

**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**DEPARTMENT OF MARKETING MANAGEMENT**  
**GRADUATE PROGRAM UNIT**



**THE EFFECT OF SERVICE QUALITY ON CUSTOMER RETENTION: THE CASE OF  
MULTICHOICE ETHIOPIA**

**BY:**

**SELAM DONI**

**A THESIS SUBMITTED TO THE ST. MARY'S UNIVERSITY, SCHOOL OF  
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**ST. MARY'S UNIVERSITY**  
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## **DECLARATION**

I, Selam Doni, hereby declare that the thesis work entitled “The effect of service quality on customer retention: the case of Multichoice Ethiopia” submitted in partial fulfillment of the requirements for Master of Arts (MA) in Marketing Management to St. Mary’s university, is the outcome of my own effort and that all sources of materials used for the study have been duly acknowledged. This study has not been submitted for any degree in this university or any other university.

**Name: Selam Doni**

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## **STATEMENT OF CERTIFICATION**

This is to certify that Selam Doni carried out her project on the topic entitled “The effect of service quality on customer retention: the case of Multichoice Ethiopia” under my supervision. This work is original in nature and is suitable for submission for the award of degree of master in the department of Marketing Management.

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**Advisor:** *Mohammed Mohammednur* (Ass. Professor)

## **DEDICATION**

I would like to thank and glorify my God for giving me this honor and passing me through the obstacles that I could not even imagine calling it “The past!” Because of you, I saw the light! I have nothing to say except, “Thank you, Jesus!”

**This research is dedicated to you; The God, The Son and The Holy Spirit!**

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A sincere appreciation and special thanks go to the respondents for their kind assistance and support throughout the data collection process of this research.

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## **ACRONYMS**

ANOVA- Analysis of variance

DStv-Digital Satellite Television

E – Service expectation

P – Service performance

SERQUAL – Service quality measurement tool

SERVPERF – Service Performance measurement tool

SPSS- Statistical Package for the Social Sciences

SQ – Service quality

## **ABSTRACT**

*Customer retention is essential for the success of service firms like entertainment broadcasting industries. The quality of service and product has become an aspect of customer retention. Day by day it has been proven that service quality and product quality are related to customer retention. This study endeavors to discover the effect of service quality on customer retention in the entertainment industry in Ethiopia with specific reference to Multichoice Ethiopia PLC. The five dimensions of SERVPERF model i.e. reliability, assurance, tangibility, empathy and responsiveness and product quality dimensions durability, serviceability and perceived quality are considered as the base for this study. In order to achieve the objectives, both primary and secondary sources of data were used. The primary data were collected through administering questionnaire. Convenient sampling procedure was used to obtain responses from sample customers. Among administered 432 questions, 380 valid responses are obtained. Correlation and multiple regressions were used to investigate the relationship between dependent and independent variables. The correlation results indicate that there is a positive and significant correlation between the dimensions of service quality, product quality and customer retention. The results of the regression test showed that offering quality service and product have positive effect on customer retention. The research proves that responsiveness and serviceability plays the most important role in customer retention. The study recommends that for Multichoice Ethiopia to be able to retain its customers, more attention should be placed on being responsive and providing serviceable products in their service delivery. In general, to ensure repeated purchase among customers, the company has to assess regularly the quality of service and products offered.*

**Keywords:** *Hybrid Service, Service Quality, Product Quality and Customer Retention*

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## **CHAPTER ONE: INTRODUCTION**

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

Every Company's ultimate goal is to make a profit by satisfying consumers' want and need aiming long term relationship with its target consumer to secure purchase and repurchase of products and services. It is really hard to maintain this relationship as the market environment continuously changes following variations in time and situation. One way to win a sustainable competitive advantage is through differentiation strategy. The prototype of differentiation is a quality strategy in which a business will deliver and be perceived to deliver a product or service superior to that of competitors. (Tony proctor, 2000)

Quality is a complex and multidimensional concept. The most common operational definition posits quality as the customer's perception of product and service excellence. In today's competitive environment, quality is the key to an organization's success and survival. Intense global competition has highlighted the increasing importance of quality. Superior quality no longer differentiates competitors; instead it validates the worthiness of a company to compete (Giffi et al, 1990).

Customer retention is indicated as customer's intentions to make the repetitive purchase of a product and service. Once a customer is retained it means that the amount of reusing the product or service grows which in turn reduces the customer replacement costs. Retained customers may pay higher prices and purchase regularly without any discount offers which is the tool used to acquire new customers (Ang & Butle, 2006).

There are different scientifically proven dimensions that directly influence customer's repurchase intentions for instance; trust, customer satisfaction, service quality, product quality, pricing, and others. Among these dimensions that affect customer's repurchase intentions, literatures suggest that quality of services and products provided by organizations are considered to be vital for the survival and success of that firm.

Studies in the last decades have established the fact that perceptions of service quality are directly correlated to retention (Bolton, Lemon and Bramlett 2006). It has been found that service quality boosts customer's inclination to buy again, to become fewer price sensitive and to

share with others their positive experiences (Bolton et al, 2000). They strongly believe that the experience of service quality holds more weight with retention than any other attribute. Robinson, Ferrand and Valette-Florence (2010) and MacIntosh and Doherty (2007) also states that there is a positive relationship between service quality and customer retention. Singh and Surujal (2010) found similar results in their case study conducted in a health and fitness organization based in South Africa.

Similarly, Product quality plays a vital role in customer retention and has a positive relationship with customer retention. Product quality is the strategic benefits of quality in contributing to market share and return on investment (Anderson and Zeithami, 1984).

Hence, this study aims to investigate the effect of service quality on customer retention in a broadcasting industry taking hybrid service provider, Multichoice Ethiopia, as a case.

## **1.2 Background of the organization**

The study focuses on a company that is a pioneer pay TV service provider in Africa called Multichoice Group limited whose main office is located in Ransburg, South Africa. The research specifically focuses on Multichoice Ethiopia who is a subsidiary of Multichoice Group limited that established itself as a franchisee in February 2000 in Ethiopia. Headquarter of Multichoice Ethiopia is located in Addis Ababa, the diplomatic capital city of Africa. Multichoice Ethiopia is an entertainment company that provides a variety of TV programming through the platform called DSTV. Although most customers are driven primarily by high demand for coverage of sports provided by Super Sport, DSTV has five English language packages that are categorized in different genre namely General Entertainment, Movies, Lifestyle, Documentary, Sport, Kids and Teen, Music, Religion, News and Commerce, Indian, and Specialist. Multichoice Ethiopia gives efficient, high quality audiovisual subscription-based service with modern technologies. For the target consumers to enjoy the DSTV service, they need to purchase DStv receiver, Dish, LNB, Cable and package that suits their need and also a technician to install them and make the provided service functional. The study focuses on the quality of product and service that is produced by the company only, which is the receiver and provided service.

### **1.3 Statement of the Problem**

The delivery of high quality services is considered to be profitable strategy for success in today's highly competitive market. Its significance in the success of business can be assessed by the shift occurred in contemporary businesses concentration. Previously, businesses were focused only on product; however, today their focus is both on the quality of products and services (Gummesson, 1994).

As Lin and Wu (2011) stated, it is important for an organization to emphasis on the quality of product and service due to having statistically significant relationship between quality commitment, trust and satisfaction with customer retention and future use of product, as retention is influenced by future use of product and service.

Previous studies by (Nsiah, Richard & A Mensah, Asantewaah, 2014; Nsiah Richard & Asantewaah A. Mensah, 2014; Sulva Widya Sari, Sunaryo & Mugiono, 2018; Frehiwot Tesfaye, 2017) have focused on service quality and customer retention using service quality measurement tools that are widely used like SERVQUAL and SERVPERF model in banking and telecommunication industry.

Moreover, based on the researcher's review of literatures, there are limited researches, if any, that reveal the relationship and effect between product and service quality dimensions on customer retention in broadcasting industry specifically on sub-saharan African direct broadcast satellite service provider which is owned by Mutichoice. Since the company provides hybrid service, the study will assess the perceived quality of both product and service offerings using two different models called SERVPERF and Garvin's product quality model (1987) which will make the study unique.

