**THE IMPACT OF SERVICE QUALITY TOWARDS CUSTOMER SATISFACTION:**

**THE CASE OF COMMERCIAL BANK OF ETHIOPIA**

**PRESENTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE**

**DEGREE OF MASTERS OF ART IN MARKETING MANAGEMENT**

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I, Abiy Alemu hereby declare that the project entitled "the impact of Service Quality towards Customer Satisfaction: (The Case of Commercial Bank of Ethiopia)" is my original work and has not been presented for a degree in any other university and that all sources of material used for the project have been duly acknowledged.

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**ACRONYMS**

CBE -Commercial Bank of Ethiopia

ServQual – Service Quality

 SQ - Service quality

CS- customer satisfaction

P-perception

E- Expectation

RES -Responsiveness

TA -Tangibility

AS - Assurance

RE- Reliability

EM - Empathy

**ABSTRACTS**

Banks are in the process of moving into a more competitive financial atmosphere, with a wide variety of financial products /services. A key way to building a strong competitive position can be achieved through emphasizing on the importance of services, particularly in maintaining service quality. This success can be attributed in large measure to the superior quality of services that commercial banks have been able to provide.  The main focus of this study was to assess the customer satisfaction level as related to service quality of Commercial Bank of Ethiopia. This research was conducted in the Commercial Bank of Ethiopia's service focusing on Addis Ababa due to the research limitation which was related to its time, resources and others. Thus, the questioner was developed based on based on the service quality dimension. A total number of 206 questioners were distributed and data was collected from 189 respondents.

# CHAPTER-ONE

## 1.1 Background of the Study

The banking industry is highly competitive, with banks not only competing among each other; but also with non-banks and other financial institutions (Kaynak and Kucukemiroglu, 1992). Most bank product developments are easy to duplicate and when banks provide nearly identical services, they can only distinguish themselves on the basis of service, term and tariff.

Customer retention is potentially an effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing banking competitive environment. The argument for customer retention is relatively straightforward. It is more economical to keep customers than to acquire new ones. The costs of acquiring customers to "replace" those who have been lost are high. This is because the expense of acquiring customers is incurred only in the beginning stages of the commercial relationship (Reichheld and Kenny, 1990). In addition, long-term customers buy more and, if satisfied, may generate positive word-of-mouth promotion for the company. Additionally, long-term customers also take less of the company's time and are less sensitive to price changes (Healy, 1999).

The key factors influencing customers' selection of a bank include the range of services, rates, fees and prices charged (Abratt and Russell, 1999). It is apparent that superior service, alone, is not sufficient to satisfy customers. Prices are essential, if not more important than service and relationship quality. Furthermore, service excellence, Meeting client needs, and providing innovative products are essential to succeed in the banking industry. Most private banks claim that creating and maintaining customerrelationships are important to them and they are aware of the positive values that relationships provide (Colgate, stewart, kisella, 1996).

In Ethiopia premium customers satisfaction is the key to the profitability of commercial banking, it implies the retention of customers for the long term, which is cheaper than attracting new customers. In the current circumstances of commercial banking in the Ethiopia particularly with banks becoming larger, the closure of branches and the advent of electronic banking, the question arises whether the customers are satisfied or otherwise and what are the elements of commercial banking which lead to the satisfaction or dissatisfaction of customers. The knowledge of current levels of satisfaction and, in Particular, the key determinants of satisfaction benefit those in the industry allowing them to focus and build upon key areas that lead to highly satisfied customers. Factors particularly staff, services offered, branch location and convenience are the most significant factors influencing customer satisfaction in commercial bank. Therefore, an understanding of factors that influence customer's satisfaction is a very important tool for guiding bank shareholders and managers to design and deliver the right offer to fulfill customer's needs. (Parasuraman, zeithaml and Berry, 1988) developed SERVQUAL, a method to assess customer satisfaction for service industries, which stare a stream of research on service quality measurement that continues to this day (Andaleeb and Conway, 2006).

CBE plays a catalytic role in the economic progress & development of the country. It is the first bank in Ethiopia to introduce ATM service for local users. Currently CBE has more than 13.3 million account holders and the number of Mobile and Internet Banking users also reached more than 1,352,000 as of September 30th 2016 (68% active users). Active ATM card holders reached more than 3 million (61% active users). It has strong correspondent relationship with more than 50 renowned foreign banks like Commerz Bank A.G., Royal Bank of Canada, City Bank, HSBC Bank etc. CBE has a SWIFT bilateral arrangement with more than 700 others banks across the

world. It combines a wide capital base with more than 29,000 talented and committed employees. And the bank also Pioneer to introduce Western Union Money Transfer Services in Ethiopia early 1990s and currently working with other 20 money transfer agents like Money Gram, Atlantic International (Bole), Xpress Money etc.

## 1.2 Statement of the Problem

In the financial sectors which have intense competition, a firm's ability to deliver high quality service those results in satisfied customers is the key to a sustainable competitive advantage (Shemwell, Yavas, & Bilgin, Z. 1998). This makes customers to be loyal to a firm. Customer satisfaction enormously influences company performance and survival (Negi, 2009). Mainly, in highly competitive industry like banking, customer satisfaction is the key for the survival. In circumstances of commercial banking particularly in the Ethiopian; the industry become booming, the opening of branches at proximity, the product offered nearly identical and the advent of electronic banking.

Therefore, understanding of the matters subsequently offering personalized and differentiated services can be critical to a bank success. On top of that, it is well known that premium customer generate high income, not only in banking industry but also in any business firm.

Even though commercial bank of Ethiopia gives special attention for the premium customers there are some gaps that needs to be filed :particularly concerning with the employees customer handling techniques and other service quality dimensions. Therefore understanding and maintaining the needs of premium customers is critical issue for the profitability of the bank.

Annual report of the Citi bank for the fiscal year end June 30, 2011, show that 20% of total customers generate 80% of total profit, those customers are corporate. Besides, these customers are prominent in the society and as the result, they can build the image of that bank as well as

they can unpredictably damage the image of that bank. To the extent these premium customers are influential in the business firm.

This investigation used the SERVQUAL dimensions (tangibility, responsiveness, empathy, reliability and assurance) are factors affecting corporate customer satisfaction (Parasuraman, zeithamel and berry, 1988, 1985)

If the areas that is investigated take in to account by the Bank, it makes corporate customers to be loyal as well as marketer to the Bank. Moreover, satisfaction is a major outcome of marketing activity and serves to link processes culminating in purchase phenomena such as attitude change, repeat purchase and brand loyalty. High level of corporate customer satisfaction leads to an increase in repeat patronage among current customers and aids customer recruitment by enhancing an organization's market reputation.

Therefore, the bases of this study were to investigate corporate customers' gap between their level of satisfaction and service quality of CBE.

## 1.3 Research Question

**Main question**: How service quality affects corporate customers satisfaction level in commercial bank of Ethiopia.

**Specific questions:**

RQ1. What is the level of corporate customers' satisfaction towards different service quality dimension interims of (Reliability, Responsiveness, tangibility, Empathy and Assurance?)

RQ2. What is the perceived level of quality of the service provided to customers in CBE?

RQ3. Which dimensions of banking service quality contributes much towards overall customer satisfaction in CBE context?

### 1.4 Objectives of the Research

### 1.4.1 Main Objective

The main aim of this research paper is to investigate how service quality affects customer satisfaction of CBE's premium customers in the selected grade four branches.

### 1.4.2 Specific Objectives

- To measure the corporate customers satisfaction level towards service quality dimensions in terms of (Reliability, Responsiveness, tangibility, Empathy and Assurance) in CBE.

- To evaluate the perceptions of customer toward the Service Quality in Selected branch and sections of the Commercial Bank of Ethiopia

- To determine the nature of relationships between service quality and satisfaction.

- To identify the areas that needs to improve by banks to deliver superior quality of service.

- To put forward some possible recommendation to improve customer satisfaction.

### 1.5 Scope ofthe Study

The most important contributors to the research within the field of service quality are Zeithaml, Berry and Parasuraman. In their exploratory research which dates back to 1995 they revealed that the criteria used by customers in assessing service quality fit ten, potentially overlapping dimensions. These dimensions include Tangibles, Reliability, Responsiveness, Communication, Credibility, Security, Competence, Courtesy, and Access, Understanding / Knowing customers. It can be seen that three of the original 10 dimensions remain intact in the five service quality dimensions. These three dimensions are tangibles, reliability and responsiveness. The remaining seven dimensions are summarized into two broader dimensions which cover according to

Parasuraman et al. (1998) the corresponding content. The two broader dimensions are labeled assurance and empathy.

This study focuses on the effect of service quality on customer satisfaction. Customer satisfaction relies on customer expectation and customer perception towards service quality dimensions.

## 1.6Significance ofthe Study

In today fiercely competition of the Ethiopian banking environment where the Commercial Bank of Ethiopia consider delivery of excellent service quality to customer is a key to success and survival. Therefore, findings from this study will provide them with valuable insight in ways of enhancing service quality to induce greater customer satisfaction.

In addition to this, the paper is informative to add up the existing knowledge as it raises different issues related to the relation between the three states i.e. service quality , services quality dimensions and customer satisfaction in  the Commercial Bank of Ethiopia cases.

Last but not least, the output of this study may serve as a base for further investigation in the area.

## 1.7 Limitations of the Study

Limitations of this research paper include:

- Since the research paper mainly used quantitative research methods of analyzing the data some limitations like results are limited only to numerical descriptions rather than detailed narrative.

- In addition, present answers will not necessarily reflect how people really feel about a subject or provide less elaborate accounts of human perception.

- And in some cases answers might just be the closet match since the questionnaires are self -constructed and information obtained from them might tend to be inaccurate or incomplete.

## 1.8 Organization of the Research

This research report is consists of five chapters and other sections, namely, the list of references and appendixes. The first chapter provides the introduction of the research topic. The research is carried out with the assessment of the theoretical foundations and relevant literatures in chapter two and the suitable methodology utilized to answer the research question are discussed in chapter three. Data analysis and interpretation of the research results found by using the appropriate instruments for the methodology selected are dealt in Chapter four. The final chapter five covers the discussion of results, conclusions and recommendations.

## CHAPTER TWO

## REVIEW OF RELATED LITERATURE

## 2.1 Theoretical Review

### 2.1.1 Definitions of Terms

**Service quality**: means the difference between the customer expectation of service and their perceived service.

**SERVQUAL**: is an instrument for measuring service quality, in terms of the discrepancy between customers& expectation regarding service offered and the perception of the service received.

**Customer expectation**: means uncontrollable factors including past experience, personal needs, word of mouth, and external communication about bank service.

**Customer perception**: means customer's feelings of pleasure /displeasure or the reaction of the customers in relation to the performance of the bank staff in satisfying / dissatisfying the services.

