news travels at half the rate of negative news, the positive stories can ultimately translate into customer loyalty and new customers. Finally, a firm should also learn from the TARP figures that complainers are the firm's friends. Complainers are a free source of market information, and the complaints themselves should be viewed as opportunities for the firm to improve its delivery systems, not as a source of irritation.

According to Kotler, and Keller (2009) customers' satisfaction is measured on after purchase depends on the offer's performance in relationship to the buyer's expectations, and whether the buyer interprets any deviations between the expectation and actual performance. In general, satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance (or outcome) to their expectations. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted. Customer assessments of product performance depend on many factors, especially the type of loyalty relationship the customer has with the brand. Consumers often form more favorable perceptions of a product with a brand they already feel positive about.

Although the customer-centered firm seeks to create high customer satisfaction, that is not its ultimate goal. If the company increases customer satisfaction by lowering its price or increasing its services, the result may be lower profits. The company might be able to increase its profitability by means other than increased satisfaction (for example, by improving manufacturing processes or investing more in R&D). Also, the company has many stakeholders, including employees, dealers, suppliers, and stockholders. Spending more to increase customer satisfaction might divert funds from increasing the satisfaction of other "partners." Ultimately, the company must operate on the philosophy that it is trying to deliver a high level of customer satisfaction subject to delivering acceptable levels of satisfaction to the other stakeholders, given its total resources (Palmatier et al., 2006).

How do buyers form their expectations? Expectations result from past buying experience; friends' and associates' advice; and marketers' and competitors' information and promises. If marketers raise expectations too high, the buyer is likely to be disappointed. However, if the company sets expectations too low, it won't attract enough buyers (although it will satisfy those who do buy). Some of today's most successful companies are raising expectations and delivering performances to match.

2.1.8 Service Quality

Different authors define service quality in different ways:- Parasuraman et al. (1985, 1988) defined service quality as customers' evaluation between service expectation and service performance. They compared customers' responses regarding their perceived quality of services and their pre-purchase expectations.

It is also known that service quality represents the answers for some questions like, what is expected by customers, delivered, and the deviations between the expectation and delivery. Asubonteng et al. (1996): Service quality can be defined as "the difference between customers' expectations for service performance prior to the service encounter and their perceptions of the service received".

Service quality is a focused evaluation that reflects the customer's perception of essentials of service such as relations quality, physical environment quality, and outcome quality. These elements are in turn assessed based on the specific service quality dimensions: reliability,

Assurance, Responsiveness, Empathy and Tangibles. Satisfaction is influenced by perception of service quality, product quality, and price as well as situational factors and personal factors. (Zeithaml and Berry, 1996).

Service can be defined in many ways depending on which area the term is being used. Service is defined as “any intangible act or performance that one party offers to another that does not result in the ownership of anything” (Kotler, and Keller, 2009). Service can also be defined as an intangible offer by one party to another in exchange of money for pleasure. Quality also is defined as the whole of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs (Kotler et al., 2009). It is evident that quality is also related to the value of an offer, which could evoke satisfaction or dissatisfaction on the part of the user.

Service quality is the extent to which customers' perceptions of service meet and/or exceed their expectations for example as defined by Zeithaml et al. (1990), cited in (Janet and Jessica, 2011) Thus service quality can intend to be the way in which customers are served in an organization which could be good or poor. Parasuraman defines service quality as “the differences between customer expectations and perceptions of service”. They argued that measuring service quality as the difference between perceived and expected service was a valid way and could make management to identify gaps to what they offer as services.

The aim of providing quality services is to satisfy customers. Measuring service quality is a better way to dictate whether the services are good or bad and whether the customers will or are satisfied with it.

The most helpful measurements of service quality is the dimensions from the SERVQUAL model. The SERVQUAL scale which is also known as the gap model by Parasuraman, et al. (1988) has been proven to be one of the best ways to measure the quality of services provided to customers. This service evaluation method has been proven consistent and reliable by some authors (Brown 1993, cited by (Janet and Jessica, 2011)). They held that, when perceived or experienced service is less than the expected service; it implies less than satisfactory service quality; and when perceived service is more than expected service, the obvious inference is that service quality is more than satisfactory. From the theory presented, it seems the idea of SERVQUAL best fits the evaluation of service quality from the customer perspective. This is because when it is stated “perceived” and

“expected” service, it is very clear that this goes to the person, who is going to or is consuming the service; who definitely is the consumer/customer.

The original study of Parasuraman et al.’s (1985) identified 10 detailed determinant of service quality i.e. Tangibles, reliability, responsiveness, communication, access, competence, courtesy, credibility, security, understanding/Knowledge of customer. Then these ten dimensions purified and reduced in to the following five dimensions.

- **Tangibility:** physical facilities, equipment, and appearance of personnel
- **Reliability:** ability to perform the promised service dependably and accurately
- **Responsiveness:** willingness to help customers and provide prompt service
- **Assurance:** knowledge and courtesy of employees and their ability to inspire trust and Confidence
- **Empathy:** caring individualized attention the firm provides to its customers

2.1.9 Service Quality Models

As stated earlier service quality has been defined differently by different people and there is no consensus as to what the actual definition is. We have adopted the definition by Parasuraman et al., (1988), which defines service quality as the discrepancy between a customers’ expectation of a service and the customers’ perception of the service offering. Measuring service quality has been one of the most recurrent topics in management literature Gronroos, (1984).

Parasuraman et al.(1985) developed a conceptual model of service quality where they identified five gaps that could impact the customer’s evaluation of service quality in four different industries (retail banking, credit card, securities brokerage and product repair and maintenance).

These gaps were;

Gap 1: Consumer expectation - management perception gap Service firms may not always understand what features a service must have in order to meet consumer needs and what levels of performance on those features are needed to bring deliver high quality service. This results to affecting the way consumers evaluate service quality.

Gap 2: Management perception - service quality specification gap .This gap arises when the company identifies want the consumers want but the means to deliver to expectation does not

exist. Some factors that affect this gap could be resource constraints, market conditions and management indifference. These could affect service quality perception of the consumer.

Gap 3: Service quality specifications – service delivery gap companies could have guidelines for performing service well and treating consumers correctly but these do not mean high service quality performance is assured. Employees play an important role in assuring good service quality perception and their performance cannot be standardized. This affects the delivery of service which has an impact on the way consumers perceive service quality.

Gap 4: Service delivery – external communications gap External communications can affect not only consumer expectations of service but also consumer perceptions of the delivered service. Companies can neglect to inform consumers of special efforts to assure quality that are not visible to them and this could influence service quality perceptions by consumers.

Gap 5: Expected Service – perceived service gap From their study, it showed that the key to ensuring good service quality is meeting or exceeding what consumers expect from the service and that judgments of high and low service quality depend on how consumers perceive the actual performance in the context of what they expected.

Parasuraman et al., (1988), later developed the SERVQUAL model which is a multi- item scale developed to assess customer perceptions of service quality in service and retail businesses. The scale decomposes the notion of service quality into five constructs as follows: Tangibles, Reliability, Responsiveness, Assurance and empathy. It bases on capturing the gap between customers' expectations and experience which could be negative or positive if the expectation is higher than experience or expectation is less than or equal to experience respectively.

The SERVPERF model developed by Cronin & Taylor, (1992), was derived from the SERVQUAL model by dropping the expectations and measuring service quality perceptions just by evaluating the customer's the overall feeling towards the service. In their study, they identified four important equations:

$SERVQUAL = \text{Performance} - \text{Expectations Weighted}$

$SERVQUAL = \text{importance} \times (\text{performance} - \text{expectations})$

$SERVPERF = \text{performance Weighted}$

$SERFPERF = \text{importance} \times (\text{performance})$

Implicitly the SERVPERF model assesses customers experience based on the same attributes as the SERVQUAL and conforms more closely on the implications of satisfaction and attitude literature, Cronin et al., (1992). Later, Teas, (1993) developed the evaluated performance model (EP) in order to overcome some of the problems associated with the gap in conceptualization of service quality (Grönroos, 1984; Parasuraman et al., 1985, 1988). This model measures the gap between perceived performance and the ideal amount of a feature not customers expectation. He argues that an examination indicates that the P-E (perception – expectation) framework is of questionable validity because of conceptual and definitional problems involving the conceptual definition of expectations, theoretical justification of the expectations component of the P-E framework, and measurement validity of the expectation.