Additionally, according to the company's data base for the past three years, even though the company is engaged in repeated price reduction and aggressive promotion, the number of subscribers reconnecting is decreasing. Due to this problem, further study is needed to ease the loss the company is facing. It is a fact that competition among different sectors are present but basically, the key problem in here is, on how to retain customers through delivery of quality services and products to secure competitive advantage and maximize market share among different strategies that the company follows.

This challenge of customer retention depends on different reasons including how customers perceive service and product quality of a service and product offerings.

Therefore, it is important to empirically examine the actual effect of the components of product and service quality on customer retention. Such understanding will assist in better management of firm-customer relationship and in achieving higher level of loyalty among customers. The research tries to identify the effect of product and service quality on customer retention in a broadcasting industry the case of Mutichoice Ethiopia PLC.

## **1.4 Research Questions**

The following basic research questions will be answered in this course of the study:

- What is the effect of service quality on customer retention in Multichoice Ethiopia's service?
- What is the effect of product quality on customer retention in Multichoice Ethiopia's product?
- How service quality and product quality affects customer retention in Multichoice Ethiopia's marketing offerings.

## **1.5 Research Objectives**

### **1.5.1 General Objective**

The general objective of this study is to examine the effect of Service and Product quality on customer Retention in the context of Multichoice Ethiopia.

### **1.5.2 Specific Objective**

Specifically, the study aims:

- To assess the effect of service quality on customer retention in Multichoice Ethiopia's service.
- To examine the effect of product quality on customer retention in Multichoice Ethiopia's service.
- To determine how service quality and product quality affects customer retention in Multichoice Ethiopia's marketing offerings.

## **1.6 Significance of the study**

The proposed study aims in answering the effect of product and service quality on customer retention towards broadcasting industry taking Multichoice Ethiopia's customers perceived service and product quality ratings. The findings will benefit the firm in identifying its strengths



and weakness in regards to its service and product quality provision towards customer retention. Based on the findings, maintaining its strength and taking corrective measures for the identified weakness will in return enhance customer's retention level, market share, competitive advantage & profit.

Moreover, the study will provide an insight to investors who are interested in engaging in broadcasting industry in Ethiopia towards service and product quality implementation. And also, the research will serve as a stepping stone for other researchers to undertake further investigation taking the study as a reference and serve as an input or knowledge expansion for the academic world towards this sector.

### **1.7 Scope of the study**

Because of the wide nature of the study, accessing all the literature concerning customer retention, service quality and product quality is very large. Thus, conceptually, the study drifted in a limited aspect within the literature, thereby this research focuses on the relationship between customer retention and service quality dimensions of the modified SERVQUAL model called SERVPERF along with Garvin's product quality dimensions. Geographically, the study will focus on the effect of service quality on customer retention in the broadcasting industry in Ethiopia with specific reference to Multichoice Ethiopia PLC. Currently the company has more than 30,000 subscribers in all over Ethiopia. Due to time and financial constraints, the researcher tends to undertake the research activity only in Addis Ababa. Methodologically, The study deployed only quantitative research approach, targeting only premium customers to collect data using questioner only. Employees and management are deliberately excluded as they are out of the scope of the study.

The relationship between service quality and product quality on customer retention using the five dimensions (Tangibility, Reliability, Responsiveness, Assurance & Empathy) of service quality and also Garvin's product quality dimensions (perceived quality, Serviceability and Durability) by using segmentation strategy with a few dimensions singled out for special attention.

### **1.8 Definitions of key terms**

- **Broadcasting Industry:** it is an industry engaged with distribution of video and audio content to dispersed audience via electronic mass communication medium.

- **Pay TV:** television broadcasting in which viewers pay by subscription to watch a particular channel.
- **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 (Kotler et.al, 1999).
- **Hybrid Service:** The combination of a product and a service is a product-service hybrid.
- **Service quality:** the global evaluation or attitude of overall excellence of services (Parasuraman et al. 1985)
- **Product quality:** Product quality is the overall utility of product by customers based upon the perceived value between what is received and what is given (Zeithaml, 1988)
- **Customer:** a person who is somehow in connection with an organization and receives its goods or services.
- **Customer Retention** - customer retention can be mentioned as the process of buying products and services within certain time span in a repetitive nature (Sirdeshmuk et al., 2002).
- **Customer Perception:** is an opinion about something viewed and assessed and it varies from customers to customers, as every customer has different beliefs towards certain services and products that play an important role in determining customer satisfaction.

## **1.9 Organization of the Study**

The study will be organized into five major chapters. The first part is the introductory part composed of background of the study, background of the organization, statement of the problem, Research Objectives, research questions, Significance of the Study, Scope of the study and definition of terms. The second chapter deals with Review of Related Literature comprise of theoretical review, empirical review and conceptual framework of the study, in the third chapter research methodology that consists of Research design, Research approach, Population, Sample size and sampling procedure, Data sources and data collection method, Methods of Data analysis, Validity and Reliability and Ethical Consideration.

## CHAPTER TWO: REVIEW OF LITRATURE

### 2.1 Theoretical Literature

#### 2.1.1 Definition of Service

Many scholars wrote about service from different angle. According to Lovelock and Wirtz, 2011 Services are economic activities offered by one party to another; in exchange for money, time, and effort, service customers expect value from access to goods, labor, professional skills, facilities, networks, and systems; but they do not normally take ownership of the physical elements involved.

kotler (2000) states as a service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. It may or may not be tied to a physical product. According to Zeithaml and Bitner (2004), Services include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser. Lovelock and Wirtz (2007) on their part indicated that, the service is time based and the outcome of a service may result in desire change in consumer or any property of the consumer.

Services are mostly characterized and cited in to four. These are:

**Intangibility:** Services lack physical form; they don't interact with any of our senses in a conventional way, they cannot be transferred, value derives from consumption or experience. Kotler and keller (2009) defined service as any intangible act or performance that one party offers to another that does not result in the ownership of anything

**Inseparability:** production and consumption cannot be separated compared with goods where production and consumption are entirely discrete processes. Due to the fact that services and consumers of services are inseparable, they cannot be produced until the consumer is ready to consume them.

**Perishability:** service performances are short-lived, unlike physical goods, services cannot be stored or inventoried after production.

**Variability:** Services involve processes delivered by service personnel and subject to human variation. In connection with this, providing consistent quality is difficult for service because of the characteristic of variability (Clow and Kurtz, 2003).

When one puts it in the simplest term; services are deeds, processes and performances (Zeithaml and Bitner, 2004). It is apparent that services produce not only by service businesses, but also are integral to the offering of many manufactured goods producers. Service is very complex and about economic activities which is giving benefits to both customer and the company. Customers purchase service for the search of desired result and the companies sell their services for the customers benefit by proposing solutions to the problems (Sarmin Sultana and Shohel Rana, 2010). According to Zeithaml (1990), the service is a compounding of many features:

The service component can be a minor or major part of the total offering. Keller (2000), distinguishes five categories of service offerings:

- 1) Pure tangible goods; offer is made only by tangible goods (product) that isn't accompanied by any service - e.g. soap, toothpaste, salt
- 2) Tangible goods with accompanying services; offer consists primarily of a product that is accompanied by a minor service (or retail services) - e.g. car accompanies services
- 3) Hybrid; offer is made equally by products and services - e.g. high-end restaurant offers not only excellent food but also perfect service, music, bar and other facilities.
- 4) Major service with accompanying minor goods and services; the essence of offer is a service, accompanied by minor goods - e.g. basis of air transport is a service (transportation) accompanied by food, beverage, newspaper and magazines, film screenings, etc. and
- 5) Pure service; offer is made only by services - e.g. psychotherapy, massages, babysitting, etc.