**Reliability**: Delivering on services dependably and accurately.

**Assurance**: Knowledge and courtesy of employees and their ability to inspire trust and confidence.

**Responsiveness**: Being willingness to help customers and provide prompt service.

**Empathy**: Treating customers as individualized.

**Tangibles**: Representing the service physically.

**Premium customers**: shall mean all customers with a deposit balance of above 500,000 ETB.

**2.1.2 Concept Briefing**

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either (Wisniewski, 2001). There are a number of different "definitions" as to what is meant by service quality. One that is commonly used defines service quality as the extent to which a service meets customers' needs or expectations (Lewis and Mitchell, 1990; Asubonteng 1996; Wisniewski and Donnelly, 1996). Service quality can thus be defined as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman et al ., 1985; Lewis and Mitchell, 1990).  Always there exists an important question: why should service quality be measured? Measurement allows for comparison before and after changes, for the location of quality related problems and for the establishment of clear standards for service delivery.  (Edvardsen, B., Tomasson, B. and Ovretveit , J. 1994)state that, in their experience, the starting point in developing quality in services is analysis and measurement.

The ISO 9000, 9001, and 9004 plain English definition state the quality of something can be determined by comparing a set of inherent characteristics with a set of requirements.  If those inherent characteristics meet all requirements, high or excellent quality is achieved. If those characteristics do not meet all requirements, a low or poor level of quality is achieved. Quality is, therefore, a question of degree. As a result, the central quality question is: How well does this set of inherent characteristics comply with this set of requirements?  In short, the quality of something depends on a set of inherent characteristics and a set of requirements and how well the

former complies with the latter. According to this definition, quality is a relative concept. By linking quality to requirements, ISO 9000 argues that the quality of something cannot be established in a vacuum. Quality is always relative to a set of requirements. On the other hand, Quality has been defined (Taylor and Baker, 1994) as superiority or excellence (Zeithaml, 1988), or, as the consumer's overall impression of the relative inferiority/superiority of the organization and its services (Bitner and Hubbert, 1994).

However, while a universally accepted definition of quality is still not available the majority of writers on service quality support a customer centered definition (e.g. Eiglier and Langeard – quoted in Le Blanc and Nguyen, 1988; Garvin, 1983; Gummesson, 1988; Kathawala and Elmuti, 1991; Lewis, 1989; Oakland, 1986) with the reservation that customer expectations are not necessarily consistent or predictable (Haywood-Farmer, 1987; Peters, 1985)

Therefore, quality is much more difficult to define for a service than it is for a physical good. With a physical good, quality can often be measured by specifying certain physical features that the product should possess. There is a range of different perspectives on quality. As per Garvin (1988) quality can be organized under five main headings:

Quality is 'innate excellence'. This view suggests quite simply that we know excellence from repeated experience of it (either our own or others'). Although it may be one approach that many people would feel comfortable with, from a management perspective it is vague and imprecise.

Quality is product attributes. This approach assumes that quality is a precise and measurable variable, provided by specified amounts of product attribute (the fuel consumption of a car, its power, its acceleration, etc.). This approach has many attractions because of its specificity and measurability, but fails to take into consideration the needs and preferences of customers.

Quality is user-based. This approach proposes that definitions of quality are based on the perspective of the customer and the extent to which a product meets those needs.

Quality is supply-based. This approach has similarities with the product attributes based approach in that it centers on conformance to internally developed specifications.

Quality is value-based. This approach emphasizes the trade-off between performance and price, and is often described as 'affordable excellence.

However, when thinking about service quality, the most common view is that service quality is subjective – that is to say, it is based on the customers' perception of how well the service matches their needs and expectations. Therefore, in line with this fact, user-based approach is more compatible to the nature of the services. Yet, the criteria customers use to evaluate services quality may thus be complex and difficult to determine precisely and consequently, the package of variable open to manipulation and more difficult to control. For this, customer do not evaluate a services  solely on its outcome , they  also consider  the process  of delivery( Zethmals  et al. 1990) as possibly also the context ( Gronors, 1990, kotler, 1994; palmer, 1994; schiffman and Kanuk, 1994).

## 2.2 Methodological Review

### 2.2.1 Service Quality Models

Some of the main and most used service quality models which are more accepted in field of service quality measurement evaluated in this section. Strengths and weaknesses of each model discussed in order to represent the best fit model in the service quality measurement.

### I.    Gronroos Model

The early conceptualization of service quality model is formed by Gronroos (1982, 1984). He believed that if a firm wants to be successful, it is vital for the business operator to understand

the customers' perception on the service provided. Service quality management means matching the perceived quality with expected quality and keeping this distance as small as possible in order to reach customers' satisfaction. He suggested three dimensions of service quality. The first dimension, Technical (outcome) means what customers received as a result of interaction with a service firm. The other component is Functional (process) which means how a technical service received by customer. The way of service process is very important in customers' evaluation on the service quality. However, the service outcome received by the customers is upon their desire and the process of receiving service has influence onto the customers' evaluation and view of the service. By comparing these two factors of service the quality expected and received by the customers, we can get the perceived service quality. The third dimension of service quality in this model is Corporate Image which is the customers' view of corporate or brand. The customers' expectation is influenced by their view of the firm and it is the result of how customers perceived firm services. Therefore, the image is built up by the technical quality and functional quality. There are other less important factors that can affect image such as: traditional marketing activities (i.e., advertising, pricing, and public relations), ideology, tradition, and word-of- mouth. It was the first attempt to introduce a real model for measuring perceived service quality. The main problem of this model was the lack of explanation for measuring technical quality and functional quality. In the years after, Rust and Oliver (1994) developed this model by adding one more dimension to Gronroos' (1984) model that is Service Environment. The other two dimensions suggested by them were called service product (i.e., technical quality) and service delivery (i.e., functional quality) but they did not test their model and a few supports were found using and testing this model.
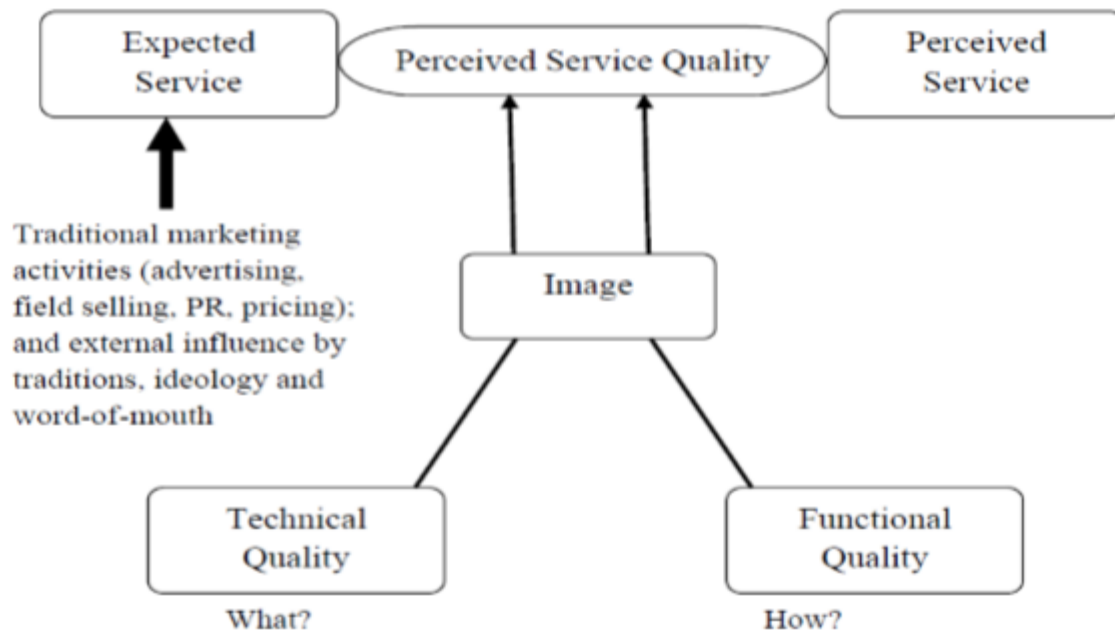
**Figure 2.1The Gronroos model (Gronroos, 1984)**

## II.    Service Quality GAP model

Gronroos model was based on disconfirmation model that puts perceived service against expected service. Disconfirmation model is based on product quality literature which is the base of service quality. Based on disconfirmation model, (Parasuraman, Zeithaml, and Berry 1985) suggested a new model for service quality measurement by measuring the gap between perceived service and expected service. The construction of their theory for using the gap analysis in service quality is shown in Figure 2.2. In this exploratory study, they found five gaps between expectation and perception in service quality to be measured.   They proposed the gap analysis for service quality by measuring the difference between expectation and service performance. In this model they found five gaps to be measured:

Gap 1: The difference between consumers' expectations and management perceptions of the customers' expectations

Gap 2: The difference between management perceptions of consumers' expectation and service specifications

Gap 3: The difference between service quality specifications and service provided

Gap 4: The difference between service provided and external communications to the customers

Gap 5: The difference between customers' expectation and consumers' perception of the service. This gap depends on four gaps associated with service quality delivered on marketer side.

Gap 5= f (Gap1, Gap2, Gap3, Gap4)
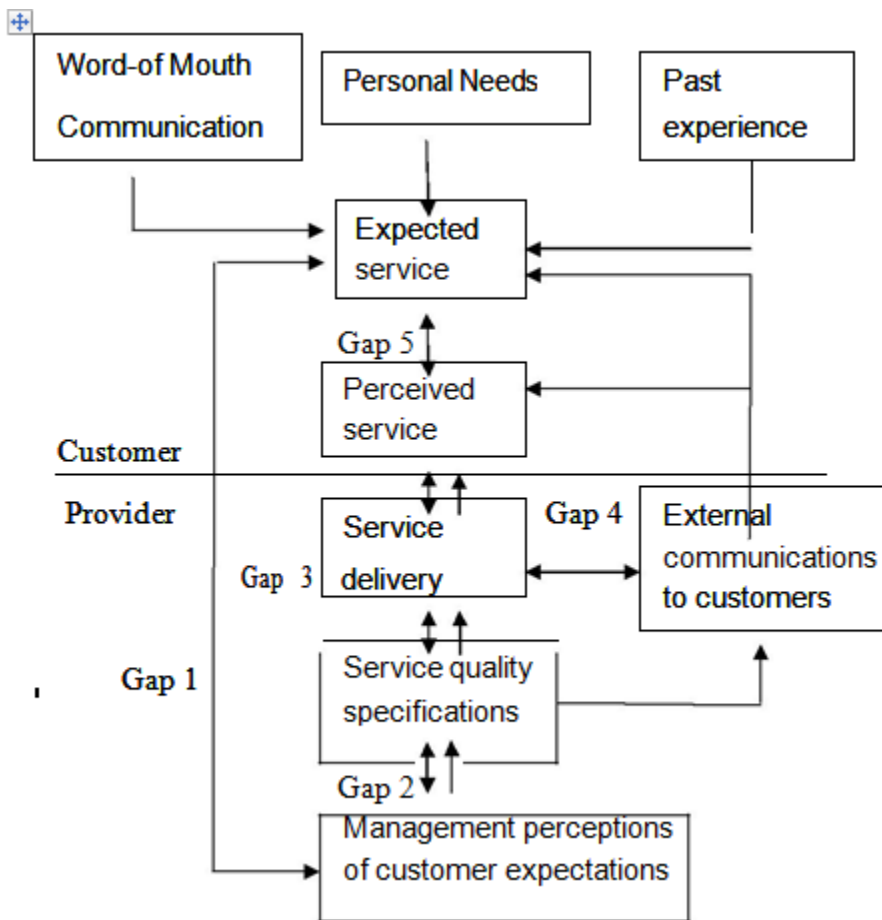


**Figure 2.2: The Gap theory of service quality (Parasuraman et al., 1985)**

Frost and Kumar (2000) have developed an internal service quality gap model based on the concept of GAP model (Parasuraman et al., 1985). The purpose of this model is to evaluate the

dimensions, and their relationships that determine service quality among internal customers (front-line staff) and internal suppliers (support staff) within a large service organization. Gap 1 shows the difference between support staff's perception (internal supplier) and the front-line staff's expectation (internal customers). Gap 2 is the significant difference between service quality specifications and the service actually delivered resulting in an internal service performance gap. Gap 3 focuses on the front-line staff (internal customers). The gap is based on the difference between front-line staff's expectations and perceptions of support staff's (internal supplier) service quality.