2.1.10 Measuring Service Quality

The most widely used models in measuring service quality in the business sectors are the SERVQUAL and SERVPERF models. According to the SERVQUAL model (Parasuraman et al., 1988), service quality can be measured by identifying the gaps between customers' expectations of the service to be rendered and their perceptions of the actual performance of the service.

SERVQUAL is based on five dimensions of service quality (Parasuraman et al., 1988):

- Tangibles: the physical surroundings represented by objects (for example, interior design) and subjects (for example, the appearance of employees).
- Reliability: the service provider's ability to provide accurate and dependable services.
- Responsiveness: a firm's willingness to assist its customers by providing fast and efficient service performances.

- Assurance: diverse features that provide confidence to customers (such as the firm's specific service knowledge, polite and trustworthy behavior of employees).
- Empathy: the service firm's readiness to provide each customer with personal

According to Bolton and Drew, (1991) each dimension is measured by four to five items. Each of these combined 21 items is measured in two ways: the expectations of customers concerning a service and the perceived levels of service actually provided. In making these measurements, respondents asked to indicate their degree of agreement with certain statements on liker type scale. For each item, a gap score (G) is then calculated as the difference between the perception score (P) and the expectation score (E). The greater the gap scores the higher the score for perceived service quality.

The SERVPERF model was carved out of SERVQUAL by Cronin and Taylor in 1992. SERVPERF measures service quality by using the perceptions of customers. Cronin and Taylor argued that only perception was sufficient for measuring service quality and therefore expectations should not be included as suggested by SERVQUAL (Baumann, 2007).

2.1.11 Using SERVPERF to Measure Service Quality

The SERVPERF model was carved out of SERVQUAL by Cronin and Taylor in 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 for measuring service quality and therefore expectations should not be included as suggested by SERVQUAL (Baumann et al, 2007). Instead of measuring the quality of service via the difference between the perception and expectation of customers as in SERVQUAL, SERVPERF operationalizes on the perceived performance and did not assess the gap scores as expectation does not exist in the model. Thus, it is performance-only measure of service quality. The model adopts the five dimensions of SERVQUAL and the 22 item scale is used in measuring service quality. In the SERVPERF model, the results demonstrated that it had more predictive power on the overall service quality judgment than SERVQUAL. (Cronin and Taylor 1994) "The 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% (Hartline and Ferrell, 1996; Babakus and Boller, 1992; Bolton and Drew, 1991)" cited by Mesay Shita 2012. Many studies have been conducted by adopting the SERVPERF model.

2.2 Empirical Studies

There are works done related many research with this study. The topics and major findings are discussed below to have an insight about these studies.

Meron (2015) conducted a research on impact of service quality on customer satisfaction: the case of Bank of Abyssinia S.C. The researcher used SERVPERF model to identify the relationship between service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) and customer satisfaction. She also used quantitative research method and descriptive and explanatory research designs. 12 branches were selected using disproportionate stratified sampling technique and 399 customers were selected from sample branches using proportionate stratified sampling technique. Out of the 399 questionnaires distributed to the sample customers, 341 questionnaires were collected and used in the analysis. The mean result showed that customers were most satisfied with Assurance followed by Responsiveness. The correlation result indicated that the service quality dimensions have positive and significant relationship with customer satisfaction and the service quality dimension which has the highest correlation with customer satisfaction is Assurance. The regression analysis also revealed that all service quality dimensions have a positive impact on customer satisfaction and assurance is the dominant service quality dimension that affects customer satisfaction.

According to the result of the study, 44% of variation in customer satisfaction was explained by the service quality dimension in Bank of Abyssinia S.C. Therefore, the researcher recommended the Bank to work hard on all service quality dimensions in order to improve and maintain its customers' satisfaction.

2.3 Conceptual Framework

The conceptual framework indicates the crucial process, which issue to show the direction of the study. The study shows the relationship between the five service quality dimensions and customer satisfaction. Also the study focuses on SERVPERF model which represents customers perceptions toward the service offered which is referred to as the perceived service quality.

Independent variables (IV)

Dependent variables (DV)

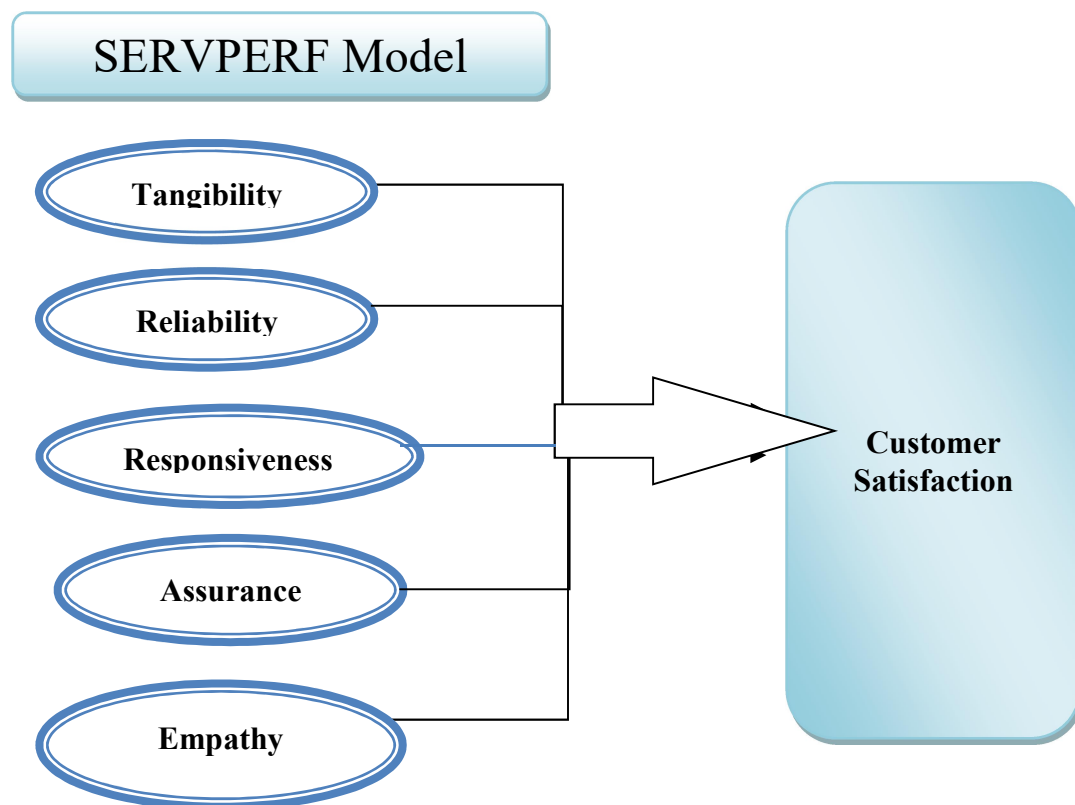


Figure 2.2 Conceptual framework shows the effect of the service quality on customer satisfaction

Source: Parasuraman et al., 1988

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presented details of the research methodology. This includes Research design, Data type and source, Sampling method and size, Procedure for data collection, Method of data collection and Data analysis, Questionnaire design, Validity and Reliability.

3.1 Research design

This study employed descriptive survey research design in order to describe the results obtained from the descriptive statistical tools and applied quantitative research approach to address the stated objectives. Primary data was collected on the service quality dimensions using SERVPERF model and used to explain the relationship between the independent variables, (Tangibility, Reliability, Responsiveness, Assurance and Empathy service quality dimensions) and the dependent variable(customer satisfaction).The research is cross sectional in a sense that data was collected at one point in time.

3.2 Data type and sources

The study relied on primary sources of data. Primary data was collected using questionnaires. The questionnaires were distributed to the loyal customers of Ethiopian Shipping & Logistics Service enterprise.

3.3 Target population and Sampling size

The main focus of this study was to identify the service quality provided by ESLSE and its effect on customer satisfaction using SERVPERF Model. The target populations for this study were customers of ESLSE in the head office of Addis Ababa. According to the information obtained from marketing department 9500 customers was registered at Head office level. However, as of January 2018 out of the total 9500 customers only 566 customers were identified as active and loyal customers were existed at the head office level. Based on this the researcher used 566 customers as target population of this study and samples were drawn out of these customers based on the following Yamane (1967) formula.

The sample size of this study is determined by using the formula developed by (Yamane, 1967).

$$n = \frac{N}{1 + Ne^2}$$

Where,

n= is the sample size

N is the population size,

e= is the level of precision or sampling error= **(0.05)**

Confidence Level =**95%**

$$n = \frac{566}{1 + 566(0.05)^2}$$

$$n = 566 / (1 + 566 * 0.0025) = 566 / 2.415 = \mathbf{234}$$

Thus, sample size of **234** customers was selected from the population of **566**. These 234 customers were selected by using a type of non-probability convenience sampling technique.