The service offerings that Multichoice Ethiopia is providing is hybrid service that is a bundle of service and product and the following sub section will explain both service and product quality concepts and methods used to define and assess their quality.

### 2.1.2 Service Quality

There is widespread agreement amongst scholars that service quality is a vague and abstract concept that is difficult to define and measure. It is believed to be a multi-dimensional construct, but there is little agreement as to what constitutes the specific dimensions.

Within the services marketing literature, there are different scholars that came with different theoretical traditions to understand service quality including Nordic school, the gaps model and performance only approach.

The Nordic school was one of the earliest attempts to define and measure service quality. In this school of thought, service quality is assessed with in two broad dimensions, namely technical quality: that gives an insight to what was delivered and functional quality to check how it was delivered. The technical dimension can usually be measured but the functional dimension is difficult to measure due to subjectivity of interpretation due to customer variation.

The model of service quality or the gaps model was developed by team of researchers, Parasuraman, Zeithaml and Berry, in the mid to late 1980s and has become the dominant approach for identifying service quality problems and diagnosing their probable causes. This approach found that service quality is defined through a gap between consumer's expectations of service performance versus the actual service performance. Accordingly, service quality can be represented by the equation:

$$SQ=P-E$$

Where;

SQ is service quality

P is the individual's perceptions of given service delivery

E is the individual's expectations of a given service delivery

Parasuraman et al. (1988) who introduced the service quality model known as SERVQUAL, to measure the size and direction of service quality problems that is Gap 5. The study has a purpose of defining and evaluating the quality through five dimensions that are tangibles, reliability, responsiveness, assurance, and empathy, resulting SERVQUAL a widely used instrument. A

large number of hotel studies have applied the five-dimension SERVQUAL instrument to assess service quality (Spreng, et al., 1996; Murphy et al, 2007).

A few years later, a performance-based model of service quality (SERVPERF) was developed by Cronin and Taylor (1992). SERVPERF measures service quality based only on customer perceptions of the performance only excluding expectations which a simpler alternative to SERVQUAL. Through this approach service quality will be evaluated based on customer's perception that is represented by the equation:

$$SQ=P$$

SQ is service quality

P is the individual's perceptions of given service delivery

Proponents argued that SERVPERF is shorter, theoretically superior and more reflective of service quality than SERVQUAL. This measure explained more of the variance in an overall measure of service quality than SERVQUAL. Moreover, it obtained psychometrically superior assessment of service quality in terms of construct validity and operational efficiency through its performance items (Cronin & Taylor 1992).

Methodologically, the SERVPERF scale represents marked improvement over the SERVQUAL scale. Not only is the scale more efficient in reducing the number of items to be measured by 50 per cent, it has also been empirically found superior to the SERVQUAL scale for being able to explain greater variance in the overall service quality measured through the use of single-item scale. This explains the considerable support that has emerged over time in favor of the SERVPERF scale (Babakus and Boller, 1992; Bolton and Drew, 1991b; Boulding *et al.*, 1993; Churchill and Surprenant, 1982; Gotlieb, Grewal and Brown, 1994; Hartline and Ferrell, 1996; Mazis, Antola and Klippel, 1975; Woodruff, Cadotte and Jenkins, 1983).

Moreover, Jain and Gupta (2004) found that the SERVPERF scale was a more convergent and discriminate valid scale than SERVQUAL in the measurement of service quality in fast food restaurants. The same conclusion, that SERVPERF is a better predictor of service quality resulted from the study of Nadiri and Hussain (2005) in hotel industry. Al Khattab and Aldehayyat (2011) argue as a conclusion of their study on perceptions of service quality on

Jordanian hotels that a performance only measurement (SERVPERF) is a good predictor of service quality, and sufficient. A number of studies reached the conclusion that performance scores provide better statistical results and explanatory power than gap scores based on various reliability and validity criteria (Cronin & Taylor, 1992, 1994; Johns & Howard, 1998; Teas, 1993; Luk & Layton, 2004).

Though still lagging behind the SERVQUAL scale in application, researchers have increasingly started making use of the performance only measure of service quality (Andaleeb and Basu, 1994; Babakus and Boller, 1992; Boulding *et al.*, 1993; Brady *et al.*, 2002; Cronin *et al.*, 2000; Cronin and Taylor, 1992, 1994). Also, when applied in conjunction with the SERVQUAL scale, the SERVPERF measure has outperformed the SERVQUAL scale (Babakus and Boller, 1992; Brady, Cronin and Brand, 2002; Cronin and Taylor, 1992; Dabholkar *et al.*, 2000). Seeing its superiority, even Zeithaml, one of the founders of the SERVQUAL scale, in a recent study observed that “Our results are incompatible with both the one-dimensional view of expectations and the gap formation for service quality. Instead, we find that perceived quality is directly influenced only by perceptions of performance.” (Boulding *et al.*, 1993). This admittance clearly lends a testimony to the superiority of the SERVPERF scale.

SERVPERF model consists of five service dimensions: tangibles, reliability, responsiveness, assurance, and empathy, Tangibles is used to define appearance of physical facilities, equipment, personnel, and communication material, etc. Tangibles are more important in high contact services, for example conditions of the building Reliability is the ability to provide reliable service immediately and accurately. Responsiveness is willingness to respond to the wishes or needs of the customers’ support and fast services. Assurance includes the knowledge, courtesy, skills, and trust-worthiness of the employees, as well as free from danger, risk, or doubt. The last dimension, empathy, means the ease of relationships, good communication, personal attention, and understand the need of customers. (Parasuraman et al, 1991).

Accordingly, in this study, the researcher will investigate and study services in a broadcasting industry based on dimensions mentioned in SERVPERF.

### **2.1.3 Product Quality**

Quality is a complex and multifaceted concept. In its broadest sense, product quality is the ability of a product to meet or exceed customer's expectations (Waters & Waters, 2008).

The quality of the present is no longer a competitive weapon but the core principle expected by customers from all organizations. Quality is defined as the case for use, or the extent to which a product successfully serves the purpose of the consumer. Quality advantages are very important in maintaining customer trust in market leadership. However, the company's goal should not only reach the leadership market, but to maintain its leadership.

Product quality is an extent to which a product succeeds to meet the needs of the customer (Lemmink& Kasper,1994).

There are different approaches in defining product quality. According to David A. Garvin (1984), five major approaches to the definition of quality are identified and listed below:

- The transcendent approach of philosophy;
- The product-based approach of economics;
- The user-based approach of economics, marketing, and operations management;
- The manufacturing-based and
- Value-based approaches of operations management.

The diversity of these concepts helps to explain the differences among the five traditional approaches to quality. Each of the approaches focuses implicitly on a different dimension of quality: the transcendent approach believes that quality cannot be defined precisely; rather, it is a simple, unanalyzable property that we learn to recognize only through experience, the product-based approach focuses on performance, features, and durability; the user-based approach focuses on aesthetics and perceived quality; and the manufacturing-based approach focuses on conformance and reliability and value based approaches believes that a quality product is one that provides performance at an acceptable price or conformance at an acceptable cost. Conflicts among the five approaches are inevitable because each defines quality from a different point of view. Once the concept is unbundled, however, and each dimension is considered separately, the sources of disagreement become clear.



Hence, Garvin (1987), developed a system of thinking about the quality of products by describing the basic elements of product quality in eight dimensions as most existing definitions of quality fall into one of the categories listed above. Garvin and Foster (1987, 2001), pointed out that quality is multidimensional and that each of its dimensions can be used strategically to gain competitive advantage.

The following is a summary of Garvin's eight dimensions of Product Quality:

**1) Performance:** refers to a product's primary operating characteristics; performance for the DStv receiver would include characteristics like signal quality, strength, software status, Audio and Video clarity.

**2) Features** are additional characteristics that enhance the appeal of the product to the customer. These are the secondary aspects of performance. This includes like DStv receiver's additional characteristics like parental control, TV guide options, color coded channel group setup, quick program reminder set up, language choice that are either English, Amharic or Portuguese and so on.