Moreover, (Luk and Layton 2002) developed the traditional GAP model of Parasuraman et al. (1985) by adding two more gaps. They believe employees are also involved separately from managers to the measurement. As a result, they add the employees' perceptions of consumers' expectation and found the gap between expected services by consumers and employees' perceptions of consumers' expectation. The second gap added was the difference between employees' perceptions of consumers' expectation and the management perceptions of consumers' expectations. Based on the gap between expectations and perceptions of the consumers, (Parasuraman et al., 1985) suggested 10 dimensions for measuring the gaps in their service quality model; reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding, and tangibles. In 1988 they refined their finding and model but the construction of the model and theory remains the same with the dimensions reduced into five, reliability, responsiveness, assurance (which contains communication, competence, credibility, courtesy, and security), tangibles, and empathy (which contains access and understanding). They named the refined model as SERVQUAL. This model was revised in 1991

and 1994, but its construction and dimensions remain the same with the five suggested dimensions.
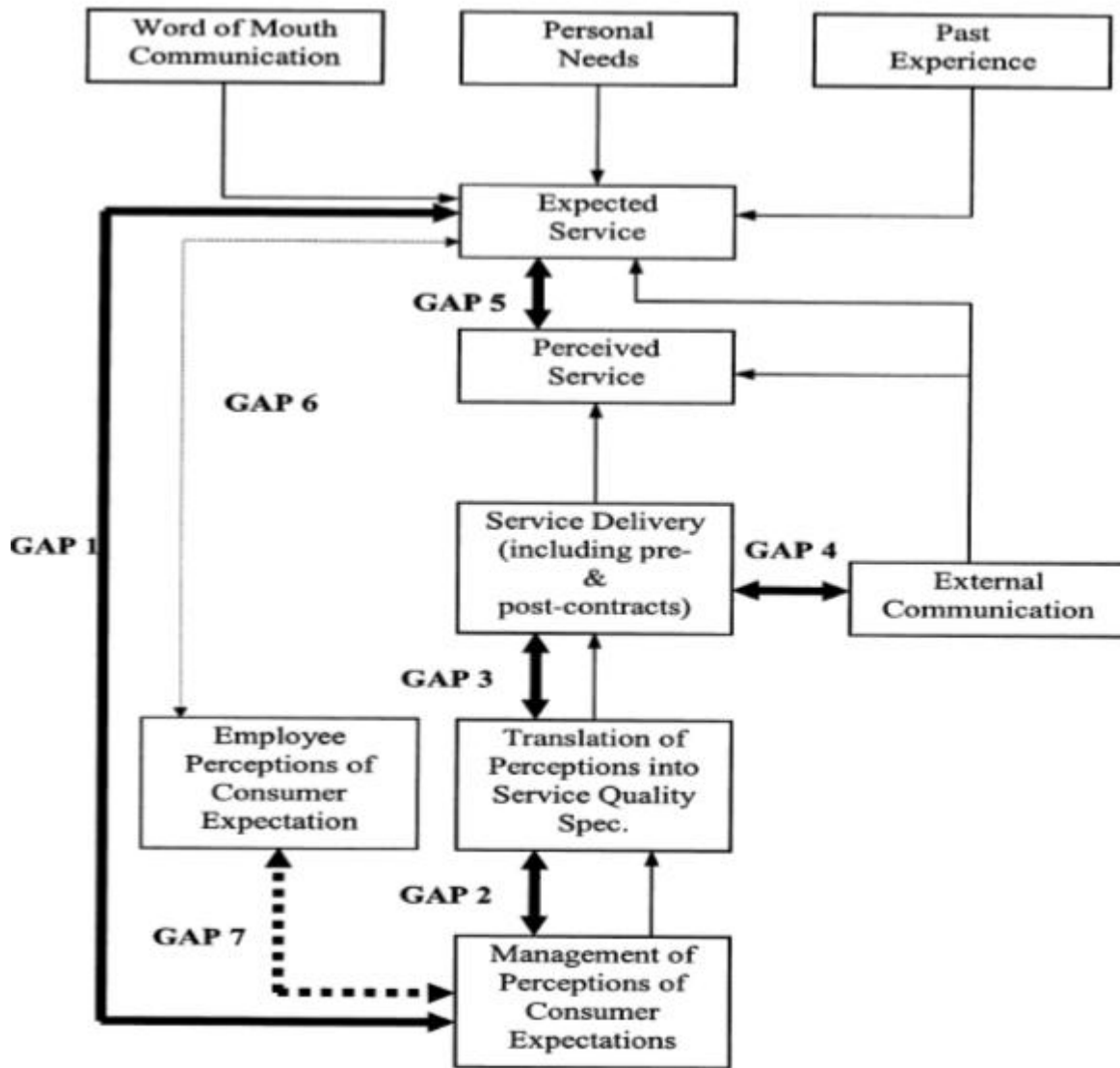


**Figure 2.3: The Extended GAP Model (Luk & Layton, 2002)**

Parasuraman et al., (1985; 1988) attempted to take the advantage of comparing with Gronroos model by suggesting the measurement for service quality. SERVQUAL model is a useful tool for managers to identify the gaps in their service (Seth, Deshmukh, & Vrat, 2005). This model is the most used by scholars and practitioners. Although SERVQUAL is the most famous model in

service quality after years of researching in this model, scientists noted that the method offered in this model for measuring gaps in different levels is not clear (Brady & Cronin, 2001a; Seth, N., Deshmukh, S. G., & Vrat, 2005). Some researchers believe that measuring the gap between expectation and perception is not psychometrically able to obtain superior assessment of service quality (Brady & Cronin, 2001a).
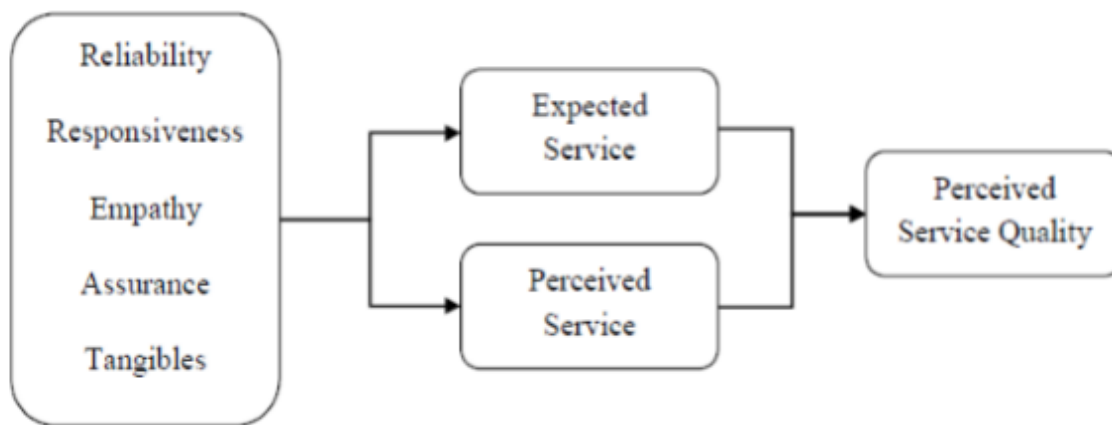


**Figure 2.4: SERVQUAL model (Parasuraman et al., 1988)**

### III.    SERVPERF Model

Although SERVQUAL model is a good measurement for many industries, researchers reported that this model is not suitable for some areas like retail store environment (Dabholkar, Thorp, & Rentz, 1996). By years of study on this model and more debates among scientists, some stated that this model is not comprehensive in different applications (Brady & Cronin, 2001a; Dabholkar et al., 1996; Shahin & Samea, 2010). In 1992, Cronin and Taylor suggested the refined model by considering performance as the only factor needs to be measured for service quality. They argued that service quality is a consumers' attitude and the performance (perceived service) of the service is the only measurement for service quality. Investigating service quality relationship with consumers' satisfaction and purchase intention was their study; they believe

service quality is an antecedent of consumers' satisfaction. They suggested a new model for service quality based on SERVQUAL with respect to the conceptualization and measurement of service quality which used performance as the only measurement for service quality model called SERVPERF. In this new model, (Cronin and Taylor 1992) proceeded to measuring performance (perceived service) with the same dimensions as reliability, responsiveness, assurance, tangibles, and empathy for service quality measurement instead of "expectation-perception" difference. The research finding showed SERVQUAL factors are inconsistent, and SERVPERF is a more accurate measurement for service quality in comparison with SERVQUAL (Cronin & Taylor, 1994; Seth et al., 2005).

## IV.  Hierarchical Model

Though SERVQUAL has the validity by testing in different service sectors (e.g., banking, telephone service, credit card service) there is no adapted and valid for some sectors like retail store environment (Dabholkar et al., 1996). This measurement has developed during the years and is the base for many other suggested service quality models, e.g. (Cronin & Taylor, 1992; Parasuraman, Zeithaml, & Malhotra, 2005). Researchers found that it needs to be more clear and specific in dimensions of SERVQUAL and some development in the structure of this method (Brady & Cronin, 2001a; Cronin & Taylor, 1992, 1994; Dabholkar, 1996; Dabholkar et al., 1996). Dabholkar found that the construction of SERVQUAL is not adopted for retail store environment. Therefore, Dabholkar, Thorpe, and Rentz (1996) suggested and tested a new model for service quality to develop dimensions and construction based on SERVQUAL and SERVPERF. In this new model they suggested a hierarchical structural model for service quality based on previous literature with dimension and sub-dimension level. In their suggested model

they introduced three stages; service quality (retail service quality), primary dimensions (physical aspects, reliability, personal interaction, problem solving, and policy), and the sub dimensions for three dimensions are appearance and convenience for physical aspect dimension, promises and doing it right for reliability dimension, inspiring confidence and courteous/helpful for personal interaction dimension. For testing the model and construct validity of the model, they just measured and analyzed the perception of customers to avoid psychometric problems with different scores. However, the construction of model and factors is based on disconfirmation method to determine the gaps in service quality. Validity of this model accepted and showed better structure with more precise factors. However, this model also needs more evidence and some development for generalizing and making it applicable in other service industries.