3.4 Data collection tools/ instruments

Customer satisfaction was measure with one scale adopted from Lovelock and Wright (1999) with response ranging from ‘very satisfied’ to ‘very dissatisfied’.

In this study mainly quantitative data were collected from ESLSE customers (primary data sources) using self-administered questionnaire in order to answer the research questions and objectives. Primary data source were what the researcher originally intended to collect from the target population. In this study the primary data are those responses of customers accessed via a questionnaire survey and customers observation. Closed ended and structured questionnaires were used as an instrument for data collection.

The questionnaires were having three sections. The first part of the questionnaire was consists of issues related to the personal information of the respondent. The second part was concerned with the questions used to assess service quality of the ESLSE. The research instrument is designed based on the five dimensions of service quality and the **22** service items of the SERVPERF model. The questionnaire was include four items correspond to the tangibles dimension; four items correspond to the reliability dimension, five items correspond to the assurance dimensions, five items to the responsiveness and four items to empathy. Respondents were asked to indicate their degree of agreement with each of the items on five point likert scale. The third part of this questioner is a level of customer satisfaction having four (4) items that respondents should prefer.

Then, there were also a five-point Likert scale range from 1 (very dissatisfied) to 5 (very satisfied) to be selected as their responses to measure participants' behavioral intensions that express their loyalty to the ESLSE.

3.5 Data Analysis and Presentation

In this research, the data collected from the respondents was analyzed using descriptive-and inferential statistics using SPSS version 20 Computer systems (Statistical Package for Social Science). A data collected from respondents were analyzed using descriptive statistical indexes like frequency distribution, percentage, mean and standard deviation were calculated. Inferential statistics like correlation and multiple regression analysis were also carried out to address the research objectives.

After information was collected from primary sources, mainly the information obtained through questionnaire was scaled, once the information scaled then the researcher organize in appropriate categories related to respondents view in general and in terms of the research variables in particular.

Dependent variable (customer satisfaction) and independent variables (Tangibility, Reliability, Responsiveness, Assurance and Empathy) also identified and systematically arranged to analyze correlation and multiple linear regression analysis and its significance on customer satisfaction.

3.6 Regression Model

3.6.1 Pearson's correlation coefficient

In this study Pearson's correlation coefficient was used to determine the relationships between service quality dimensions (Tangibility, Reliability, Responsiveness Assurance and Empathy) and Customer Satisfaction. Person correlation was used to test the formulated hypothesis.

3.6.2. Regression Functions

In this study the equation of multiple regressions is generally built around two sets of variable, the dependent variables (customer satisfaction) and independent variables the actual service provision of Ethiopian Shipping and Logistic Service Enterprise (ESLSE) in Addis Ababa.

Parasuraman et al., (1988) stated that SERVPERF model is one of the most widely used model in business sector to measure customer satisfaction. The SERVPERF model measures service quality by using only the perceptions of customers or measure only the performance of the company. Cronin and Taylor (1992) argued that only perception of customer was sufficient for measuring service quality and therefore expectations should not be included as suggested by SERVQUAL (Baumann et al, 2007).

The model of multiple linear regressions is presented below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e_i$$

Where:

Y = Customer satisfaction (dependent variables to be predicted).

α = The constant

β = Coefficient of the factors

X_1, X_2, X_3, X_4, X_5 = Factors which affect the customer's satisfaction (independent variables)

X_1 = Tangibility

X_2 = Reliability

X₃= Responsiveness

X₄= Assurance

X₅= Empathy

e_i = error factor

Therefore the model of this study is:

Customers satisfaction= $+\beta_1 Tangibility + \beta_2 Reliability + \beta_3 Responsiveness + \beta_4 Assurance + \beta_5 Empathy + e_i$

3.7 Validity and Reliability Test

3.7.1 Validity

Ensuring validity in behavioral research is very important but it is a complicated and challenging exercise. Measuring and evaluating the questionnaire consider some specifications for measuring tools, such as the validity of questionnaire. The validity of a measuring tool means that it can measure the relevant specification not any other variable. Content validity was used for measuring the validity of the questionnaires of this research. For this purpose, the content of the questionnaire was prepared by referring to scientific texts, theories and the model relevant to the subject and the questions of the research. After doing amendments by advisor the content validity and face validity of the questionnaire was approved.

3.7.2 Reliability Test

Reliability refers to a condition in which similar results was achieved when an instrument designed for measuring variable is used in different places or at different time under similar conditions. The reliability of the questionnaires was statistically calculated using Cronbach's Alpha. The result obtained from SPSS range between .745-.862 for each independent and dependent variable.

The Chronbach's Alpha result depicted that for the whole questionnaire is a good reliability. If Chronbach's Alpha result is below than 0.7 the questionnaire showed be rejected (Julie, 2005).

Thereby, it can be said that it is proved that the questionnaire is valid, reliable, and ready for distribution for the population sample.

Table 3.1 the Cronbach's Alpha test result from SPSS

Variables	Cronbach's Alpha	No of Items
Tangibility	.862	4
Reliability	.839	4
Responsiveness	.795	5
Assurance	.829	5
Empathy	.797	4
Satisfaction	.745	5

Source: SPSS result, 2018

3.8 Ethical consideration

Informed consent: Participants were given the choice up on their willingness to participate or not to participate, and furthermore the researcher informed in advance about the nature of the study.

Right to privacy: Participants were informed about confidentiality of their responses and this was stated clearly in the questionnaire, that it's only for academy purpose.

Honesty with professional colleagues: These findings were reported in proper manner and honest way, without misrepresenting.

CHAPTER FOUR

DATA PRESENTATION AND INTERPRETATION

This part of the research deals with the analysis and discussion of the data gathered from the questionnaire survey. It includes the measure the service quality against customer's satisfaction dimension of ESLSE in Addis Ababa.

4.1 Response rate of respondent

To make the analysis a total of 234 questionnaires were distributed to customers of Ethiopian Shipping and Logistic Enterprise, out of these 216 questionnaires were properly filled and returned back to the researcher which means the overall response rate of the study was 92.3%.

4.2 Demographic Information of the Respondents

Table 4.1 Frequency and percent of demographic information of the respondent

Sex of respondents	Frequency	Percent
Male	112	51.9
Female	104	48.1
Total	216	100.0
Age of respondents	Frequency	Percent
18-29 years	93	43.1
30-40 years	96	44.4
Greater than 40 years	27	12.5
Total	216	100.0
Education level of respondents	Frequency	Percent
High school	15	6.9
Diploma	53	24.5
Degree	124	57.4
Masters	24	11.1
Total	216	100.0

Source: Survey result, 2018

Table 4.1 above shows that out of the total respondents 112 (51.9%) of respondents were male and 104(48.1%) respondents were females. The result shows that the numbers of male respondents were greater than female respondents; related to respondent's age out of the total 93(43.1%) of respondent's age were between 18- 29 years, 96(44.4%) of respondent's age were between 30- 40 years and the remaining 27(12.5%) of respondent's age were above 40 years. The result shows that the majority (88%) respondent's ages were between 18-40 years. This implies that majority of respondent's age relatively fall under productive age.

Related to educational qualification of the respondents, out of the total 15(6.9%) of respondents educational background were high school certificate, 53(24.4%) of the respondents educational level were college diploma, 124 (57.4%) of respondents educational background were first degree and the remaining 24(11.1%) respondent's educational background were master's degree and non of respondents educational level were Ph.D.. The result showed that above half of respondents educational level are first degree and next respondents educational qualification are diploma holders. This implies the majority of respondents are first Degree holders.

4.3. Descriptive Analysis of customer satisfaction using different dimension

To measure the customers' perception of the service quality provided by Ethiopian Shipping and Logistics Enterprise (ESLSE), SERVPERF model is used in this study. SERVPERF directly measures the customer' perception of service performance and assumes that respondents automatically compare their perceptions of the service quality levels with their expectations of those services. The model contains 22 questions and a five point likert scale is used to measure the performance. For all the service quality dimensions (Tangibles, Reliability, Responsiveness, Empathy and Assurance), the mean score have been computed. The table below 4.2 up to 4.6 represents the results.