**3) Reliability** is the likelihood that a product will not fail within a specific time period when put in use. For example, DStv's receivers are under warranty for a year.

**4) Conformance** is the precision with which the product meets the specified standards. This illustrates like the Dstv receiver manufactured to function 24/7 without any interruption and High definition picture quality.

**5) Durability** measures the length of a product's operating life. This emphasizes the receivers length of operating life like resistance to external factors like power interruption and materials used to manufacture the receiver if they are long lasting materials or not.

**6) Serviceability** is the ease, competence and costs with which the product can be put back into service when it breaks down. This characterizes DStv's receiver repair cost being fair, agent's competence of troubleshooting and ease of repair that is availability of spare parts if its parts experiences malfunction.

7) **Aesthetics** refers to how the product looks, feels, sounds etc. It is a matter of personal judgment and a reflection of individual preference. This defined as, for instance, customer's preference of the DStv receiver's color, shape, size and so on.

8) **Perceived quality:** The customer's opinion of a product as it has been influenced through "images, advertising, or brand names"; perceived quality is a way of inferring quality when no direct measure is available; things such as reputation and past experience of DStv's service or DStv receiver.

According to Garvin (1987), Recognition of these eight dimensions is important for strategic purposes. An organization that chooses to compete on the basis of quality can do so in several ways; it needs not pursue all eight dimensions at once. Instead, a segmentation strategy can be followed, with a few dimensions singled out for special attention. Accordingly, many researchers like Madu et al (1995) and Euphemia & Sian (2010) have adopted few dimensions for defining product quality.

Therefore, the researcher will be using segmentation strategy with few dimensions that are perceived quality, serviceability and durability as the rest of the dimensions may be less measurable or relevant in some contexts than others. For example, the dimensions of performance, features and aesthetics were excluded because they are less relevant as customers pre check the decoder's primary and secondary aspects of performance, the data on conformance are often difficult to be obtained and substitutes are frequently used which in this study substituted by perceived quality, and reliability is covered as one of service quality dimensions thus it is not measured under product quality.

Besides, according to the research conducted by Shaheen Mansori, (2018), the dimensions of performance, features, reliability, and conformance has insignificant result whereas durability, serviceability, perceived quality and aesthetics has significant result.

#### **2.1.4 Customer Retention**

According to Hume (2006), the definition of customer retention is the decision of consumers to engage in future activities with a service provider and the form of such activity in the future. Furthermore, Hume also believes that customer retention is the result of consumer attitudes or

behavior toward the performance of the services they consume. So it can be concluded that the interest in repurchasing is the desire of consumers to buy or come back to the same organization.

Customer retention involves the steps taken by a selling organization in order to reduce customer attrition. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. Many studies have conducted that show how significant customer retention is for firms and what factors affect it. For example, the longer a customer stays with an organization the more utility the customer generates (Reichheld and Sasser, 1990). According to another research, this is an outcome of a number of factors relating to the time the customer spends with the organization which includes the higher initial costs of introducing and attracting a new customer, increases in both the value and number of purchases, the customer's better understanding of the organization, and positive word-of-mouth promotion (Havaladar et al, 2012). In addition, retaining customers saves the effort and cost of gaining new ones. Rust and Zahorik (1993) argue the financial implications of attracting new customers may be five times as costly as keeping existing customers. Customer retention is important to most companies because the cost of acquiring a new customer is far greater than the cost of maintaining a relationship with a Current customer (Ro King, 2005). 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, longer-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 (Srivastava and Lurie, 2001).

Conclusively, in this research customer retention is repeat purchasing nature of customer with the combination of attitudinal and cognitive measures. Customer retention also signifies a long-term commitment between customer and the firm to maintain a certain relationship by developing a form of the mutual commitment and leading to create long term buyer-seller relationships (Wilson, 1995).

## 2.2 Empirical literature

**Table 2.2.1: Empirical review on service quality and customer retention**

S.No	Author and year	Title	Country	Findings
1	Atul Kumar (2017)	Effect of service quality on customer loyalty and the mediating role of customer satisfaction: an empirical investigation for the telecom service industry.	India	Empathy, assurance, responsiveness, empathy has a positive effect on Service Loyalty whereas reliability doesn't
2	Evangelia Blery and others (2009)	Service quality and customer retention in mobile telephony	Greek	The findings verified the research hypotheses, and proved that there are relationships between service quality and repurchase intention in the Greek mobile telephony sector
3	Nsiah richard and asantewaah a. Mensah (2012)	The effect of service quality on customer retention in the banking industry in ghana, a case study of asokore rural bank limited	Ghana	Service quality dimensions have a significant influence on customer retention
4	Winnie sisi daniel (2016)	Effects of service quality on customer retention among commercial banks in Kenya	Kenya	The results shows that service quality attributes are positively related to customer retention.
5	Nsiah, Richard and A Mensah, Asantewaah (2014)	The Effect of Service Quality on Customer Retention in the Banking Industry in Ghana: A Case Study of Asokore Rural Bank Limited	Ghana	The research findings indicated offering high quality service increase customer retention, which in turn leads to high level of customer commitment and loyalty
6	Mushtaq Hussain	Influence of Service and Product Quality on	Sweden	Both product quality and service quality has

	and Pratibha Ranabhat (2013)	Customer Retention. A Swedish grocery store		influence on customer retention.
7	Shaheen Mansori, PhD (2018)	The Effects of Product Quality on Customer Satisfaction and Loyalty: Evidence from Malaysian Engineering Industry	Malaysia	Among product quality dimensions, Durability, Serviceability, Aesthetics and Perceived Quality are significant. Results indicate that Serviceability and Perceived Quality has the highest impact on Customer Satisfaction, leading to Loyalty.
8	Prof. Dr. Muhammad ehsan malik and others (2011)	Impact of perceived service quality on banking customers' loyalty	Pakistan	The study results showed that three dimensions of SERVQUAL such as tangibles, empathy and assurance fostered the customer loyalty whereas responsiveness and reliability did not observe to have significant impact on the customer loyalty.
9	Ernest Emeka Izogo and Ike-Elechi Ogba (2014)	Service quality, customer satisfaction and loyalty in automobile repair services sector	Nigeria	The outcomes show that service quality dimensions are significant predictors of customer satisfaction and loyalty