## V.    Industry-Specific Service Quality Models

Although some of the proposed models have strong validity and are applicable for measuring service quality in many service industries, researchers found that most of them have lack of generalizability for all businesses (Seth et al., 2005). Some of those models have support for applying and testing in different businesses like SERVQUAL, but even that famous measurement has some lack of application for some specific businesses such as retail store (Dabholkar et al., 1996). Models evaluated in previous parts were generic, but the hierarchical model suggested by Dabholkar et al., (1996) was based on retail store environment. Some researchers believe that businesses need to use a context-specific service quality measurement for the best understanding of consumers' perception on service quality (Dagger, T. S., Sweeney, J. C., & Johnson, L. W. 2007). Therefore, researchers suggested some models based on specific

service businesses. For example, in the information technology (IT) based services, Berkley and Gupta (1994) suggested IT alignment model, Dabholkar (1996) proposed attribute and overall affect model, Zhu, Wymer, and Chen (2002) suggested IT-based model, Santos (2003) suggested model of e-service quality, and Broderick and Vachirapornpuk (2002) proposed internet banking model. Dagger, Sweeney, and Johnson (2007) developed the Hierarchical model in healthcare industry with some special dimensions and sub-dimensions related to health care services. Akter, D'Ambra, and Ray proposed a new model based on the hierarchical model for mobile health services. However, the base of this model was the hierarchical-multilevel model, one of the dimensions (physical environment quality to platform quality) with new sub-dimensions specifically for mobile health services. Tsaur, Chang, and Yen (2002) evaluated a specific model for the airline industry based on SERVQUAL with several attributes based on airline services by using the fuzzy set theory. Other researchers proposed a new model for the airline industry in 2002 with the specific criteria category and evaluated criteria for this industry by fuzzy set (Chang & Yeh, 2002). Based on previous studies in airline service quality, a new model was proposed by Liou and Tzeng (2007) for airline services with factors suggested and specific for this service business. In 2002 Cunningham, Young, and Moonkyu suggested a new model based on previous studies in airline specific models of service quality for measuring service quality in airline businesses. They suggested baggage handling, bumping procedures, operations and safety, in-flight comfort, and connections as the dimensions of this model scaling by several items for each dimension (Cunningham, Young, & Moonkyu, 2002). In addition, they used SERVPERF in this study for service quality. They found strong reliability and validity for both models (SERVPERF and industry-based). Result showed that both generic and specific models are applicable and acceptable for measuring service quality in the airline industry (Cunningham

Lawrence F, Young, & Lee, 2004; Cunningham et al., 2002).  Industry-specific measurements of service quality vary from one business to another and included the factors related to specific service. Therefore, these models can be more useful and specific for applying in businesses and can be helpful for managers to find the weaknesses and advantages of their firm to improve their service and achieve customers' satisfaction. However, the generic models are more theoretical but applicable as well as specific.

**2.2.2Customer Satisfaction**

Satisfaction is generally recognized as a pleasurable outcome, 'a desirable end state of consumption or patronization. Precise definitions of satisfaction vary, but common themes emphasize that it is a customer's judgment of the consumption experience formed through some kind of psychological process that involves some form of comparison of what was expected with what was received.

Similarly, consumers may form satisfaction judgments about specific attributes of a service (e.g. the responsiveness of staff, the amount of information provided, branch opening hours, etc.) or about the service overall. Different authors define customer satisfaction differently.

Kotler (1996) defines customer satisfaction as follows:

 "Satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations" Consumers form judgments about the value of marketing offers and make their buying decisions based upon these judgments (kotler, 1996). Customer satisfaction with a purchase depends upon the product's performance relative to a buyer's expectations. A customer might experience various degrees of satisfaction. If the product's performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance

exceeds expectations, the customer is highly satisfied or delighted. But how do buyers form their expectations? Expectations are based on the customer's past buying experiences, the opinions of friends and associates, and marketer and competitor information and promises. Marketers must be careful to set the right level of expectations. If they set expectations too low, they may satisfy those who buy, but fail to attract enough buyers. In contrast, if they raise expectations too high, buyers are likely to be disappointed.

The term 'fulfillment' is commonly used in discussions of satisfaction. However, there is a danger in interpreting such a term too narrowly – rather than thinking of satisfaction as simply meeting basic customer requirements, there is an increasing tendency to see satisfaction as being concerned with positive, pleasurable experiences. Satisfaction will involve a positive experience and the delivery of a service that matches (or possibly exceeds) customer expectations; delight goes a stage further, delivering beyond expectations and generating a stronger emotional response.

What is evident in most discussions of satisfaction (or even delight) is that consumer judgments are made by comparing the service that is experienced against some pre-existing standard. One of the commonest bases for comparison is that of perceptions against expectations. This is commonly referred to as the Disconfirmation Model of Satisfaction.

In simple terms, when perceptions are less than expectations the result is a negative disconfirmation, resulting in a negative evaluation and a lack of satisfaction. Confirmation of expectations or a situation of positive disconfirmation (where performance exceeds expectations) will result in a positive evaluation, usually satisfaction but perhaps also delight (Christine T. Ennew and Nigel Waite, 2004).

### 2.2.2.1 Determinants of Customer Satisfaction

The followings are some of the determinants of customer satisfaction (Zeithaml, Bitner, 2003). These are:

**Product and Service Features**: Customer satisfaction with a product or service is influenced significantly by the customer's evaluation of the product or service features. In conducting satisfaction studies, most firms will determine through some means (often focus groups) what the important features as well as overall service satisfaction.

**Customer Emotion**: Customers' emotions can also affect their perceptions of satisfaction with products and services. These emotions can be stable, preexisting emotions-example: mood state or life satisfaction.

**Attributions for Service Success or Failure**: Attributions are the perceived causes of events, influence perceptions of satisfaction as well. When they have been surprised by an outcome (the service is either much better or worse than expected), customers tend to look for the reasons and their assessment of the reasons can influence their satisfaction.

**Perceptions of Equity or Fairness**: Customers ask themselves: have I been treated fairly compared with other customers? Did other customers get better treatment, better prices, or better quality services? Did I pay a fair price for the service? Notion of fairness are central to customers' perceptions of satisfaction with products/services.

Other consumers, family members, and coworkers: In addition to products and service features one's own individual feelings and beliefs, consumer satisfaction is often influenced by other people.

## 2.3 Empirical Review

### 2.3.1 Service Quality and Customer Satisfaction

To achieve a high level of customer satisfaction, most researchers suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction (Cronin, Brady, and Hult, 2000; Anderson et al., 1994; Cronin and Taylor, 1992). However, the exact relationship between satisfaction and service quality has been described as a complex issue, characterized by debate regarding the distinction between the two constructs and the casual direction of their relationship (Brady, Cronin and Brand, 2002). Parasuraman, Zeithaml, and Berry (1994) concluded that the confusion surrounding the distinction between the two constructs was partly attributed to practitioners and the popular press using the terms interchangeable, which make theoretical distinctions difficult. Interpretations of the role of service quality and satisfaction have varied considerably (Brady et al., 2002; Cronin and Taylor, 1992; Parasuraman, Zeithaml, and Berry, 1988). Parasuraman et al. confined satisfaction to relate to a specific transaction as service quality was defined as an attitude. This meant that perceived service quality was a global judgment, or attitude, relating to the superiority of the service. Cronin and Taylor (1992) argued against Parasuraman et al.'s categorization. Cronin and Taylor (1992) found empirical support for the idea that perceived service quality led to satisfaction and argued that service quality was actually an antecedent of consumer satisfaction. Cronin and Taylor (1992) asserted that consumer satisfaction appeared to exert a stronger influence on purchase intention than service quality, and concluded that the strategic emphasis of service organizations should focus on total customer satisfaction programs.

The authors reasoned that consumers may not buy the highest quality service because of factors such as convenience, price, or availability and that these constructs may enhance satisfaction while not actually affecting consumers' perceptions of service quality.

Cronin and Taylor (1994) later conceded that the directionality of the service quality/satisfaction relationship was still in question and that future research on the subject should incorporate multi-item measures.

The authors suggested restricting the domain of service quality to long-term attitudes and consumer satisfaction to transaction-specific judgments. However, Bitner and Hubbert (1994) determined that service encounter satisfaction was quite distinct from overall satisfaction and perceived quality. The authors concluded that the constructs exhibited independence.

Adding to the debate about the distinction between service quality and satisfaction, customer satisfaction has also been operationalized as a multidimensional construct along the same dimensions that constitute service quality (Sureshchandar, Rajendran, and Anantharaman, 2002). Despite strong correlations between service quality and customer satisfaction in their study, the authors determined that the two constructs exhibited independence and concluded that they were in fact different constructs, at least from the customer's point of view.

Brady and Cronin (1992) had endeavored to clarify the specification and nature of the service quality and satisfaction constructs and found empirical support for the conceptualization that service quality was an antecedent of the super ordinate satisfaction construct. In addition, the authors found that explained a greater portion of the variance in consumers' purchase intentions

than service quality. A reverse causal relationship has also been hypothesized between the two constructs. Rust and Oliver (1994) maintained that while quality was only one of many dimensions on which satisfaction was based, satisfaction was also one potential influence on future quality perceptions.

**2.3.2 Service Quality Dimensions and Customer Satisfaction**

Service quality dimensions represent how customers organize information about service quality in their minds (Zeithaml, Bitner ,2003). On the basis of exploratory and quantitative research, these five dimensions were found relevant for banking, insurance, appliance repair and maintenance.



**Figure 2.5 service quality dimensions**

### A. Reliability: delivering on promise

This is concerned with the extent to which customers can depend on the organization to perform the promised service, to do it accurately and to get it right first time. Performing the service dependably and accurately is paramount to service customers, has been strongly supported by research (Zeithaml et al., 1990). According to Zeithaml et al. (1990), service providers' apologies start to wear thin when a company is careless in performing the service, when it makes frequent mistakes and when it is casual about keeping its service promises. Under these circumstances, customers lose confidence in the firm and little can be done to regain it. The study by Zeithaml and Bitner (2003) further revealed that it is very important to do the service right the first time; in case a service problem does crop up, by resolving the problem to the customer's satisfaction, the company can significantly improve customer retention. However, companies fare best when they prevent service problems altogether and fare worst when service problems occur and the company either ignores them or does not resolve them to the customer's satisfaction.

### B. Assurance: inspiring trust and confidence

This is concerned with the extent to which the organization and its staff are competent, courteous, credible and trustworthy. It also considers the extent to which the consumer feels secure.