In this part, the data related with the study is presented and analyzed in detailed manner. This section is further categorized into five broad proportions (Tangibility, Reliability, Responsiveness, Assurance and Empathy). Based on this, customers were asked to rate the level of provision of service with specific quality service. In order to request their opinion on the importance of effective service delivery processes different questions were included in each indicators and service quality for customer satisfaction.

The following table below gives a breakdown of the descriptive measures of the five dimensions of service quality performance (SERPERF.) that were answered by respondents.

4.3.1 Tangibility dimension service quality

Tangibility measurement shows the physical aspects of the services as physical facilities, appearance of personnel and tools used for the provision of services. It is more concerned with visual part of the Ethiopian Shipping and Logistics Services Enterprise (ESLSE).

Table 4.2 Descriptive statistics for tangibility dimension of quality services			
Tangibility dimension service quality	N	Mean	Std. Deviation
ESLSE has up-to-date equipment and technology	216	3.69	.863
ESLSE physical facilities are visually appealing	216	3.64	.734
ESLSE employees are well dressed and appear neat.	216	3.86	.814
The physical facilities and technology relevant with the type of service provided.	216	2.41	.854
Valid N (listwise)	216		

Source: Survey result, 2018

Table 4.2 above shows the mean score and the four items of tangibility dimension of service quality. According the table result above, ESLSE has up-to-date equipment and technology scored a mean score value of 3.69 and standard deviation value equal to .863, for the statement ESLSE’s physical facilities are visually appealing scored a mean value 3.64 with standard deviation value .734, for the statement ESLSE’s employees are well dressed and appear neat scored a mean value equal to 3.86 with standard deviation value .814 and finally for the statement the physical facilities and technology goes with the type of service provided a mean score value equal to 2.41 with standard deviation value .854. This result indicated that Ethiopian Shipping and logistic Service Enterprise (ESLSE) except the statement the physical facilities and

technology goes with the type of service provided in all tangibility dimension scored above the midpoint or the average result fall above the neutral and below agree level. This implies related to the tangibility dimension relatively customers are nearer to agree level or satisfied by the physical service provided by ESLSE. However, customers are disagreed or dissatisfied with the physical facilities and technology of the organization.

4.3.2 Reliability dimension service quality

Reliability is the ability to perform services consistently and correctly in a consistent manner. It contains four items to assess the accuracy and credibility of the ESLSEs services. This dimension of service quality evaluates the promises of the ESLSEs and its execution from customers' point of view. Reliability is an important determine of product quality besides good personal service, staff attitude, knowledge and skills. It is found that service reliability is the service “core” to most customers and managers should use every opportunity to build a “do-it-right-first” attitude. Therefore, reliable service performance has to meet customers' perception. Service must be accomplished on time, every time, in the same manner and without errors (Dabholkar ,1996 as cited by Yoseph, 2012).

Table 4.3 Customer satisfaction concerning service quality reliability dimensions

Reliability dimensions service quality	N	Mean	Std. Deviation
ESLSE's employees provide service at the time they promise to do so	216	2.17	.492
ESLSE's employees show sincere interest in solving a problem you face	216	2.81	.901
ESLSE's employees perform service right the first time	216	2.40	.857
ESLSE keeps your records accurately(error free service)	216	2.69	.836
Valid N (listwise)	216		

Source: Survey result, 2018

According to the table 4.3 above result, for the statement when you have a problem, the ESLSE's employees provide service at the time they promise to do so scored a mean value 2.17 and standard deviation value .492, the ESLSE's employees show sincere interest in solving a problem you face scored a mean value equal to 2.81 and standard deviation value .901, ESLSE's employees perform service right the first time(error free service) scored a mean value 2.40 and standard deviation value .857 and ESLSE keeps your records accurately scored mean value equal to 2.69 and standard deviation value .836.

The reliability dimension of service quality's mean value indicated that all items or variables show below the neutral level. This shows almost all customers are disagree with the reliability dimension of service quality of the ESLSE. This further indicates the employees are not able to provide services as they promised and able to provide error service at the right time for their customers. Overall related to reliability dimension customers are dissatisfied or neutral with the service provided by ESLSE at head office in Addis Ababa.

4.3.3 Responsiveness dimension service quality

This dimension reflects the willingness of employees to provide immediate services to customers. Customers are very sensitive to employees' working environment in service organizations. It was found that correct match between staff skills and customers' perception resulted in better service quality towards customers. Quick response and staff willingness to help are recognized as important parts of service quality.

Table 4.4 Customer satisfaction concerning service quality responsiveness dimensions

Responsiveness dimensions service quality	N	Mean	Std. Deviation
There are always adequate numbers of employees to respond to your needs at the ESLSE	216	3.98	.549
ESLSE employees tells you exactly when the service will be performed	216	3.04	.774
You receive prompt service from ESLSE employees	216	4.03	.657
ESLSE's employees are always helpful	216	3.93	.613
ESLSE's employees are never busy to respond to your enquires	216	4.19	.634
Valid N (listwise)	216		

Source: Survey result, 2018

Table 4.4 above result revealed that, for the statement there are always adequate numbers of employees to respond to customer needs at the ESLSE scored a mean value 3.98 and standard deviation .549, ESLSE employee's tells you exactly when the service will be performed scored a mean value equal to 3.04 and standard deviation value .774, you received prompt service from ESLSE employees scored a mean score value 4.03 and standard deviation value equal to .657, ESLSE's employees are always helpful scored a mean value 3.93 and standard deviation value .613 and staff tells customers exactly when services will be performed mean value 2.38 and employees are never busy to respond to your enquires scored a mean score value 4.19 and standard deviation value .634.

The result shows that comparatively on the responsive dimension on average all customers are agree with the services provided by ESLSE and employees quickly respond to customers question and they help them from their heart. This implies customers are happy related to responsive service quality dimension of Ethiopian Shipping and Logistic Service Enterprise in Addis Ababa.

4.3.4 Assurance dimension service quality

Assurance indicates the employees' knowledge, good manners and their ability to express trust and confidence. Parasuraman et al. (1988) remarked that assurance is a necessary measurement of service quality to know customers level of satisfaction.

Table 4.5 Customer satisfaction concerning service quality assurance dimensions

Assurance dimension service quality	N	Mean	Std. Deviation
ESLSE's employees give you individual attention	216	3.96	.593
ESLSE's service hours are convenient to you	216	4.52	.639
ESLSE Head office location is accessible for you	216	4.34	.537
ESLSE's forms are easily understandable	216	3.98	.602
ESLSE's employees understand your specific needs	216	3.11	.820
Valid N (listwise)	216		

Source: Survey result, 2018

Table 4.5 above result shows that the assurance dimension of service quality, the statement ESLSE's employees give you individual attention scored a mean value 3.96 and standard deviation value .593, ESLSE's service hours are convenient to you score mean value 4.52 and standard deviation value .639, the ESLSE head office location is accessible for you scored a mean value 4.34 and standard deviation equal to .537 and ESLSE's employees understand your specific needs scored a mean value 3.11 and standard deviation .820.

The result indicated that on assurance service quality dimension like responsive dimension service quality customers are relatively agreed and satisfied specially the location of the head office and with the working hour of the organization. We can conclude that customers are agreed or satisfied on the assurance dimension of service quality of ESLES. However, out of this dimension ESLSE's employees understand your specific needs result comparatively customers are neutral.

4.3.5 Empathy dimension service quality

Empathy is the magnitude of caring and individual attention given to customers. It involves that employees' commitment to deliver quality services.

According Parasuraman et al. ((1988) empathy is the ability to understanding another's feelings as one's own. Empathetic firms have not lost handle of what it is like to be a customer of their own firm. Empathetic firms easily understand their customers' need and want and make their services as much as possible accessible to their customers. In contrast, firms that do not provide their customers individualized attention when requested and offer operating hours convenient for the firm and not its customers fail to demonstrate empathetic behaviors. The SERVPERF empathy dimension addresses the empathy gap (Hoffman and Batteson, 2011).

Table 4.6 Customer satisfaction concerning service quality empathy dimensions

Empathy dimensions	N	Mean	Std. Deviation
The behavior of ESLSE's employees Instills confidence in you	216	3.15	.747
You feel safe in transaction with ESLSE	216	2.56	.990
ESLSE's employees are consistently polite.	216	3.68	.678
ESLSE's employees provide you the adequate information on the service you requested.	216	3.32	.895

Source: Survey result, 2018

Table 4.6 above result shows that the empathy dimension of service quality, the statement the behavior of ESLSE's employees instills confidence in you scored a mean value 3.15 and standard deviation value .747, you feel safe in transaction with ESLSE scored a mean value 2.56 and standard deviation value .990, ESLSE's employees are consistently polite scored a mean value 3.68 and ESLSE's employees provide you the adequate information on the service you requested scored a mean value 3.32 with standard deviation value equal to .895. The result ranges a mean score value from 2.56 up to 3.68 and standard deviation value from .678 up to .990 respectively. This means under empathy dimension service quality customers gave least score or nearer dissatisfaction to the statement you feel safe in transaction with ESLSE and gave high score to employee's behavior.