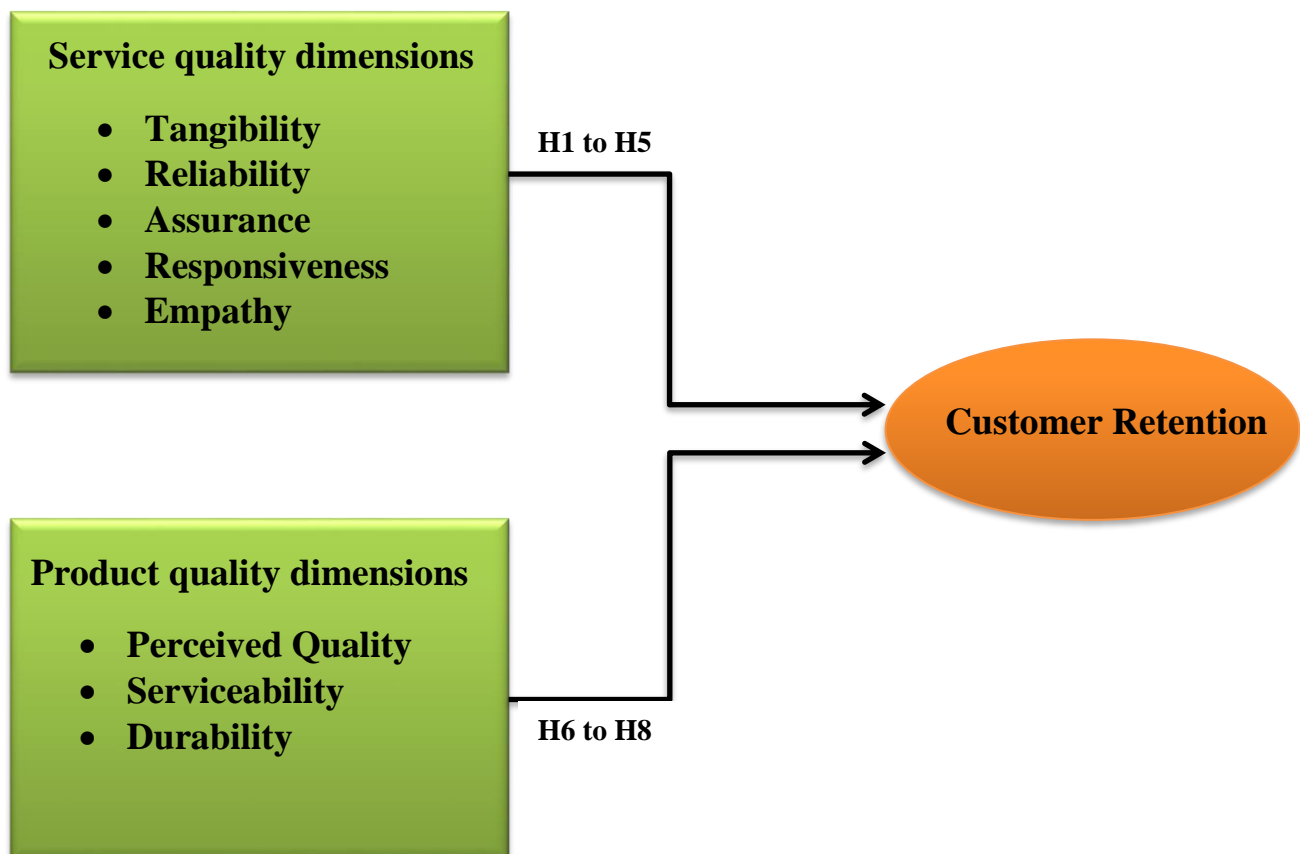
Source: literature search and analysis

### 2.3 Conceptual Framework

The conceptual framework indicates the crucial process which is useful to show the direction of the study. In this research study, the focus is on service and product quality from the customer's perspectives relating to the consumptions of goods and services in a Pay TV hybrid service provider.

Conclusive framework relating to theoretical discussions of the study and illustration is shown below in diagrammatical form in figure 2.

**Figure 1: Relationship between service quality, product quality and customer retention**



**Source:** Corin and Taylor (1992) and Garvin (1987)

The above Figure 2 represents the conceptual framework of this study. The conceptual framework of the study considers SERVPERF model from Cronin and Taylor (1992) and product quality dimensions of Garvins (1987) and their effect on customer retention. SERVPERF model will be used to measure pay TV service quality in five different

dimensions which are: Tangibility, Reliability, Assurance, Responsiveness and Empathy taking Multichoice Ethiopia as a case.

Moreover, the framework representing the product quality dimensions developed by Garvin (1987) includes dimensions like serviceability, perceived quality and durability. Product quality is the overall utility of product by customers based upon the perceived value between what is received and what is given (Zeithaml, 1988). And, customer retention is indicated as customer's intentions to make the repetitive purchase of a product and service. These dimensions are one objective assessment of consumers after a purchase of a product and if satisfied, it leads to renewal of the service or repurchase of the product.

In this study, the importance and effect of service quality and product quality dimensions is examined in relation to customer retention towards renewal of the service. Thus, according to this conceptual framework, the factors from SERVPERF and Product quality dimensions are significant and have direct effect on the repurchase decision of the customer. Therefore, the study suggests that the consideration of these factors in positive way can yield a higher retention rate of customer.

Hence, the following hypotheses were developed to test this phenomenon:

**H1:** Tangibility has significant effect on customer retention.

**H2:** Reliability has significant effect on customer retention.

**H3:** Assurance has significant effect on customer retention.

**H4:** Responsiveness has significant effect on customer retention.

**H5:** Empathy has significant effect on customer retention.

**H6:** Perceived quality has significant effect on customer retention.

**H7:** Serviceability has significant effect on customer retention.

**H8:** Durability has significant effect on customer retention.

## **CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY**

### **3.1 Research Approach**

According to Creswell J.W. (2007), quantitative research approach is an approach for testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures. The final written report has a set structure consisting of introduction, literature and theory, methods, results, and discussion. Like qualitative researchers, those who engage in this form of inquiry have assumptions about testing theories deductively, building in protections against bias, controlling for alternative explanations, and being able to generalize and replicate the findings.

Hence, the study employed quantitative research approach to answer the research questions using numeric data collected by closed ended questions, analyzed it using descriptive and inferential statistics and interpret based on the numeric findings.

### **3.2 Research Design**

According to Chopra et al (2012), research design is the conceptual structure within which research is conducted. They specifically indicated that “a research design is the arrangement of condition for collecting and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure for a precise statement of goals and justification.

Among the three commonly used research designs that are exploratory, descriptive and causal or explanatory research, the study followed up explanatory research design.

An explanatory investigation will try to illustrate causes, effects or intentions with the aim of explaining a certain phenomenon (Olsen and Pedersen, 2008). In this study, Multichoice Ethiopia is taken as a study area and target population’s response are analyzed and explained to what extent the independent variables explain dependent variable and the effect of each independent variables over dependent variable statistically.



### 3.3 Sampling Design

#### 3.3.1 Population of the Study

Target population is defined as the entire group a researcher is interested in. According to (zikmund, 2003) the definition of population is an identifiable total set of elements of interest being investigated by a researcher. Therefore, the researcher has chosen the highest income generators for the firm that is premium subscribers as a target population for this study.

Hence, the target populations of this study are all active premium package customers that have experienced the service for one month and longer which are in figure, 8452.

#### 3.3.2 Sample size determination

The target population of the study includes all active premium package customers that joined the service for one month and longer that are 8452 in number. However, since it is not feasible to include all active premium subscribers, due to inaccessibility to reach all, cost and time constraint, the researcher used representative sample units using formula to collect data that comes to make a renewal payment at Multichoice Ethiopia office in Addis Ababa.

The sample of this research was calculated by using Taro Yamane (Yamane, 1973) formula with 95% confidence level.

$$n = \frac{N}{1 + N(e)^2}$$

Where :

n= sample size

N = population size

e = level of precision or sampling error which is  $\pm 5\%$

When we substitute target populations size and 5% sampling error in to the formula as shown below, we get a result of approximately **382** Sample size.

$$N = \frac{8,452}{1 + 9,346(0.05)^2} = \frac{8,452}{22.13} = 381.92 \sim 382$$

Hence, the researcher has collected data from 382 representative respondents to conduct the research.

### **3.3.3 Sampling technique**

Sampling is the process or technique of selecting a suitable sample for the purpose of determining parameters or characteristics of the whole population (Adams, et al., 2007). There are two main categories of sampling techniques: probability and non-probability. The probability technique is “a sampling technique in which every member of the population has a known, equal probability of selection”. While the non-probabilistic technique is “a sampling technique in which units of the sample are selected on the basis of personal judgment or convenience, and the probability of any particular member of the population being chosen is “unknown” (Zikmund et al., 2012, p. 394)

This research is conducted using non probable sampling technique due to the target population’s probability of being selected is unknown. From non-probable sampling technique, convenience sampling technique is adopted. Convenience sampling is employed in the study because the population was too large and it was impossible to include every individual, and the respondents were included based on their convenient accessibility and proximity to the researcher. The researcher avoided bias by focusing on homogeneous customers that are active premium package subscribers that has experienced the product and service for one month and more.

### **3.4 Data Source**

There are two kinds of sources for data collection and these are primary and secondary sources of data. In this study both Primary and secondary sources were used in soliciting information for the study. Primary data is obtained from active premium subscribers that come at Multichoice Ethiopia PLC office to make a renewal payment. The customers’ judgment has been used as the source of data for analysis. Secondary information is collected from the company’s report, previous studies in regards to the company that relates with this concept and unpublished materials of Multichoice Ethiopia and website information and /or generated internet reports.