### C. Tangibility : representing the service physically

This includes the appearance of physical facilities such as the interior of the branch, the appearance of staff and the appearance and quality of communication materials. The service quality factor tangibles are defined by whether the physical facilities and materials associated with the service are visually appealing at the bank. These are all factors that customers notice

before or upon entering the bank. Such visual factors help consumers form their initial impressions. A crucial challenge in service marketing is that customers cannot see a service but can see the various tangibles associated with it - all these tangibles, the service facilities, equipment and communication materials are clues about the intangible service. If unmanaged, these clues can send to the customer's wrong messages about the service and render ineffective the marketing strategy of the company. On the other hand, improving quality through tangibles means attention to the smallest details that competitors might consider trivial. Yet, these visible details can add up for customers and signal a message of caring and competence

### D. Empathy: treating customers as individual

This is concerned with factors such as accessibility, good communications, understanding of customer's needs approachability and friendliness. On the other hand, (Sandip Gosh Hasra and BL Srivastava 2009) in their study indicated that the bank should pay attention to these dimension of service quality and pay more attention to dimension of assurance-empathy to increase loyalty to a company, willingness to pay, customer commitment and customer trust.

### E. Responsiveness: being willing to help

This is concerned with how the organization, through its staff, responds to customers. Important issues include the extent to which staffs are helpful, prompt and able to solve problems.

### 2.3.3 Measurement and Perspective of Service Quality

New product development has become a critical ingredient for success in today's rapidly changing marketplace. Management must have effective processes in place to develop the products on which future profits depend. An important part of the development process is effective measurement of success and failure. With multiple mandates for new products,

however, the approach to measuring success has become even more complicated. Measures need to be developed that will effectively capture the objectives for the new product in a timely matter. This can allow adjustments to new products shortly after launch and provide valuable information early in the development of the next generation of new products. However, the measurement issue is a complex problem for service sector executives.

While the traditional financial measures are still needed, the industry is recognizing that a more rounded approach is required. By gaining a fuller picture of the dimensions of success or failure, executives are better able to relate the eventual outcomes of new services to the original objectives that the product was designed to meet The use of multidimensional measures, however, also raises a number of questions; such as: What types of measurement technique are commonly being used? How effective are these measures? What other types of measurement currently not in use would executives find helpful? This research is directed at answering some of these questions by benchmarking techniques currently in use in the financial services industry, by determining how informative management finds them, by isolating measurement approaches that are the most useful, and by identifying measurement approaches that are still needed.

The development, launch and sale of new financial services is inherently risky. Not only is it difficult to adhere to a prescribed development process for something as intangible as a service, it is difficult to determine whether the new service has been successful once launched. Hence, success of new services cannot always be measured in the same way as tangible product success Such traditional quantitative guideposts as profitability and unit sales often present only part of the success equation for new services. Many other factors such as cross-sales, customer loyalty

and perceived quality also factor into the success formula Although traditional success measurements are still appropriate for many situations, additional tools are now being developed to assist in identifying where firms are successful, and strategies are being built around these areas. Developing new measurement tools has required innovation and creativity; in many cases, the process is just beginning. However, companies that master measurement of new service success and, thereby, are able to refine the development process, will possess significant competitive advantages over their competitors.

The measurement of new product success is an area of growing interest among both executives and scholars. However, a consensus still has not been reached as to the techniques that are most appropriate and, more importantly, the effectiveness of these techniques. As cited by Yaves et al., (1997) and Banks, in particular, have no recognized publicly available standard scale by which to measure the perceived quality (both services quality and product quality) of bank service in general and related issues are still subject to continued debate. This lack of measurable quality standard exists despite the strategically important role of banking services in any nation's economy, and despite the significance of quality related issues as has been wildly recognized throughout the world.  In broad terms, attempts to define and understand service quality have developed in two distinct directions – one stream of research originated in Europe (largely Scandinavia), while the other developed in North America as stated by Christine T. Ennew and Nigel Waite cited in Financial Services Marketing (2007). (Brady and Cronin (2001) suggest that the researchers generally adopt one of the two conceptualizations in their work. The details of the two perspectives are presented as follows:

- **The Nordic perspective on service quality**

As per Grönroos, it is proposed that customers form expectations and make evaluations of service delivery in relation to both functional and technical quality. The former is concerned with the way in which the service is delivered, and will cover things such as friendliness, helpfulness, politeness, pleasantness, and understanding etc. It deals mostly with the way in which a service encounter happens. In the case of, say, a financial planner, functional quality would be concerned with the way in which the planner treats customers. Whereas, the latteris concerned with the quality of the service outcome – that is to say, it is concerned with the extent to which the service is performed correctly and accurately. In the case of a financial planner, technical quality would be concerned with the quality of the actual advice. Perceptions of functional and technical quality combine to create an image for the organization, and this drives overall perceptions of quality.

Because overall service quality will be dependent on both functional and technical quality, to deliver a high-quality service will require not just good technical skills but also require good interpersonal skills. In many cases, research in financial services has suggested that functional quality may often be more important than technical quality. It has already been suggested that many personal customers find financial services complex and difficult to understand. In such situations, there will be a tendency for evaluations to be based on the quality of the interaction with the financial services provider rather than the intrinsic quality of the financial service itself (Christine et al., 2007).

- **The North-American perspective on service quality**

The North-American perspective on service quality is based on the work of Parasuraman *et al*. (1985, 1988). They explicitly proposed that quality evaluations were based on a comparison of consumer expectations of what they shouldreceive with consumer perceptions of what they didreceive. They proposed that such comparisons would be made in five main areas namely reliability, tangibility, empathy, assurance and responsiveness. Moreover, in order to measure service quality, data should be collected about customers' expectations in each of these areas and about their perceptions of the quality that they receive. Indeed, Parasuraman *et al*. developed a questionnaire – known as SERVQUAL – specifically to collect data on these five aspects of service quality.

In today's competitive business environment, the paramount issues in the management of service quality are: how quality can best be measured; and. how a firm's scarce resources can best be deployed to ensure improved service quality. The identification of the service-quality attributes that are most valued by customers, and an accurate assessment of their relative importance, is required for any effective deployment of resources. However, the literature on service-quality metrics and strategies provides conflicting evidence regarding the relative importance of service-quality dimensions in producing overall customer satisfaction.

However, providing excellent service quality is widely recognized as a critical business requirement (Voss et al., 2004a; Van der Wiele et al., 2002). It is "not just a corporate offering, but a competitive weapon" (Rosen et al., 2003) which is "essential to corporate profitability and survival" (Newman and Cowling, 1996). However, service quality, particularly within the

services sector, remains a complex concept and there is little consensus as to the drivers for effective delivery (Voss et al., 2004a; Johnston, 1995). Even though most service companies recognize that excellent service quality is of vital importance to international success (Berry et al., 1989), service companies that operate in a variety of cultural contexts are finding that the most popular generic measure of service quality (i.e. SERVQUAL) is less applicable and meaningful outside of developed countries (Malhotra et al., 2005)

### 2.3.4 Customer Value And Customer Expectation Of Service

Customer delivered value is the difference between total customer value and total customer cost of a marketing offer- 'profit' to the customer (Kotler, 1996). Customers define value in one of four basic ways (Christine T. Ennew and Nigel Waite2004):

- Value is low price. It is undoubtedly true that in some purchasing situations value is defined primarily in terms that equate to low price, or what we might call cheapness.

- Value is everything I want from a service. This describes a purchasing scenario in which price plays a far less significant role. Instead, customers attach importance to the extent to which a good or service most closely satisfies their wants as well as their needs.

- Value is the quality I get for the price I pay. This involves, in a sense, a combination of the previous two approaches to value. It involves customers making a tradeoff between the range and quality of benefits they receive and the financial sacrifice they make.

- Value is what I get for what I give. This assesses value in a particularly quantitative and measurable way. Under such circumstances, customers assess all of the benefits they receive in detail, as well as all of the elements of sacrifice they make. The component of sacrifice comprises time and effort as well as money.

Zeithaml & Betner, (2003), define customer expectations as beliefs about service delivery that function as standards or reference points against which performance is judged. This indicates that customers have something in their mind about the service delivery by the company so that customers can compare their perception of performance. Since the decider for service quality are customers; companies need to deliver services which able to equate their perception from their expectation to exceed their expectation this will results in customer satisfaction and delight respectively to do this service provider need to properly identify and understand the Expectations of customers first. "Being wrong about what customers want can mean losing a customers also mean expending money time and other resources on things that do not count to the customer"(Ibid.)

How do buyers form their expectations? Kotler (2006) suggested that buyers form expectations 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. When General Motors launched the Saturn car division, it changed the whole buyer-seller relationship with a New Deal for car buyers: There would be a fixed price (none of the traditional haggling); a 30-day guarantee or money back; and salespeople on salary, not on commission (none of the traditional hard sell).

## 2.4 Conceptual Framework

The nature of quality has evolved from its inception as "fitness for use", or "conformance to specification (Crosby, 1980). It has been operationalized as a "multi-attribute product characteristic which can be expressed by a generalized overall rating which is based on

Multi-dimensional measurements that reflect rank ordering of preferences and their relative importance (Monroe and Petroshius, 1973). Concepts like Total Quality Management and Continuous Quality Improvement had already become well accepted in product manufacturing organizations by the early eighties. The services sector came in for focus on quality much later than the manufacturing sector perhaps because of the intangible nature of services. This intangibility did not lend itself to conceptualization and measurement as easily or as objectively as tangible goods.

### 2.4.1 Service Definition

A service is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. The advance economies of the world are now dominated by services and virtually all companies view services as critical to retaining their customers today and in the future. Even manufacturing companies that, in the past, have depend on their physical goods for their existence but now their come to see and recognize that service provides one of their few sustainable competitive advantages (Zeithaml& Bitner, 2003). Different authors give different definitions for service.

Kotler (1997) defines service as follows:

"Service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product".

Gronroos (1983) defines service as:

"An activity or series of activities of more or less intangibles nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and / or systems of service provider, which are provided as solutions to customer problems".

### 2.4.2 Service Characteristics

A company must consider five main service characteristics when designing marketing programs: intangibility, inseparability, variability, perishability and lack of ownership (kotler, 1999).

### 1. Intangibility

Service intangibility means that senders cannot be readily displayed, so they cannot be seen, tasted, felt, and heard or sine lied before they are bought. Because service offerings lack tangible characteristics that the buyer can evaluate before purchase, uncertainty is increased. To reduce uncertainty, buyers look for 'signals' of service quality. They draw conclusions about quality from the place, people, equipment, communication material and price that they can see. Therefore, the service provider's task is to make the service tangible in one or more ways. Whereas product marketers try to add intangibles (e.g. fast delivery, extended warranty, aftersales service) to their tangible offers, service marketers try to add tangible cues suggesting high quality to their intangible offers.

Consider a bank that wants to convey the idea that its service is quick and efficient. It must make this positioning strategy tangible in every aspect of customer contact. The bank's physical setting

must suggest quick and efficient service: its exterior and interior should have clean lines; internal traffic flow should be planned carefully; and waiting lines should seem short. The bank's staff should be busy and properly dressed. The equipment - computers, copying machines, desks - should look modern. The bank's advertisements and other communications should suggest efficiency, with clean and simple designs and carefully chosen words and photos that communicate the bank's positioning.