Therefore, the empathy dimension service quality customers are satisfied.

4.3.6 Customers satisfaction level

Customer satisfaction is a measure of how products and services supplied by a company meet or surpass customers' expectation. Parasuraman et al (1985) proposed that when perceived service quality is high, then it will lead to increase in customer satisfaction.

Table 4.7 Mean and standard deviation of customer satisfaction ESLSE

Related to customers satisfaction level	N	Mean	Std. Deviation
My feeling about Ethiopian shipping & Logistics Service Enterprise delivery can be best described as :			
Overall, I am satisfied with the ESLSE services	216	3.33	.769
I say positive things about the ESLSE to other people	216	3.26	1.042
I intend to continue being as customer of the ESLSE	216	3.80	.692
I will encourage friends and relatives to use the service offered by the ESLSE	216	3.51	.830

Source: Survey result, 2018

According to table 4.7 above result showed that customers were asked to rate their level of satisfaction and feeling related to ESLSE overall performance. Based on this customers replied and scored as follows, for the statement overall, I am satisfied with the ESLSE services had been given a mean score value 3.33 and standard deviation value .769, I say a positive thing about the ESLSE to other people had been given a mean score value equal to 3.26 and standard deviation value 1.042, I intend to continue being as customer of the ESLSE for a long time had been scored a mean value 3.80 and standard deviation value equal to .692, I will encourage friends and relatives to use the service offered by the ESLSE scored a mean value 3.51 and standard deviation .830 by all respondents.

Therefore, from the result we can conclude that the overall customer satisfaction level fall between agree and neutral about the service provided by the Ethiopian Shipping and Logistic Enterprise in Addis Ababa at the head office.

4.4 Correlation and Regression Analysis

4.4.1 Correlation

According to Julie (2005) Correlation coefficient is a measure of relationship (association) and strength between two variables. The correlation coefficient ranges between -1 and 1. If the two variables are in perfect positive linear relationship, the correlation coefficient will be 1 and if they are in perfect negative (inverse) relationship, the correlation coefficient will be -1. The correlation coefficient is 0 (zero) if there is no linear relationship between the variables.

A low correlation coefficient (r), between 0.1 and 0.29, suggests that the relationship between the two variables is weak or non-existent. If r is between 0.3 and 0.49, the relationship is moderate and a high correlation coefficient, i.e. $r > 0.5$, indicates a strong relationship between the variables. The direction of the dependent variables change depends on the sign of the coefficient. If the coefficient is a positive number, then the dependent variable will move in the same direction as the independent variable and if the coefficient is negative, then the dependent variable will move in the opposite direction of the independent variable.

In this study, Pearson's correlation coefficient is used to find out the relationship between service quality dimensions and customer satisfaction. Table 4.8 exhibits the result of the correlation analysis.

Table 4.8 Pearson correlations matrix correlations

		Tangibility	Reliability	Assurance	Empathy	Responsiveness	Satisfaction
Tangibility	Pearson Correlation	1	.445**	.444**	.400**	.436**	.581**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
Reliability	Pearson Correlation	.445**	1	.458**	.347**	.499**	.528**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
Assurance	Pearson Correlation	.444**	.458**	1	.349**	.586**	.448**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
Empathy	Pearson Correlation	.400**	.347**	.349**	1	.348**	.497**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
Responsive ness	Pearson Correlation	.436**	.499**	.586**	.348**	1	.464**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
Satisfactio n	Pearson Correlation	.581**	.528**	.448**	.497**	.464**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	216	216	216	216	216	216

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

Source: Survey result, 2018

The above table 4.8 shows that all the independent variables (i.e. tangibility, reliability, responsiveness, assurance and empathy) are positively correlated to customer satisfaction in ESLSE in Addis Ababa. According to Cohen (1988) suggestions the following relationships are considered as strong ($r= 0.5-1.0$) correlation such as between tangibility and reliability with $r= .583^{**}$, the relationships between tangibility and satisfaction with $r= .581^{**}$ with sig. value .000, the relationships between reliability and customer satisfaction with $r= .528^{**}$ and sig. value

equal to .000 and the relationships between assurance and responsiveness with $r = .586^{**}$ with sig. value .000; the following relations are considered as moderate ($r = 0.3-0.49$) relationship such as the relationships between tangibility and reliability with $r = .445^{**}$ and sig. value equal to .000, the relationships between tangibility and assurance with $r = .444^{**}$ and sig. value .000, the relationships between tangibility and empathy with $r = .400^{**}$ sig. value equal to .000, the relationships between tangibility and responsiveness with $r = .436^{**}$ and sig. value equal to .000, the relationships between empathy and satisfaction with $r = .497^{**}$ and sig value equal to .000, ;relationships between empathy and assurance with $r = .349^{**}$ and sig. value =.000, the relationship between reliability and responsiveness with $r = .499$ and sig. value =.000, the relationship between assurance and reliability with $r = .458$ and sig. value =.000 the relationship between reliability and empathy with $r = .347$ and sig value =.347 and sig. value =.000 the relationship between assurance and satisfaction with $r = .448$ and sig. value =.000 and the relationship between responsiveness and customer satisfaction with $r = .464$ and sig. value =.000.

From this we can conclude that there is statistically significant (at $P < 0.05$) positive relationship between tangibility, reliability, responsiveness, assurance, empathy and customer satisfaction at Ethiopian Shipping and Logistic Service Enterprise in Addis Ababa. The next step is to test the assumption to carryout multiple linear regression analysis in ESLSE.

4.4.2 Testing assumptions of multiple linear regression

According to Julie (2005) before proceeding to multiple regressions analysis, first the researcher has to check the following assumptions such as sample size, outliers, normality, linearity, multicollinearity and singularity, and found they were not a problem for the researcher. Then the researcher proceeds to the regression analysis.

4.4.2.1 Multicollinearity Test

Multicollinearity is refers to the relationship among the independent variables. Multicollinearity exists when the independent variables are highly correlated ($r=.9$ and above) (Julie, 2005).