### **3.5 Data Collection Method**

Data is collected using questionnaire and prepared in line with the objectives of answering research objective. The questionnaire was developed in five scales ranging from five to one; where 5 represents strongly agree, 4 agree, 3 neutral, 2 disagree, and 1 strongly disagree. It is prepared based on respondents preferred language to avoid language barriers, stimulate customer's experience and to get information about product and service quality and customer Retention level of Multichoice Ethiopia. The questionnaire will consist of two parts; Part one is prepared to gather general information about the respondents' demography and for how long the customer is using the DSTV services. Part two is prepared to ask respondents to answer product, service and customer retention dimensions' questions based on their experience. Customers were selected based on convenience sampling and an effort has been made to have representative sample and the results are considered as representative of the population. The questionnaire used is attached at end on Appendix section.

### **3.6 Data Analysis Method**

The collected data is analyzed using descriptive statistics, correlation and regression analysis techniques. Descriptive analysis is used to describe the demographic factors such as gender, educational level, monthly income of respective respondents and the time length of being a customer. And also, inferential statistics like Correlation analysis is used to assess the relationship among product quality, service quality and customer retention. Moreover, multiple linear regression analysis is used to examine the effect of product quality on customer relation and service quality on customer retention.

### **3.7 Reliability and Validity**

#### **3.7.1 Reliability**

Reliability and validity are the two pillars of scientific research methods. From a measurement perspective, reliability is defined as the degree to which the measures are free from error so that the consistency of the results is assured (Fuchs & Diamanto puolos, 2009). Reliability is checked using the Cronbach's Alpha test. When Cronbach's Alpha values are higher than 0.7 thus the questions are used to measure variables. Accordingly, based on the results of the reliability analysis, one can conclude that the items are internal consistent. George and Malley (2003) provides the following techniques:

**Table 3.7.1: Reliability**

<b>Cronbach <math>\alpha</math></b>	$\alpha \geq 0.9$	$0.8 \leq \alpha < 0.9$	$0.7 \leq \alpha < 0.8$	$0.6 \leq \alpha < 0.7$	$0.5 \leq \alpha < 0.6$	$\alpha < 0.5$
<b>consistency</b>	Excellent	Good	Acceptable	Questionable	Poor	Unacceptable

Source: George and Malley (2003)

This research will also adopt the recommended cronbach's alpha value that is greater than 0.7. to use the proposed questions for measuring variables.

Accordingly, the researcher has conducted a pilot test to few respondents to check the measuring questions reliability. Hence, as indicated in the below table, the test result is .95 which grants the measuring instrument with in the questioner in an excellent consistency range and is acceptable. And also, each variables result is  $>0.7$ . Based on the result, the researcher continued to collect data from target respondents.

**Table 3.7.2 Reliability statistics of each variables**

No	Dimension	Number of items	Alpha Value
1	Tangibility	4	.733
2	Reliability	5	.790
3	Responsiveness	5	.857
4	Assurance	4	.809
5	Empathy	4	.728
6	Durability	4	.781
7	Serviceability	3	.700
8	Perceived product quality	4	.856
9	Customer Retention	5	.844

Source: own result

### **3.7.2 Validity**

Validity is defined as how much any measuring instrument measures what it is intended to measure. Bryman and Bell (2003) also suggested that the important issue of measurement validity relates to whether measures of concepts really measure the concept. In this study, to make sure the items used measures in the instrument evaluates what they are claimed to measure, literatures and documents are reviewed to design questions that are standard for SERPERF and product quality models. The content credit goes to (Evangelia et al, 2009) and (Shaheen, 2018). Professionals are consulted to verify the questions. Furthermore, the questioners are translated to Amharic language by professionals.

### **3.8 Ethical Considerations**

In the context of research, according to Saunders, Lewis and Thornhill, (2001), “ethics refers to the appropriateness of your behavior in relation to the rights of those who become the subject of your work, or are affected by it”. In order to be ethical a researcher should consider voluntary participation and harmlessness. Subjects in a research project must be aware that their participation in the study is voluntary, that they have the freedom to withdraw from the study at any time without any unfavorable consequences, and they are not harmed as a result of their participation or non-participation in the project. Name of the respondents and companies name are not asked to be written in order to increase the confidentiality of the information they give which leads participants to provide more open and honest responses. And also, the questionnaire explains that the purpose of research is for academic purpose and the respondents were included based on their willingness. Furthermore, the researcher tries to avoid misleading or deceptive statements in the questionnaire. Lastly, the questionnaires are distributed only to voluntary participants.

## CHAPTER FOUR: ANALYSIS AND INTERPRETATION OF DATA

### 4.1 Introduction

Before proceeding to data analysis, questioners were prepared both in English and Amharic to avoid language barrier. Reliability and validity of measuring instrument were checked to proceed with distributing the questioner. And also, pretest was made to few sample respondents to check their level of understanding. To make the response rate a hundred percent (100%), the researcher distributed 432 questioners to meet the target of proposed sampled size. Hence, from the distributed 432 questioners, 380 were valid and is used for final analysis.

### 4.2 Descriptive statistics

Descriptive analysis is used to look at the data collected and to describe that information. It is used to describe the demographic factors for more clarification. It is mainly important to make some general observations about the data gathered for general or demographics questions. The demographics factors used in this research were gender, educational level, monthly income and duration of clientship.

#### 4.2.1. General profile of the respondents

The general profile of respondents is summarized below with regards to frequency and percentile below.

**Table 4.2.1 Demographics of respondents**

	Category	Frequency	Percent
<b>Gender</b>	Male	282	74.2
	Female	98	25.8
	Total	380	100.0
<b>Education Level</b>	Below high school	44	11.6
	Diploma	74	19.5
	Degree	203	53.4
	Masters and above	59	15.5
	Total	380	100.0

<b>Monthly income</b>	Below 3000 ETB	71	18.7
	3001 - 6000 ETB	76	20.0
	6001- 9000 ETB	160	42.1
	above 9000 ETB	73	19.2
	Total	380	100.0
<b>Duration of client ship</b>	1 month - 1 year	54	14.2
	2 – 3 years	115	30.3
	4 - 5 years	20	5.3
	6 - 7 years	175	46.1
	More than 7 years	16	4.2
	Total	380	100.0

Source: own result

As presented in Table 4.1 the respondents for this research has the following demographic makeup. When we view the gender section, it shows 282 or (74.2%) being male while the remaining 98 or 25.8% of the respondents being female which indicates most of the respondents are being male.

In regards to Educational level, 44(11.6%) are in the level of high school and below, 74(19.5) are diploma holders, 203(53.4%) has degree and 59(15.5%) has masters and above. This indicated that the sample respondents are literates that clearly understand the questions presented and are able to respond correctly.

In regards to monthly income of respondents, 71 or 18.7% has an income of below birr 3000, 76 or 20.0 % of the respondents has an income of between Birr 3001 – 6000, 160 or 42.1% of the respondents has an income of Birr 6001-9000 and the remaining 73 or 19.2% has an income of above birr 9000 monthly. The dominant monthly income of respondents resides with in the range of birr 6001 – 9000 which shows that the sample respondents affords subscribing premium package.

The duration of clientship result shows that 54 or 14.2% of the respondents have used the DStv service within the range of 1 month - 1 year, 115 or 30.3% used the service from 2-3 years, 20 or 5.3% for 4-5 years, 175 or 46.1% for 6-7 years and the remaining 16 or 4.2%

used the service for more than 7 years. The majority of the respondents have used the DSTv service within the range of 6-7 years which indicates that the majority of the study is based on the reply that is taken from a long customer experience with Multichoice Ethiopia's service and product.