## 2. Inseparability

Service inseparability means that services cannot be separated from their providers, whether the providers are people or machines. If; a person provides the service, then the person is a part of the service. The other feature of the inseparability of services is that other customers are also present or involved. The implication for management would be to ensure at all times that customers involved in the service do not interfere with each other's satisfaction.

## 3. Variability

 As services involve people in production and consumption, there is considerable potential for variability. Service variability means that the quality of services depends on who provides them, as well as when, where and how they are provided. As such, service quality is difficult to control. Even the quality of a single employee's service varies according to his or her energy and frame of mind at the time of each customer contact. For example, two services offered by the same solicitor may not be identical in performance.

Service firms can take several steps towards quality control. First, they can select and train their personnel carefully. Second, they can motivate staff by providing employee incentives that emphasize quality, such as employee-to-the-month awards or bonuses based on customer

feedback. Third, they can make service employees more visible and accountable to consumers. A firm can check customer satisfaction regularly through suggestion and complaint systems, customer surveys and comparison shopping. When poor service is found, it is corrected. Fourth, service firms can increase the consistency of employee performance by substituting equipment for staff (e.g. vending machines, automatic cash dispensers), and through heavy enforcement of standardized as well as detailed job procedures.

### 4. Perishability

Service perishability means that services cannot be stored for later sale or use. The perishability of services is not a problem when demand is steady. However, when demand fluctuates, service firms often have difficult problems. Service firms can use several strategies for producing a better match between demand and supply. On the demand side, differential pricing — that is, charging different prices at different times - will shift some demand from peak periods to off-peak periods. On the supply side, firms can hire part-time employees to serve peak demand. Peak-time demand can be handled more efficiently by rescheduling work so that employees do only essential tasks during peak periods.

### 5. Lack of Ownership

Service products lack that quality of ownership. The service consumer often has access to the service for a limited time. Because of the lack of ownership, service providers must make a special effort to reinforce their brand identity and affinity with the consumer by offering incentives to consumers to use their service again.

| No | Characteristics | Resulting implication |
|----|-----------------|------------------------|
| 1. | Intangibility | • Service cannot be inventoried<br><br>•  Service cannot patented<br><br>• Service can not readily displayed or recommended<br><br>• Pricing is difficult |
| 2. | Heterogeneous | • Service delivery and CS depend on employee action<br><br>• Service Quality depends on many uncontrollable factors<br><br>• There is no sure knowledge that the service delivered matches what was planned and promoted |
| 3. | Inseparability | • Simultaneous production and consumption<br><br>• Customers participate in and affect the transaction<br><br>• Customers affect each other<br><br>• Employees affect the service out come<br><br>• Decentralization may be essential mass production is difficult |
| 4. | Perishability | • It is difficult to synchronize supply and demand with service<br><br> • Service cannot be returned or resold |

**Table 2.1 service characteristics Source: Zeithaml, and Betner, 2003**

### 2.4.3 Determinants of Customer Satisfaction

The followings are some of the determinants of customer satisfaction (Zeithaml, Bitner, p87, 2003). These are:

- **Product and Service Features**: Customer satisfaction with a product or service is influenced significantly by the customer's evaluation of the product or service features. In conducting satisfaction studies, most firms will determine through some means (often focus groups) what the important features as well as overall service satisfaction.

- **Customer Emotion**: Customers' emotions can also affect their perceptions of satisfaction with products and services. These emotions can be stable, preexisting emotions-example: mood state or life satisfaction.

- **Attributions for Service Success or Failure**: Attributions are the perceived causes of events, influence perceptions of satisfaction as well. When they have been surprised by an outcome (the service is either much better or worse than expected), customers tend to look for the reasons and their assessment of the reasons can influence their satisfaction.

- **Perceptions of Equity or Fairness:** Customers ask themselves: have I been treated fairly compared with other customers? Did other customers get better treatment, better prices, or better quality services? Did I pay a fair price for the service? Notion of fairness are central to customers' perceptions of satisfaction with products/services.

Other consumers, family members, and coworkers: In addition to products and service features one's own individual feelings and beliefs, consumer satisfaction is often influenced by other people.

### 2.3.5 Customer Perceived Value

Consumers are more educated and informed than ever, and they have the tools to verify companies' claims and seek out superior alternatives. How then do they ultimately make choices? Customers tend to be value-maximizers, within the bounds of search costs and limited knowledge, mobility, and income. Customers estimate which offer will deliver the most perceived value and act on it. Whether or not the offer lives up to expectation affects customer satisfaction and the probability that he or she will purchase the product again (Kotler, 2006, pp141). Customer perceived value (CPV) is the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives. Total

customer value is the perceived monetary value of the bundle of economic, functional, and psychological benefits customers expect from a given market offering. Total customer cost is the bundle of costs customers expect to incur in evaluating, obtaining, using, and disposing of the given market offering, including monetary, time, energy, and psychic costs (Ibid). Customer perceived value is thus based on the difference between what the customer gets and what he or she gives for different possible choices. The customer gets benefits and assumes costs. The marketer can increase the value of the customer offering by some combination of raising functional or emotional benefits and/or reducing one or more of the various types of costs. The customer who is choosing between two value offerings, VI and V2, will examine the ratio VI: V2 and favor VI if the ratio is larger than one, favor V2 if the ratio is smaller than one, and will be indifferent if the ratio equals one.

## 3.4 Thoeretical Framework

The main issue addressed in this study is the relationship among customer satisfaction, service quality and service quality dimensions.

The 2015/16 revised deposit mobilization strategy documents of CBE reveled that deposit balance is concentrated in a few accounts;

❖ 31.3% deposit balance is held by 0.15% of customers (10,356 in number);

❖ 64.7% of deposit balance is held by 2.2% of customers (253,331 in number);

❖ 25.3% of accounts (2,973,608) have balance below Birr 50;

❖ 4,318,501 accounts have balance below Birr 100.

Therefore understanding and maintaining the needs of premium customers is critical issue for the profitability of the bank.

## CHAPTER THREE

## RESEARCH METHODOLOGY

## 3.1 Research Approach

Both qualitative and quantitative research approach are used. Qualitative research approach to research is concerned with subjective assessment of attitudes, opinions and behavior. In addition, the purpose of qualitative research is to gain a deeper understanding and describe a problem.

Quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity. The purpose of quantitative research is to gather, analyze, and measure statistical data. In a quantitative research approach a number of objects are selected and studied in order to increase the ability to draw general conclusions.

Based on this, the researcher will use both qualitative and quantitative research methods (mixed approach) in this study in order to understand the service quality and customer satisfaction of premium customers in CBE

.

The study focuses on the service quality and customer satisfaction in the CBE. To understand more about the service delivery of CBE the researcher will conduct an interview which is qualitative method. This method showed on how the bank applies service quality dimensions to satisfy their customers. Furthermore, since the purpose is to gain a better understanding of the relationships between service quality and customer satisfaction, qualitative research is appropriate. Since the service provision of the bank affects customer satisfaction, the researcher used questionnaire (quantitative approach) to know customers' expectations and perceptions about the CBE.

## 3.2 Research Design

The research design strategy originates from the research problem. The researcher will use the structured questioners in order to gather primary data. This method involves the collection of data from a sizable population. The survey will design to be as short as possible while still getting maximum response from respondents. Thus, the research is explanatorystudy.

The purpose of the design was to correlate the service quality dimensions of,services quality and satisfactions with the scores on responses to the 22-items instruments for assessing the service quality through customer satisfaction.

On the other hand, service quality will operationalize by using Parasuraman *et al.*'s (1988) widely known 22- item, five-component (i.e. tangibles, reliability, responsiveness, assurance and empathy). But the measurement will use SERVPERF scale. Applying a statistics through survey research, and using methods of questioners, this study adopted a quantitative approach to assess the service quality and thereby customer satisfaction level of the CBE. By using a quantitative methodology, the researcher sought data, which will statistically be analyzed to produce quantified results. This study, therefore, employed a quantitative research methodology.

## 3.3 Data Types and Data Source

Both primary and secondary data will apply for this study. Regarding the secondary data on the banking organizations' service and other will collect by reviewing the internal newsletters and magazines, national banks reports and magazines and, articles, books and different financial association magazines and other pertinent documents. Whereas, this study collected primary data via the structured questionnaire method.

### 3.4 Population and Sampling Procedure

### 3.4.1 Population of the Study

The population is the totality of entities in which the researcher is interested in, i.e. the collection of individuals, objects or events about which the researcher wants to make inferences. The population taken for sampling is limited to the geographical location of Addis Ababa due to time limitation, resource constraints, and convenience.

CBE has categorized its branches into four categories (Grade-I, Grade-II, Grade-III and Grade-V) for the facilitations of administrations. As per the information obtained from the recently organized team for conducting the study on the revision of the branch classification of the bank, the bank uses some major parameters for such classification of branches under each district. These includes: the number of customer, the number of transaction per day, the volume of each transaction, the branch contribution in terms of profit and other. Based on these measurement, branches of CBE has been categorized in to four level of grades (Grade-I, Grade-II, Grade-III and Grade-V). Hence, the parameters and the current performance situations tells us as Grade four branch is expected to entertain a large number of customer compared to the lower grades branches. Though the branches are homogenous in terms of their services and operations, each branch is assumed to represent same type of society class due to the branch location and the business that are undertaken by the premium customers. For this, the proportionate number of customer from each of the four branches will be selected. Therefore, to collect information to address the research question, data will be sourced from the premium customers of grade four branches under West Addis district.

## 3.4.2 Sample Size

According to kotler (2004) to determine the sample size from the total population if the data is homogeneous we can use the following formula

$$n=\frac{Z^2 P*Q*N}{e^2(N-1)+Z^2*P*Q}$$

Where: n=required sample size

N=total population

Z=value from table of normal distribution=1.96

e=margin of error at 5%, 0.05

P=probability at each the sample size maximum =0.5, 50%

Q=1-P

Table 3.1 Total Populations

| BRANCH NAME | TOTAL CUSTOMER | SAVING ACCOUNT HOLDERS ABOVE 500,000 BR | CURRENT ACCOUNT HOLDERS ABOVE 500,000BR | TOTAL PREMIUM CUSTOMERS |
|---|---|---|---|---|
| ADDIS KETEMA | 60271 | 32 | 70 | 102 |
| MEHAL GEBEYA | 52640 | 27 | 62 | 89 |
| ANWAR MESGID | 40120 | 22 | 53 | 75 |
| ABAKORAN | 57810 | 27 | 58 | 85 |
| TEKLEHAYMANOT | 62183 | 41 | 51 | 92 |
| TOTAL | 273024 | 149 | 294 | 443 |

**Source: Researcher's survey finding (2017)**

From the total population of 443 premium customers 206 will be selected for the questionnaire by using the above formula.

### 3.4.3 Sampling Technique

There are three types of sampling:

1. Probability sampling: it is the one in which each sample has the same probability of being chosen.

2. Purposive sampling: it is the one in which the person who is selecting the sample is who tries to make the sample representative, depending on his opinion or purpose, thus being the representation subjective.