Table 4.9 Multicollinearity test statistics

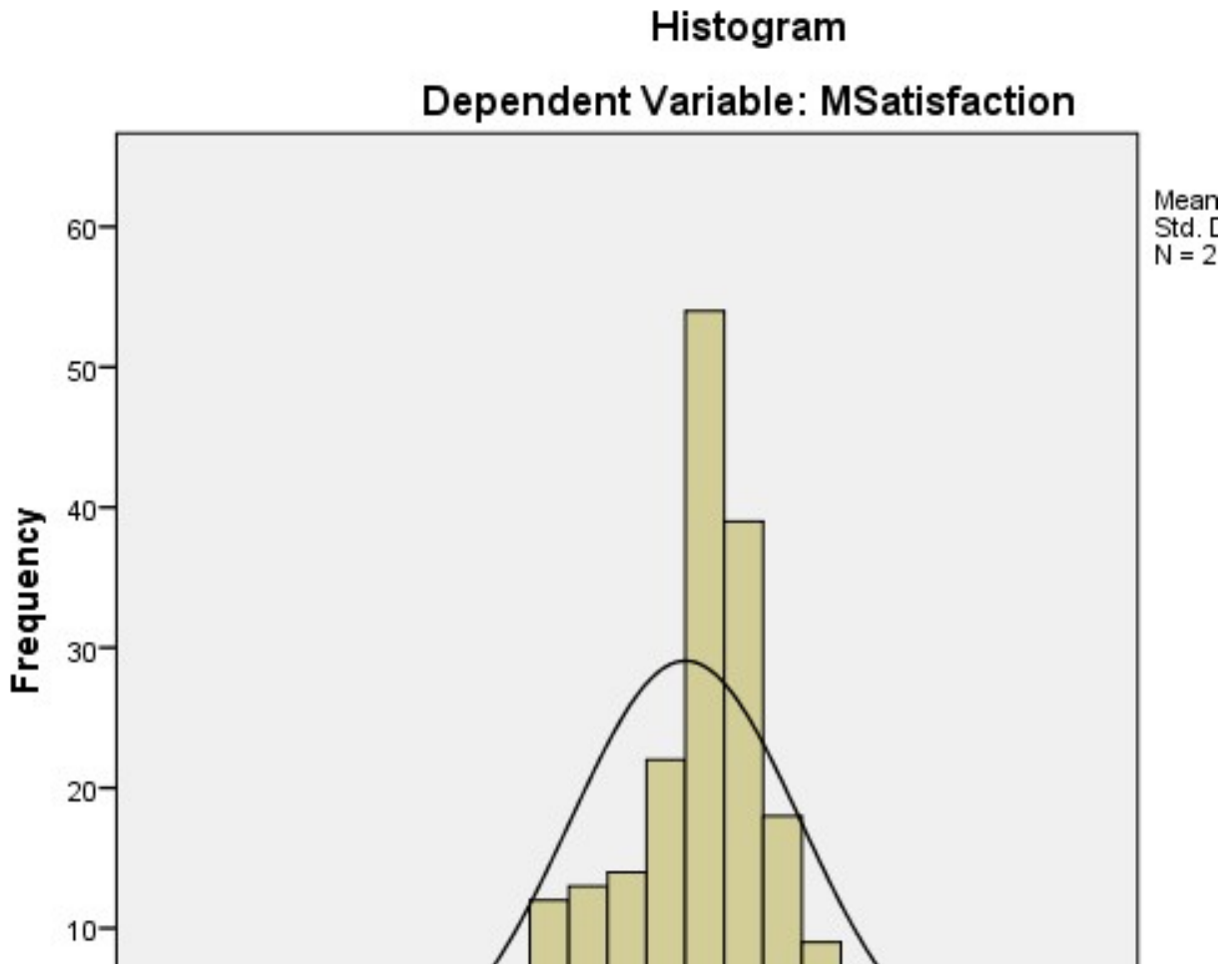
Model	Collinearity Statistics	
	Tolerance	VIF
Tangibility	.674	1.483
Reliability	.656	1.524
Responsiveness	.569	1.757
Assurance	.588	1.701
Empathy	.779	1.284

Source: Survey result, 2018

According to Julie (2005) to check multicollinearity effect two things should be checked Tolerance and VIF from the coefficient table. If the value of Tolerance is very small (less than .10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity. The second value given is the VIF (Variance inflation factor), which is just the inverse of the Tolerance value (1 divided by Tolerance). If VIF values shows above 10 would indicating multicollinearity. the value of VIF does not exceed 10 and the value of tolerance is not below 0.1. Therefore, it indicates that there is no multicollinearity among the predictor variables and the study does not violate the assumption.

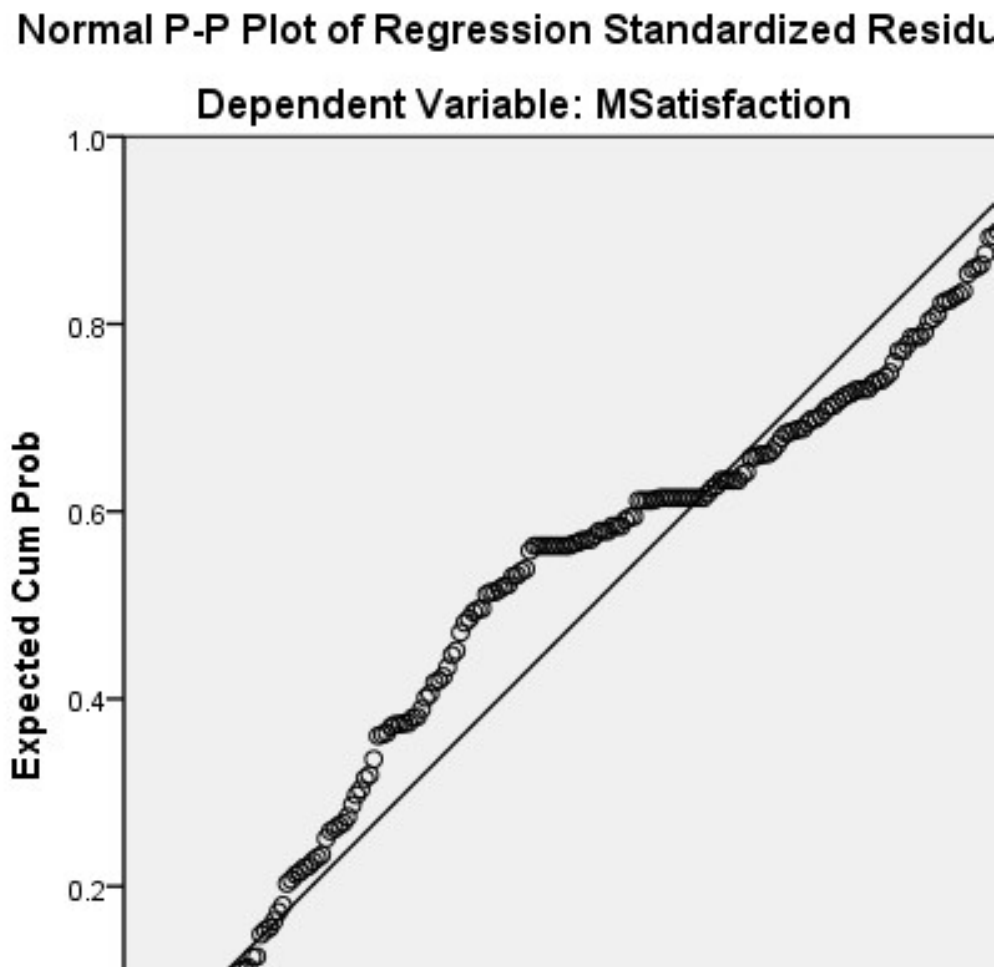
4.4.2.2. Test of Normality

The distribution of scores on the dependent variable should be 'normal' describing a symmetrical, bell-shaped curve, having the greatest frequency of scores around the mean, with smaller frequencies towards the extremes. For this research, the visualized histogram indicates that data used in the study is normally distributed and therefore it has fulfilled the assumption.



4.4.2.3 Test of linearity

Linearity assumption of multiple regressions was tested using scatter plot test (Kothari, 2004) and it was found that there is linear relationship between independent and dependent variables. According to the linearity result, the distributions of residuals are near to the mean zero.



Source: Survey result, 2018

Therefore, based on the above result of assumptions multicollinearity, normality, linearity, outlier effect, missing data are not a problem for this study and we can proceed to multiple linear regression analysis.

4.2.3 Multiple Regression Analysis

Regression analysis is a statistical measure that attempts to determine the strength of the relationship between one dependent variable and a series of other changing variables (known as independent variables). More specifically, regression analysis helps one understand how the typical value of the dependent variable (criterion variable) changes when any one of the independent variables is varied, while the other independent variables remain constant.

For the purpose of determining the extent to which overall customer satisfaction (depends) on the independent variables such as tangibility , reliability, responsiveness, assurance and confidence variables. To carry out this the researcher used multiple regression analysis models below table 4.10.

Table 4.10 multiple regression analysis of the model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.703 ^a	.494	.482	.41385

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

b. Dependent Variable: Customers satisfaction

Table 4.10 above indicates R, R Square, Adjusted R Square and standard error of the estimate. Further, it lists the independent variables that are entered in to the regression model. R (.703) is the correlation of independent variables with the dependent variable. The model summary, above shows the R Square is 0.494. This tells us how much of the variance in the dependent variable (customer satisfaction in the Ethiopian Shipping and Logistic Service Enterprise) are explained by the independent variables (as tangibility, reliability, responsiveness, assurance and empathy). This means that our model (independent variables) explains 49.4% of the variance in customer satisfaction (dependent variable).

Table 4.11 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.081	5	7.016	40.964	.000 ^b
	Residual	35.968	210	.171		
	Total	71.049	215			

a. Dependent Variable: Customers satisfaction

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

Source: Survey result, 2017

From the above ANOVA 4.11 table, it has been determined that service quality dimensions have significant effect on customer satisfaction at $F = 40.964$ and Sig. is .000. Hence, the result depicted that the alternative hypothesis “service quality dimensions have significant effect on customer satisfaction in ESLSE” is accepted which leads to rejection of the null hypothesis. Overall the model is significant to carry out regression analysis.