#### 4.2.2. Description of variables

The mean value represents the average of all customer response on certain dimensions while, standard deviation shows how diverse the responses of the respondents are that means if the standard deviation shows smaller number, it indicates that the response of the respondents shows close opinions and when the standard deviation is high, it indicates the response of the respondents shows high variation. (Zaidatol & Bagheri, 2009)

Mean Score	Description
<b>1.00 - 2.33</b>	Low
<b>2.34 - 3.66</b>	Moderate
<b>3.67 - 5.00</b>	High

Source: Jamil (1993)

**Table 4.2.2 Overall description of variables**

Descriptive Statistics			
	N	Mean	Std. Deviation
Tangability	380	3.8539	.57577
Reliability	380	3.7342	.64418
Responsiveness	380	3.7789	.73148
Assurance	380	3.6171	.68346
Empathy	380	3.6434	.63679
Durability	380	3.6724	.68089
Servicability	380	3.6437	.66994
Perceived_Quality	380	3.5039	.92619
CustomerRetention	380	3.6268	.69587

Source: own result



As shown on Table 4.2.2, the independent variable of SERVPERF, Tangibility, Reliability and Responsiveness have a mean score of 3.8, 3.7 and 3.7 which are high mean score with standard deviation of 0.57, 0.64 and 0.73 respectively representing that sample respondents having high level of agreement in regards to Multichoice Ethiopia's tangibility, reliability and responsiveness of service that is associated with up to date equipment, neatness and professionalism of staff, used materials being appealing and easily understandable, fast service delivery and accuracy with average score of 3.7 and 0.64 standard deviation, 3.77 average score and 0.73 standard deviation respectively. The rest of the variables that are assurance and empathy stands in moderate agreement on Multichoice Ethiopia's service offerings with 3.6171 average score and 0.68 standard deviation, 3.6434 average score and 0.63 standard deviation respectively. And also, in regards to product quality dimensions: only durability has high level of agreement with the mean score of 3.6724 and 0.68 standard deviation. Customer's perception in regards to serviceability and perceived quality are with the range of moderate agreement range with 3.6437 mean score and 0.66 standard deviation, 3.5039 mean score and 0.92 standard deviation. Perceived quality has the lowest mean score among the rest of the variables.

Average customer retention score is 3.6268, which is with the range of 3.40 -3.79 that shows that the respondents moderately agree in a repeated purchase of the service.

### **4.3 Correlation Analysis**

Correlation coefficients are used to measure how strong a relationship is between two variables. To know whether variables have strong, weak or no relationship and also if the relationship is invert or the same, we see the value of the coefficient and the sign respectively. In general, when the correlation is 1 or -1, a perfectly linear positive or negative relationship exists; when the correlation is 0, there is no relationship between the two sets of data (Vignaswaran, 2005).

**Table 4.31 correlation value of coefficient**

Value of coefficient	Relation between variables
<b>0.70-0.90</b>	Very strong association
<b>0.50-0.69</b>	Substantial association
<b>0.30-0.49</b>	Moderate association
<b>0.10- 0.29</b>	Low association
<b>0.01-0.09</b>	Negligible association

Source: Alwadael (2010)

**Table 4.32 correlation matrix of all service quality dimensions with customer retention**

		Correlations					
		Customer Retention	Tangibility	Reliability	Responsiveness	Assurance	Empathy
Customer Retention	Pearson Correlation	1	.375**	.657**	.732**	.706**	.644**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	380	380	380	380	380	380

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

Source: own result

As shown on Table 4.32 correlation matrix of all service quality dimensions with customer retention have positive and significant relationship with customer Retention. To interpret more specifically, beginning with service quality dimensions, Tangibility has moderate relationship with customer retention at 5% significant level ( $r=.375$ ,  $p=0.00$ ), reliability and empathy has substantial relationship with customer retention at 5% significant level ( $r=.657$ ,  $p=0.00$ ) and ( $r=.644$ ,  $p=0.00$ ), responsiveness and assurance has very strong relationship

with customer retention at 5% significant level ( $r=.737$ ,  $p=0.00$  ) and ( $r=.706$ ,  $p=0.00$ ) respectively.

**Table 4.33 correlation matrix of product quality dimensions with customer retention**

Correlations					
		Customer Retention	Durability	Serviceability	Perceived Quality
Customer Retention	Pearson Correlation	1	.552**	.615**	.527**
	Sig. (2-tailed)		.000	.000	.000
	N	380	380	380	380
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: own result

As shown on Table 4.33 correlation matrix of product quality dimensions with customer retention, product quality dimensions have positive and significant relationship with customer Retention. In regards to product quality dimensions, as shown above, all dimensions durability, serviceability and perceived quality has substantial relationship with customer retention at 5% significant level ( $r=.552$ ,  $p=0.00$ ), ( $r=.615$ ,  $p=0.00$ ) and ( $r=.527$ ,  $p=0.00$ ) respectively.

#### 4.4 Regression Analysis

Regression Analysis is used in order to test the extent of the effect of independent variables on dependent variable. Before proceeding with carrying out multiple linear regressions, we need to check diagnostic tests of assumption. The followings subsection discusses about these.

##### 4.4.1 Diagnostic Tests of Assumptions

Five assumptions tests of linearity, Multicollinearity, homoscedasticity, autocorrelation, and normality were conducted and discussed below and refer appendix 2 for analysis results of each assumptions.

### I. Normality Test

Normality test is used to determine whether sample data has been drawn from a normally distributed population. Among different ways to check Normality, kurtosis and skewness method using SPSS is one of them. Measures of kurtosis and skewness are used to determine if indicators met normality assumptions.

The data considered being normal for the range of skewness from -2 to +2 and kurtosis from -7 to +7 (Hair et al & Byrne, 2010). According to Hoyle (1995), for sample sizes greater than 300, either an absolute skewness value larger than 2 or an absolute kurtosis value larger than 7 may be used as reference values for determining substantial non-normality. Hence, there were no items that indicated abnormal distribution and abandoned from initial procedure. The skewness index range was from -.769 to .055 and the kurtosis index range was from -.308 to 1.301. Due to this fact, it can be concluded that the collected data were normally distributed.

**Table 4.2.2 Skewness & Kurtosis test**

Descriptive Statistics					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Tangability	380	-.769	.125	1.301	.250
Reliability	380	-.056	.125	-.308	.250
Responsiveness	380	-.527	.125	.461	.250
Assurance	380	-.425	.125	.411	.250
Empathy	380	-.764	.125	.824	.250
Durability	380	.055	.125	.212	.250
Servicability	380	-.394	.125	-.245	.250
Perceived_Quality	380	-.645	.125	.066	.250
CustomerRetention	380	-.389	.125	.083	.250
Valid N (listwise)	380				

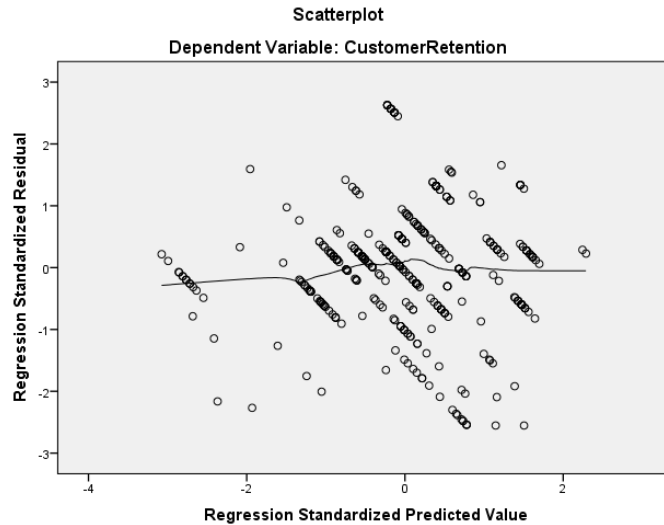
Source: own result

## II. Linearity

Multiple linear regression model assumptions assume there is a linear relationship between the independent variables and the dependent variables. The linearity assumption of multiple linear regressions is that the relationship between the independent and dependent variables when plotted in a scatterplot, the data will fall in straight line or in a cluster that is relatively straight.