3. No-rule sampling: we take a sample without any rule, being the sample representative if the population is homogeneous and we have no selection bias.

For this research paper we will use probability sampling technique

## 3.5 Data Collection Instrument

Because perceived quality is conceptualized as the customer's overall attitude towards the excellence of service, many researchers have relied on a single overall quality question, measured on a scale ranging from poor to excellent (Rust and Oliver, 1994). More generally, however, service quality perception is thought to be based on several quality attributes (Grönroos, 1990; Parasuraman *et al.* 1985, 1988 and Zeithaml *et al.* 1990), developed a multi-item scale (SERVQUAL) where they have integrated the most important of the criteria contributing to the formation of customer perceptions of service and which signal quality to the customer. These are: reliability – reflecting the technical quality of the outcome of the service encounter, i.e. what is received by the customer; and tangibles, responsiveness, assurance and empathy – reflecting the functional quality of the process itself, i.e. how the service is provided.

Therefore the researcher will use questionnaire to collect the primary data. The questionnaire will be structured type and will be listed by the researcher based on the responses obtained from the respondents. The researcher will use structured questionnaire to increase the credibility of information provided by the respondents. In this approach the investigator first check whether the respondent is a premium customer that is known by the branch administration.

The questionnaire will ask the respondents to be evaluate the last full bank service they have had in the bank. It included perceptual measures which will be rated on a five –point Likert scale. This design is consistent with prior studies on corporate customer satisfaction and service quality (Andaleeb and Conway, 2006). The scale items measuring the service quality and term and tariff dimensions will choose to reflect corporate customers' overall satisfaction.

## 3.6 Validity and Reliability

Reliability is the consistency of your measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. In short, it is the repeatability of the measurement. A measure is considered reliable if a person's score on the same test given twice is similar. It is important to remember that reliability is not measured, it is estimated.

Validity is the strength of our conclusions, inferences or propositions. More formally, (Cook and Campbell 1979) define it as the "best available approximation to the truth or falsity of a given inference, proposition or conclusion."

## 3.7 Data Analysis Techniques

The data is analyzed with the help of SPSS that used to tabulate and analyze the valid responses. The data is gathered through primary and secondary method summarized using descriptive

statistics through tables, frequency distribution and percentages, mean and standard deviation, Pearson correlation to come up the compress picture of data. Mean score is used identify the highest and the lowest of the variables, While Pearson's Correlation analyses is useful to know degree and nature of the effect of independent variables over the dependent variable. Accordingly, the summarize data is interpreted through theoretical frame work of the study to be arrive at meaningful conclusion. Finally, the data is interpreted and concluded to forward valid recommendations.

# CHAPTER -4

## DATA PRESENTATION, ANALYSIS AND INTERPRETATION

### 4.1 Sample Profile

Table 4.1 Age of the respondents

|       |         | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|---------|-----------|---------|---------------|--------------------|
|       | 20-25   | 8         | 4.2     | 4.2           | 4.2                |
|       | 26-30   | 17        | 9.0     | 9.0           | 13.2               |
| Valid | 31-35   | 27        | 14.3    | 14.3          | 27.5               |
|       | 36-40   | 35        | 18.5    | 18.5          | 46.0               |
|       | OVER 41 | 102       | 54.0    | 54.0          | 100.0              |
|       | Total   | 189       | 100.0   | 100.0         |                    |

Source: Researcher's survey finding (2017)

Regarding the age of the participants, the largest group (54%) is over 41 years age group. The second largest group (18.5%) indicated in the 36-40 years age group and 14.3% of the respondents are in the 31-35 years age group. The last age group is (13.2%) 20-30.

Table 4.2 Gender of the respondents

|       |        | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--------|-----------|---------|---------------|--------------------|
|       | MALE   | 142       | 75.1    | 75.1          | 75.1               |
| Valid | FEMALE | 47        | 24.9    | 24.9          | 100.0              |
|       | Total  | 189       | 100.0   | 100.0         |                    |

**Source: Researcher's survey finding (2017)**

Regarding gender of the respondent Out of the total 189 of respondents 75.1% are male and 24.1% of them are female.

Table 4.3 Status of the respondent

|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Sole proprietor | 127 | 67.2 | 67.2 | 67.2 |
|  | Managing Director | 43 | 22.8 | 22.8 | 89.9 |
|  | Finance Manager | 11 | 5.8 | 5.8 | 95.8 |
|  | Operation Manager | 8 | 4.2 | 4.2 | 100.0 |
|  | Total | 189 | 100.0 | 100.0 |  |

**Source: Researcher's survey finding (2017)**

Regarding the status of the respondents out of 189 total customers 127(67.2%) are sole proprietors, 43(22.8%) of the respondents are managing directors,11(5.8%) of them are finance managers, and 8(4.2%) are operational managers.

Table 4.4 Educational background of the respondent

|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Below high school | 48 | 25.4 | 25.4 | 25.4 |
|  | High school completed | 75 | 39.7 | 39.7 | 65.1 |
|  | Diploma | 26 | 13.8 | 13.8 | 78.8 |
|  | DEGREE | 31 | 16.4 | 16.4 | 95.2 |
|  | MASTERS | 9 | 4.8 | 4.8 | 100.0 |
|  | Total | 189 | 100.0 | 100.0 |  |

**Source: Researcher's survey finding (2017)**

As we can observe from table, 48(25.4) are below high school, 75 (39.7%) of them are high school completed, 26(13.8%) of them have diploma, 31(16.4) of the respondents have degree, and 9(4.8%) have a master's degree.

Table 4.5 Marital status

|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Married | 135 | 71.4 | 71.4 | 71.4 |
|  | Single | 48 | 25.4 | 25.4 | 96.8 |
|  | Divorced | 6 | 3.2 | 3.2 | 100.0 |
|  | Total | 189 | 100.0 | 100.0 |  |

**Source: Researcher's survey finding (2017)**

From the total customers 135(71.4%) are married .48(25.4%) are single and the rest 6(3.2%) are divorced.

Table 4.6 Duration with the bank

|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | 1-2 | 33 | 17.5 | 17.5 | 17.5 |
|  | OVER2 | 156 | 82.5 | 82.5 | 100.0 |
|  | Total | 189 | 100.0 | 100.0 |  |

**Source: Researcher's survey finding (2017)**

From duration with the bank point of view 156 customers which is 82.5% have the relationship more 2 years. From those customers 33(17.5%) have the relationship below 2 years.

Table 4.7 Type of account maintained

|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Current Account | 112 | 59.3 | 59.3 | 59.3 |
|  | Saving Account | 74 | 39.2 | 39.2 | 98.4 |
|  | Fixed deposit | 3 | 1.6 | 1.6 | 100.0 |
|  | Total | 189 | 100.0 | 100.0 |  |

**Source: Researcher's survey finding (2017)**

From the above three type of accounts 112(59.3%) of the customers hold current account, 74(39.2%) of the customers hold saving accounts and the rest 3(1.6%) of the customers hold fixed time deposit account.

## 4.2 Mean and standard deviation values

The mean value of each dimension with detail analysis as follows:

Table 4.8 mean and standard deviation values

|  | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Customer satisfaction | 189 | 2.25 | 4.50 | 3.3479 | .54731 |
| Reliability | 189 | 2.50 | 4.00 | 3.2817 | .43414 |
| Assurance | 189 | 3.00 | 4.25 | 3.6098 | .36309 |
| Responsiveness | 189 | 2.50 | 4.00 | 3.2804 | .43615 |
| Empathy | 189 | 2.00 | 4.50 | 3.4907 | .62706 |
| Tangibility | 189 | 2.00 | 4.50 | 3.4021 | .55754 |
| Valid N (list wise) | 189 |  |  |  |  |

**Source: Researcher's survey finding (2017)**

**Reliability**

According to the above analysis the mean of their responses is 3.28 which imply that it has positive impact on the level of corporate customers' satisfaction of commercial bank of Ethiopia premium customers.

**Assurance**

The majority of the respondents agreed with the questions under the concept of assurance and the mean of the data collected proves this fact. The mean of their responses is 3.6 which engaged that it has positive impact on the level of corporate customers' satisfaction towards service quality of commercial Bank of Ethiopia.

**Responsiveness**

Regarding the responsiveness customers shown employees of the bank is positive impact on the service of the bank. As a result, the mean of this statement is 3.28 this implies that most of the respondents agree on the questions related with responsiveness.

**Empathy**

The mean of their responses is 3.49 which entail that it has positive impact on the level of corporate customers' satisfaction towards service quality of CBE

**Tangibility**

From the table 4.8 the mean result for tangibility is 3.4. Based on the interpretation given the outcome has a positive impact on the corporate customers' satisfaction.

The standard deviation is a measure of how well the mean represent the data. Whereas, small standard deviation means (relatives to the value of the mean itself) indicates that data points are close to the mean. In these case, large standard deviations (relative to the mean) indicate that the data points are distant from the mean (i.e. the mean is not an accurate representative of the data). Similarly, high standard deviation means that the data are wide spread, which means that customer give verity of opinion and the low deviation mans that customers express close opinion. Therefore, from the above table we can learn that the customer seems express their close opinion and the mean is a good fit of the data.

## 4.3 Correlation Analysis

The correlation analysis result was performed to see the association between modified SERVQUAL dimensions and corporate customer satisfaction. This includes both the negative and positive relationships. In addition, the significance levels of the association were computed. Therefore, the correlation analysis revealed the relationship between Reliability, Empathy, Assurance, Responsiveness and Tangibility with corporate customer satisfaction. If the correlation result lies between -1 and 0, the two variables are negatively related. But if the correlation result of the two variables lies between 0 and 1, the two variables are positively related. Furthermore, if Pearson correlation coefficient is between: 0.00-0.19 there is slight or negligible correlation, 0.20-0.39 there is quite small correlation, 0.40-0.69 there is Moderate correlation, 0.70-0.89 there is high correlation and 0.90-1.00 there is very high correlation.

**Correlation analysis between customer satisfaction and reliability**

Table 4.9  correlation analysis between customer satisfaction and reliability

|  |  | Customer satisfaction | Reliability |
|---|---|---|---|
| Customer satisfaction | Pearson Correlation | 1 | .686[**] |
|  | Sig. (2-tailed) |  | .000 |
|  | N | 189 | 189 |
| Reliability | Pearson Correlation | .686[**] | 1 |
|  | Sig. (2-tailed) | .000 |  |
|  | N | 189 | 189 |

**Source: Researcher's survey finding (2017)**

The above table clarifies the correlation between the reliability as independent variable and the dependent variable of corporate customer satisfaction. The two variables have significantly positive relationship. This implies that the two variables influence each other's positively. In addition, the r=.686 value indicates that reliability of employees maintains moderate correlation relationship with the corporate customer satisfaction in the context of commercial bank of Ethiopia.