Table 4.12 Coefficients for service quality dimensions on customer satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.284	.305		.930	.003
Tangibility	.344	.066	.314	5.250	.000
Reliability	.253	.066	.230	3.800	.000
Responsiveness	.112	.080	.090	1.391	.016
Assurance	.083	.079	.068	1.057	.029
Empathy	.263	.062	.236	4.250	.000

Source: Survey result, 2018

Dependent Variable: Customer Satisfaction

The regression function for service quality dimensions and customer satisfaction can be derived from the above table as follows:

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

$$Y = 0.284 + 0.344(\text{tangibility}) + 0.253(\text{Reliability}) + 0.112(\text{Responsiveness}) + 0.083(\text{Assurance}) + 0.263(\text{Empathy}).$$

Where: Y is Customer Satisfaction and X1, X2, X3, X4 and X5 are tangibility, reliability, responsiveness, assurance and empathy respectively.

The result of this study revealed that all service quality dimensions (tangibility, reliability, responsiveness, assurance and empathy) have positive and significant effect on customer satisfaction in Ethiopian Shipping and Logistic Service Enterprise at head office in Addis Ababa. The highest correlation is between Tangibility and customer satisfaction followed by

The model result shows us an increase in tangibility, reliability responsiveness, assurance and empathy service quality dimension by one unit and multiplying by their coefficient cause to increase customer satisfaction by the same proportion in Ethiopian Shipping and Logistic Service Enterprise in Addis Ababa.

4.6 Test of the hypotheses

The following hypotheses were tested to answer the hypothesis proposed by the researcher and consequently address the objective of the study.

H0: There is no a significant relationship between of tangibility, reliability, responsiveness, assurance and empathy of service quality the dimension with customer satisfaction in ESLSE.

H1: The tangibility dimension has a positive and significant of service quality on customers satisfaction.

The result of the correlation matrix analysis found that the variable tangibility is equal to $r = .581^{**}$ value and significant at a 0.01% significance level, as shown in Table 4.8. These findings indicate that the researcher has strong evidence to reject the null hypothesis and accept the alternative hypothesis. This indicates that there is a significant and strong positive relationship between the tangibility dimension service quality and customer satisfaction in ESLSE at head office I Addis Ababa.

H2: Reliability dimension service quality has a positive and significant relationship with customer's satisfaction in ESLSE.

The finding in the data analysis presented in Table 4.8, shows that the variable reliability dimension and customer satisfaction had $r = .528^{**}$ and the p-value was less than one percent (1%) level of significance. This means that the reliability dimension was a significant contributor to customer satisfaction.

The result indicated that the reliability service quality dimension significantly contributed to customer's satisfaction in ESLSE. Therefore, there is sufficient evidence to reject the null hypothesis and accept the alternative hypothesis (H_2) with 95% confidence level. Thus it can be concluded that there is a significant and positive strong relationship between reliability service quality dimension and customers satisfaction in ESLSE.

H3: Responsiveness service quality dimension has a positive and significant relationship with customer's satisfaction in ESLSE.

Responsiveness service quality dimension and customer satisfaction had $r = .464^{**}$ and Sig. (p-value) less than 1% alpha value. The data analysis also found that responsiveness service quality dimension was moderately correlated to customer satisfaction. With these data we can accept the alternative hypothesis (H_3) and we reject the null hypothesis. So the finding concludes that there is a significant and positive moderate relationship between responsive service quality dimension and customers satisfaction in ESLSE.

H4: Assurance service quality dimension has a positive and significant relationship with customer's satisfaction in ESLSE.

Assurances service quality dimension and customer satiation had $r=.448^{**}$ and Sig. (p-value) less than 1% alpha value. The data analysis also found that assurance service quality dimension was moderately correlated to customer satisfaction. With these data we can accept the alternative hypothesis (H_4) and we reject the null hypothesis. So the finding concludes that there is a significant and positive moderate relationship between assurance service quality dimension and customers satisfaction in ESLSE at head office in Addis Ababa.

H5: Empathy service quality dimension has a positive and significant relationship with customer's satisfaction in ESLSE.

Empathy service quality dimension and customer satiation had $r=.497^{**}$ and Sig. (p-value) less than 1% alpha value. The data analysis also found that empathy service quality dimension was moderately correlated to customer satisfaction. With these data we can accept the alternative hypothesis (H_5) and we reject the null hypothesis. So the finding concludes that there is a significant and positive moderate relationship between empathy service quality dimension and customers satisfaction in ESLSE at head office in Addis Ababa.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

This chapter presents the conclusion and recommendation of the researcher. The conclusion of this study is based on the findings and the recommendation part was presented based on the conclusions.

5.1 Summary and key findings

The purpose of this study was to measure customer satisfaction level with service quality delivered by the Ethiopian Shipping and Logistic Enterprise (ESLSE) in Addis Ababa. The study was carried out using descriptive research design and a quantitative research approach to collect primary data from customers of ESLSE, out of 234 questionnaires, 216 questionnaires were analyzed using SPSS version 22 to achieve the research objective of this study.

The Descriptive analysis of service quality dimensions are analyzed based on tangibility, reliability, responsiveness, assurance and empathy by using SERVPERF model, which only consider the perception or performance part of the service provided by the ESLSE. According to the result obtained from chapter four the researcher was summarized and presented as follows:

On average all respondents or customers are agreed on the tangibility dimension of service quality out of the four items except the physical facilities and technology goes with the type of service provided on the three items customers are agreed or satisfied with the service provided by ESLSE at the head office, related to reliability dimension service quality on average all respondents are between neutral and disagree in all items, on responsiveness and assurance dimensions service quality relatively all respondents are agreed or satisfied with the service provided by ESLSE at head office; customers are satisfied on the responsive and empathy dimension service quality provided by ESLSE and related to empathy dimension service quality except you feel safe in transaction with ESLSE item on the three items customers are neutral. These indicated that customers are satisfied on these service quality dimensions of tangibility, responsiveness and assurance dimension service quality; and uncertain or not sure on empathy dimension service quality and they shows dissatisfaction on reliability dimension service quality provided by ESLSE at head office in Addis Ababa.

The correlation matrix result shows customer satisfaction (dependent variable) has direct and positive relation with tangibility, reliability, assurance and empathy service quality dimensions (independent variables). The model summary result depicted that the model (independent variables) explains 49.4% of the variance in customer satisfaction (dependent variable).

Findings also showed that the hypothesis tests between measuring the customer satisfaction and service quality dimensions, there is strong evidence to reject the null hypothesis and accepting the alternative hypothesis with 95 % confidence level of significance.

5.2 Conclusions

In conclusion, companies can benefit from the fact of knowing how customers perceive the service quality and knowing the way of how to measure service quality. Therefore, the management can use the specific data obtained from the measurement of service quality in their strategies and plans. This will help organizations to better understand various service quality dimensions that affect overall customer satisfaction. In this way, ESLSE can better assess the service provided to customers on each service quality dimension to provide better service to their valuable and loyal customers. Thus, understanding customer satisfaction with service quality is very important in this competitive business environment.

Based on the findings we can conclude that tangibility reliability, responsiveness, assurance and empathy dimension service quality has positive and significant effect on customer satisfaction and customers are agree on some dimension like tangibility, responsiveness and assurance, dissatisfied on reliability dimension service quality and neutral on the empathy dimension service quality provided by Ethiopian Shipping and Logistic and Service Enterprise at the head office in Addis Ababa.

5.3 Recommendations

The results of the research point out that the five SERVPERF model dimensions have a significant contribution to the customers' satisfaction at ESLSE at the head office. The following recommendations are forwarded by the researcher:

ESLSE should give due emphasis to improve the physical facilities and technology goes with the type of service provided and the reliability dimension service quality such as the ESLSE's employees provide service at the time they promise to do so, ESLSE's employees show sincere interest in solving a problem you face, ESLSE's employees perform service right the first time (error free service) and ESLSE keeps your records accurately. These items mainly associated with employees performance of the company. Therefore, the top management should clearly provide appropriate training how to serve customers and how to effectively enhance their performance to satisfy their loyal customers and respond to their request. Generally provide appropriate training related to customer service and closely follow up or supervise employee's performance to improve customer's satisfaction. In addition to these, the company can raise the employee's willingness and awareness thorough knowledge sharing and discussion. Knowledge and experience sharing at work place will enhance employee's skill and how to serve customers.

ESLSE should also improve the empathy dimension of service quality such as the behavior of ESLSE's employees Instills confidence in you, you feel safe in transaction with ESLSE, ESLSE's employees are consistently polite and ESLSE's employees provide you the adequate information on the service you requested. Empathy is caring and personalized attention that the firm provides to its customers and has been found to be important to customers of the company.

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Appendix

Appendix I

A questionnaire on customer satisfaction survey

Dear Respondents,

I am **Wendewossen Seifu**, a graduate student at Saint Merry University. I am conducting a research on “**Effect of Service Quality on Customer Satisfaction: The case of Ethiopian Shipping & Logistics service Enterprise**” in partial fulfillment of Master of Arts in Marketing Management.

I kindly request you to spend some minutes of your time in filling the questionnaire. Any information which you provide will be kept confidential. Your genuine response is highly appreciated for the outcome of the project.

Thank you for your kind cooperation in filling the questionnaire.

Part-1: General information

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

1. Gender Male Female

2. Age 18-29 30-40 40-50 above50

3. Educational level High school Diploma Degree
Masters PHD

Part II: Survey on Service Quality Items

Close ended questionnaire

Direction: This part of the questionnaire intends to find your perception towards the service quality of Ethiopian shipping & Logistics Service Enterprise.

Please circle the number which reflects your perception.

1= strongly disagree, 2=Disagree, 3= Neutral, 4= Agree and 5= Strongly Agree.

S/N	Statement Of Service Quality	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
i	Tangibles					
1	ESLSE has up-to-date equipment and technology.	1	2	3	4	5
2	ESLSE physical facilities are visually appealing.	1	2	3	4	5
3	ESLSE employees are well dressed and appear neat.	1	2	3	4	5
4	The physical facilities and technology of ESLSE goes with the type of service provided.	1	2	3	4	5
ii	Reliability					
5	ESLSE's employees provide service at the time they promise to do so.	1	2	3	4	5
6	ESLSE's employees show sincere interest in solving a problem you face.	1	2	3	4	5
7	ESLSE's employees perform service right the first time (error free service)	1	2	3	4	5
8	ESLSE keeps your records accurately .	1	2	3	4	5

iii	Responsiveness	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
9	There are always adequate number of Employees to respond to your needs at the ESLSE.	1	2	3	4	5
10	ESLSE employees tells you exactly when the service will be performed	1	2	3	4	5
11	you receive prompt service from ESLSE employees.	1	2	3	4	5
12	ESLSE's employees are always Helpful.	1	2	3	4	5
13	ESLSE's employees are never busy to respond to your enquires.	1	2	3	4	5

iv	Assurance					
14	ESLSE's employees give you individual	1	2	3	4	5
15	ESLSE's service hours are Convenient to you.	1	2	3	4	5
16	ESLSE Head office location is accessible for you	1	2	3	4	5
17	ESLSE's forms are easily Understandable.	1	2	3	4	5
18	ESLSE's employees understand your specific needs.	1	2	3	4	5
v	Empathy					
19	The behavior of ESLSE's employees Instills confidence in	1	2	3	4	5
20	You feel safe in transaction with ESLSE	1	2	3	4	5
21	ESLSE's employees are Consistently polite.	1	2	3	4	5
22	ESLSE's employees provide you The adequate information on the service you requested.	1	2	3	4	5

Part III: Level of Customer Satisfaction

Direction: the following statement describes you're feeling about Ethiopian shipping and logistics Service Enterprise. Please respond by choosing the number which best reflects your own perception.

My feeling about Ethiopian shipping & Logistics Service Enterprise delivery can be best described as :

1. Overall, I am satisfied with the ESLSE services
2. I say positive things about the ESLSE to other people
3. I intend to continue being as customer of the ESLSE
4. I will encourage friends and relatives to use the service offered by the ESLSE

MANY THANKS FOR YOUR VALUABLE CO- OPERATION

Appendix II

SPSS OUT PUT

DEMOGRAPHY

Sex of respondents	Frequency	Percent
Male	112	51.9
Female	104	48.1
Total	216	100.0

Age of respondents	Frequency	Percent
18-29 years	93	43.1
30-40 years	96	44.4
Greater than 40 years	27	12.5
Total	216	100.0

Education level of respondents	Frequency	Percent
High school	15	6.9
Diploma	53	24.5
Degree	124	57.4
Masters	24	11.1
Total	216	100.0

Tangibility dimension of quality services

Tangibility dimension service quality	N	Mean	Std. Deviation
ESLSE has up-to-date equipment and technology	216	3.69	.863
ESLSE physical facilities are visually appealing	216	3.64	.734
ESLSE employees are well dressed and appear neat.	216	3.86	.814
The physical facilities and technology goes with the type of service provided.	216	2.41	.854
Valid N (listwise)	216		

Customer satisfaction concerning service quality reliability dimensions

Reliability dimensions service quality	N	Mean	Std. Deviation
ESLSE's employees provide service at the time they promise to do so	216	2.17	.492
ESLSE's employees show sincere interest in solving a problem you face	216	2.81	.901
ESLSE's employees perform service right the first time	216	2.40	.857
ESLSE keeps your records accurately(error free service)	216	2.69	.836
Valid N (listwise)	216		

Customer satisfaction concerning service quality responsiveness dimensions

Responsiveness dimensions service quality	N	Mean	Std. Deviation
There are always adequate numbers of employees to respond to your needs at the ESLSE	216	3.98	.549
ESLSE employees tells you exactly when the service will be performed	216	3.04	.774
You receive prompt service from ESLSE employees	216	4.03	.657
ESLSE's employees are always helpful	216	3.93	.613
ESLSE's employees are never busy to respond to your enquires	216	4.19	.634
Valid N (listwise)	216		

Customer satisfaction concerning service quality assurance dimensions

Assurance dimension service quality	N	Mean	Std. Deviation
ESLSE's employees give you individual attention	216	3.96	.593
ESLSE's service hours are convenient to you	216	4.52	.639
ESLSE Head office location is accessible for you	216	4.34	.537
ESLSE's forms are easily understandable	216	3.98	.602
ESLSE's employees understand your specific needs	216	3.11	.820
Valid N (listwise)	216		

Customer satisfaction concerning service quality empathy dimensions

Empathy dimensions	N	Mean	Std. Deviation
The behavior of ESLSE's employees Instills confidence in you	216	3.15	.747
You feel safe in transaction with ESLSE	216	2.56	.990
ESLSE's employees are consistently polite.	216	3.68	.678
ESLSE's employees provide you the adequate information on the service you requested.	216	3.32	.895

Mean and standard deviation of customer satisfaction ESLSE

Related to customers satisfaction level	N	Mean	Std. Deviation
My feeling about Ethiopian shipping & Logistics Service Enterprise delivery can be best described as :			
Overall, I am satisfied with the ESLSE services	216	3.33	.769
I say positive things about the ESLSE to other people	216	3.26	1.042
I intend to continue being as customer of the ESLSE	216	3.80	.692
I will encourage friends and relatives to use the service offered by the ESLSE	216	3.51	.830

The Cronbach's Alpha test result from SPSS

Variables	Cronbach's Alpha	No of Items
Tangibility	.862	4
Reliability	.839	4
Responsiveness	.795	5
Assurance	.829	5
Empathy	.797	4
Satisfaction	.745	5

Pearson correlations matrix correlations

		Tangibili	Reliabili	Assuran	Empat	Responsiven	Satisfacti
Tangibility	Pearson Correlation	1	.445**	.444**	.400**	.436**	.581**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
Reliability	Pearson Correlation	.445**	1	.458**	.347**	.499**	.528**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
Assurance	Pearson Correlation	.444**	.458**	1	.349**	.586**	.448**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
Empathy	Pearson Correlation	.400**	.347**	.349**	1	.348**	.497**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
Responsive ness	Pearson Correlation	.436**	.499**	.586**	.348**	1	.464**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
Satisfactio n	Pearson Correlation	.581**	.528**	.448**	.497**	.464**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	216	216	216	216	216	216

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

Multicollinearity test statistics

Model	Collinearity Statistics	
	Tolerance	VIF
Tangibility	.674	1.483
Reliability	.656	1.524
Responsiveness	.569	1.757
Assurance	.588	1.701
Empathy	.779	1.284

Multiple regression analysis of the model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.703 ^a	.494	.482	.41385

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.081	5	7.016	40.964	.000 ^b
	Residual	35.968	210	.171		
	Total	71.049	215			

Coefficients for service quality dimensions on customer satisfaction

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.284	.305		.930	.003
Tangibility	.344	.066	.314	5.250	.000
Reliability	.253	.066	.230	3.800	.000
Responsiveness	.112	.080	.090	1.391	.016
Assurance	.083	.079	.068	1.057	.029
Empathy	.263	.062	.236	4.250	.000