**Correlation analysis between customer satisfaction and assurance**

Table 4.10 Correlation analysis between customer satisfaction and assurance

| | | Customer satisfaction | Assurance |
|---|---|---|---|
| Customer satisfaction | Pearson Correlation | 1 | .596$^{**}$ |
| | Sig. (2-tailed) | | .000 |
| | N | 189 | 189 |
| Assurance | Pearson Correlation | .596$^{**}$ | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 189 | 189 |

**Source: Researcher's survey finding (2017)**

The above table also tried to show the relationship between assurance as independent variable and corporate customer satisfaction as dependent variable. The correlation result for the two variables is 0.596. This implies the two variables are also positively related. In addition, the r= .596 indicates that assurance maintains moderate correlation relationship with the corporate customer satisfaction in context of CBE.

Correlation analysis between customer satisfaction and responsiveness

**Table 4.11 correlation analysis between customer satisfaction and responsiveness**

|  |  | Customer satisfaction | Responsiveness |
|---|---|---|---|
| Customer satisfaction | Pearson Correlation | 1 | .689[**] |
|  | Sig. (2-tailed) |  | .000 |
|  | N | 189 | 189 |
| Responsiveness | Pearson Correlation | .689[**] | 1 |
|  | Sig. (2-tailed) | .000 |  |
|  | N | 189 | 189 |

**Source: Researcher's survey finding (2017)**

The above table also tried to explain the relationship between the responsiveness as independent variable and the dependent variable corporate customer satisfaction. According to the table the two variables have significantly positive relationships. This implies that, the two variables influence each other positively. In addition, the r=.689 value also implies as corporate customer satisfaction in the service quality of commercial bank of Ethiopia has moderate correlation relationship with responsiveness.

**Correlation analysis between customer satisfaction and empathy**

Table 4.12 correlation analysis between customer satisfaction and empathy

| | | Customer satisfaction | empathy |
|---|---|---|---|
| Customer satisfaction | Pearson Correlation | 1 | .385[**] |
| | Sig. (2-tailed) | | .000 |
| | N | 189 | 189 |
| Empathy | Pearson Correlation | .385[**] | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 189 | 189 |

**Source: Researcher's survey finding (2017)**

The relationship between empathy is also shown through the above table. The correlation result of the two variables, empathy and corporate customer satisfaction is .385. This implies that the two variables are positively related. In addition, the r=.385 value indicates that empathy maintains small correlation relationship with the corporate customer satisfaction in the context of CBE.

**Correlation analysis between customer satisfaction and tangibility**

Table 4.13 correlation analysis result between customer satisfaction and tangibility

|  |  | Customer satisfaction | Tangibility |
|---|---|---|---|
| Customer satisfaction | Pearson Correlation | 1 | .386** |
|  | Sig. (2-tailed) |  | .000 |
|  | N | 189 | 189 |
| Tangibility | Pearson Correlation | .386** | 1 |
|  | Sig. (2-tailed) | .000 |  |
|  | N | 189 | 189 |

**Source: Researcher's survey finding (2017)**

The above table shows the relationship between the two variables. The correlation result is 0.386. This indicates that the two variables are positively related. In addition, the r=.386 value also implies as corporate customer satisfaction in the commercial bank of Ethiopia is quite small correlation relationship with tangibility dimension.

**Summary Correlation Statics**

From the above statistical tests the following summary is drawn, to show the differences between one variable with the other variables. The dependent variable (corporate customer satisfaction) and independent variables (five dimensions) related with each other. In other contexts, the "**"sign shows the correlation result between the variables. Therefore, the result reflects that corporate customer satisfaction is affected by five dimensions variables. Among these dimensions Responsiveness has moderately correlated with corporate customer satisfaction (.689**), followed by Reliability (.686**), and Assurance (.596**). Tangibility and Empathy has quite small correlation with corporate customer satisfaction (.386**) and (.385**) respectively.

# CHAPTER FIVE

# CONCLUSION AND RECOMMENDATIONS

This chapter will present the study's conclusion from the research and the research questions will be answered. The chapter ends with recommendations.

## 5.1Conclusion

The main aim of this study is to assess corporate customers' general satisfaction towards the current performance of bankers in terms of their services offered. With the number of bank branches growing across the Ethiopia leading to more price competition, there are increasingly urgent needs for bankers to meet customer expectations for faster and better service. The study reveals that corporate customer satisfaction less on the dimension of empathy dimension which r value is (.385**). In this case, empathy dimensions are the worst service quality dimensions than others because as the r value it near to the one, customer satisfaction in the bank also increases. The second dimension that evaluated as the worst is r tangibility (.386**) dimension such as: modern looking equipment, physical facility, neat appearance of staffs and availability of materials associated with the service. This confirmed that the bank needs to be give attention to change their services towards corporate customer satisfaction.

On the other word, responsiveness, reliability and assurance are scored r value (.689**), (.686**) and (596**) respectively in the findings. This shows that even though the result positive outcome, which refers good positions of the firm, the r value scored of the dimensions are not too as much as the others dimensions. However, still there is a problem on services. Therefore, the bank also needs to improve the service offered for the corporate customers' by improving the responsiveness dimensions :staffs able to tell customers exactly when service would be

performed ,staff gives prompt service to customers, staff always willing to help customers and staffs never too busy to respond to customers request. whereas for reliability insist on error free banking services, show genuine interest in solving customers problem whenever it arises, promise to do something by a certain time and perform services dependably.

The last dimensions still needs improvement from the research results is assurance dimensions with r value score (.596**).

The result also shows great efforts need for the improvement of tangibles and empathy, implying that the corporate customers are not well satisfied with the physical facilities, modern equipment and neat appearance of staff to provide service as well as with the banks' ability to give personalized attention and understanding specific needs of the customer.

## 5.2 Recommendations

The findings of the research indicate that the five SERVQUAL model dimensions are significant contributions on the corporate customers' satisfaction of CBE. On top of this, understanding of the main factors that influence corporate customer satisfaction should be useful in guiding shareholders and management to design and deliver the right offerings. Up on this, the following recommendations are forwarded for Commercial Bank of Ethiopia by the researcher:

The management of the bank must ensure that all main services are available in each branch of the bank.(including the recent service called interest free banking)

Employees of the bank should be well knowledgeable and neat appearance.

The management of the bank must ensure efficiency in their operations to overcome long time waiting of customer for service offered.

Effective service delivering programs should take into consideration that the increased "push" towards the provision of convenient, easy and fast banking services is closely associated with the technology based delivery processes.

The management of the bank should always consider the needs of the customers. Since loyalty emerges in the customers once their acknowledged as well as needs are fulfilled by the management of the bank.

The management of the bank should frequently take the feedback of corporate customers and should incorporate the changes desired by the customers in their feedbacks.

In the current scenario of the banking industry the environment of its come highly competitive, most of the banks offer identical products and services. Therefore, to survive with in this industry as well as to maintain sustainable competitive advantage the bank should be focus on customer satisfaction by offering differentiate services.

**Finally, areas should be strongly recommended in addition to the above issues:**

- ❖ Responsiveness shown to be the most important factor that determines corporate customers' satisfaction in CBE. So, the bank should emphasize in order to make their service to be distinguishable from other banks.

- ❖ Reliability is also the other factor that is highly determining on corporate customers' satisfaction in CBE. As a result the institution should keep the promises made to customers regarding the service and always show interest in solving problems.

- ❖ Assurance is again other feature of corporate customers' satisfaction in CBE. In view of this factor that determine corporate customers' satisfaction of the bank such as: trust to employees of the bank, safe transaction, employees' politeness and adequate support for the customer.

❖ Tangibility being emerged to be as another important factor that determines corporate customer's satisfaction, and states the materials that the bank using to perform its services should be available and modern looking.

❖ Empathy is also important factor to satisfy the corporate customers in CBE. Regarding this variable the bank should give special attention in understanding the special needs of customers along with convenient operating hours and individualized attention.

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# APPENDIX

St. Mary's University

School of Graduates Studies

Department of Marketing Management

Dear respondents;

I am Abiy Alemu, Marketing Management graduating student from St Merry University. I am currently doing a research on the impact of service quality on corporate customer satisfaction in the case of commercial bank of Ethiopia as a partial fulfillment of MA degree in marketing management.

This information you would provide me is highly essential for successful completion of the study. The research assures you that information provided will be kept confidential and be used only for an academic purpose.

Note: kindly put a (√) mark with the option that reflects your level of agreement with the given statement.

Part 1: characteristics of respondent

Age : 20-25 ☐      26-30 ☐          31-35 ☐      36-40 ☐ >41☐

Gender :    Male ☐                Female ☐

The status of the customer in the company:  Sole proprietor  ☐ Managing Director☐  Finance Manager☐ Operation Manager☐  other--------------------------------------------------

Educational level: Below high school ☐  High school completed ☐  Diploma  ☐ Degree ☐ Master ☐           PhD ☐ other please specify ---------------------------------------------------

Marital status: Married ☐     Single ☐     Divorced ☐     Widowed ☐

Duration with the Bank:     1year ☐     1-2years ☐> 2 years ☐

Types of Account Maintain: Current Account ☐ Saving Account ☐ Fixed Deposit Account ☐

Service Quality Related Questions

| S/N | Dimensions | Scale of Measurement | | | | |
|---|---|---|---|---|---|---|
| | | 1 strongly disagree | 2 Disagree | 3 Neutral | 4 Agree | 5 strongly agree |
| RE | RELIABILITY | | | | | |
| RE1 | The bank keeps its Promise to do something by a certain time | | | | | |
| RE2 | The bank Shows genuine interest in solving problems | | | | | |
| RE3 | The bank Perform services dependably | | | | | |
| RE4 | The bank give special attention on error free services | | | | | |
| AS | ASSURANCE | | | | | |
| AS5 | Employees of the bank are trust worthy | | | | | |
| AS6 | The transactions are Safe | | | | | |
| AS7 | Employees are polite | | | | | |
| AS8 | Adequate support from the Bank are given | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| RE | RESPONSIVNESS | | | | | |
| RES 9 | Staff s are able to tell customers exactly when services would be performed | | | | | |
| RES 10 | Staffs give prompt services to customers | | | | | |
| RES 11 | Staff are always willing to help customers | | | | | |
| RES 12 | Employees of the bank are never too busy to respond to customers | | | | | |
| EM | EMPATHY | | | | | |
| EM 13 | The bank give customers individualized attention | | | | | |
| EM 14 | Services are convenient to customers | | | | | |
| EM 15 | Operating hours are convenient to customers | | | | | |
| EM 16 | Staff understand the specific needs of their customers | | | | | |
| TA | TANGEBILITY | | | | | |
| TA17 | The equipment's used in the bank are modern looking | | | | | |
| TA18 | Physical facilities are fully available | | | | | |
| TA19 | Employees of the bank have neat appearance | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| TA2 0 | Materials associated with service are available | | | | | |
| Corporate Customer Satisfaction | | | | | | |
| CC1 | Over all I am satisfied with the service of the bank. | | | | | |
| CC2 | I would continue with the bank in the future. | | | | | |
| CC3 | I would recommend the bank service for others. | | | | | |
| CC4 | Considering the type of bank services in Ethiopia the quality of service is excellent. | | | | | |

Thank you for taking the time to fill in this survey!!!!