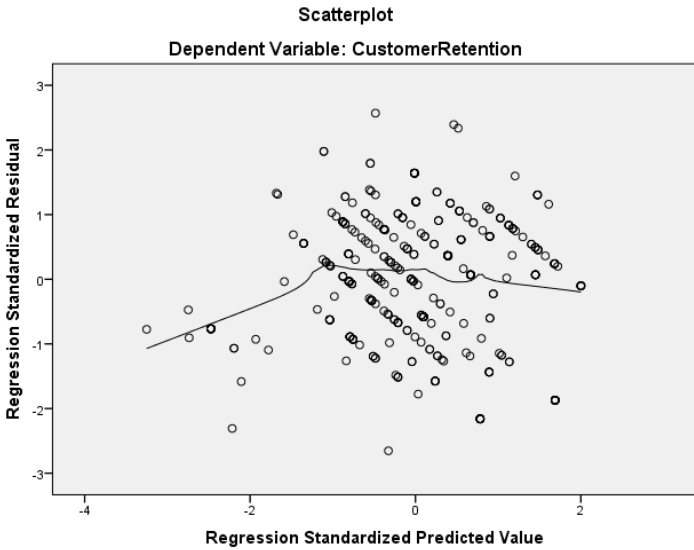
Accordingly, as shown on the below figures, it shows that there is a relatively straight line drawn close to zero on the figure to show the relationship between independent and dependent variables of both models separately and all dimensions all together.

**Figure 4.4.1a: Linearity test of service quality and customer retention**



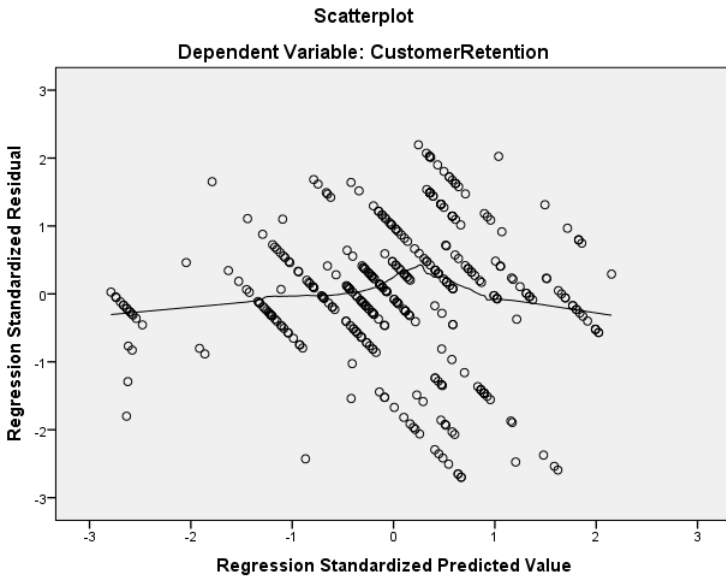
Source: own result

**Figure 4.4.1b: Linearity test of product quality and customer retention**



Source: own result

**Figure 4.4.1c: Linearity test of service quality and product quality with customer retention**



Source: own result

### III. Multicollinearity

The Variance Inflation Factor and Tolerance Statistics were used to test for multicollinearity. A variance inflation factor greater than 10 ( $vif > 10$ ) or Tolerance Statistics

less than 0.10 ( $1/vif < 0.10$ ) shows the possible existence of multicollinearity problem (Gujarati, 2004).

**Table 4.4.2.1 Multicollinearity test result for service quality dimensions**

<b>Coefficients<sup>a</sup></b>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Tangability	.828	1.208
	Reliability	.416	2.404
	Responsiveness	.381	2.621
	Empathy	.494	2.025
	Assurance	.423	2.366
a. Dependent Variable: CustomerRetention			

Source: own result

**Table 4.4.2.2 Multicollinearity test result for product quality dimensions**

<b>Coefficients<sup>a</sup></b>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Durability	.786	1.272
	Servicability	.771	1.298
	Perceived_Quality	.736	1.359
a. Dependent Variable: CustomerRetention			

Source: own result

**Table 4.4.2.3 Multicollinearity test result for service quality and product quality dimensions**

Coefficients <sup>a</sup>				
Model		Collinearity Statistics		
		B	Tolerance	VIF
1	(Constant)	-.599		
	Durability	.231	.714	1.401
	Servicability	.197	.634	1.577
	Perceived_Quality	-.059	.509	1.966
	Tangability	.073	.822	1.216
	Reliability	.091	.380	2.630
	Responsiveness	.277	.359	2.789
	Assurance	.248	.401	2.496
	Empathy	.083	.453	2.207
a. Dependent Variable: CustomerRetention				

Source: own result

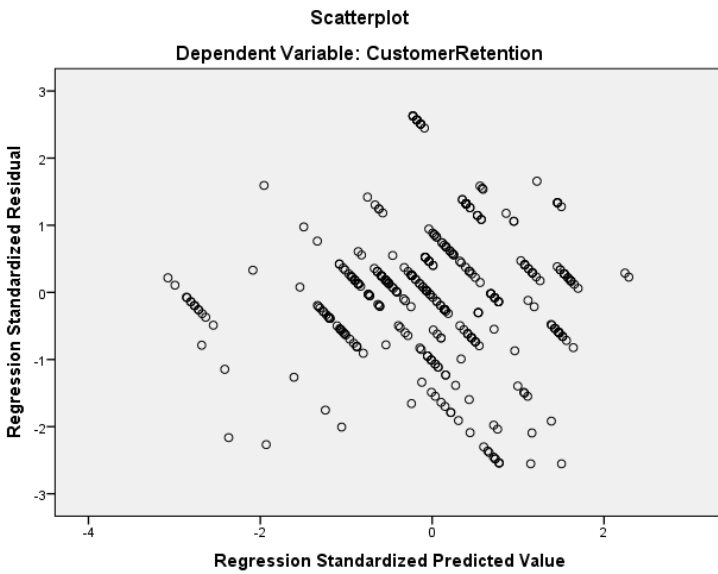
The results indicated on all three tables above that all the independent variables had a variance inflation factor less than 10 ( $vif < 10$ ) and a tolerance statistic greater than 0.10. Therefore, the study concluded that there was no sign of multicollinearity.

### III. Homoscedasticity

Homoscedasticity refers to the distribution of the residuals or error terms. If this assumption holds then the error terms have constant variance. To check this assumption, plotting the residuals against the explanatory variables is a useful method for visually checking whether or not the residuals are homoscedastic. The scatter plot should look like random noise meaning no patterns should be visible. (Field, 2017). The scatter plot for both models are listed below.

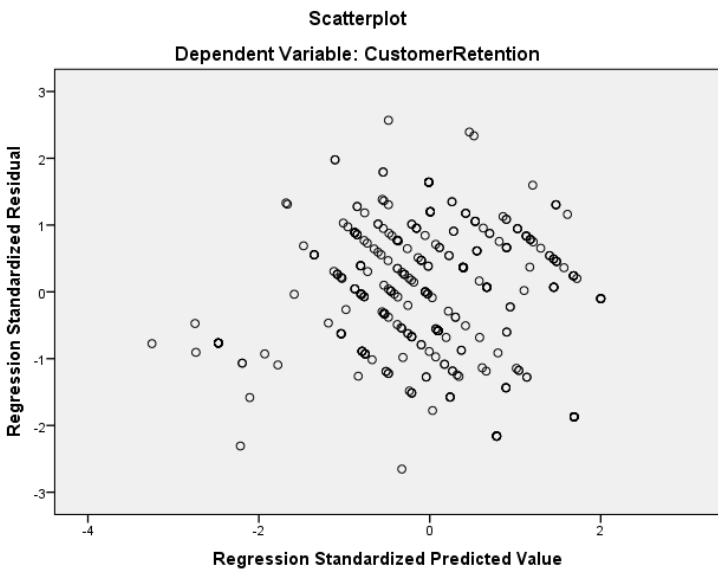


**Figure 4.4.3.1 Plotting residuals to check homoscedasticity amongst residuals of service quality**



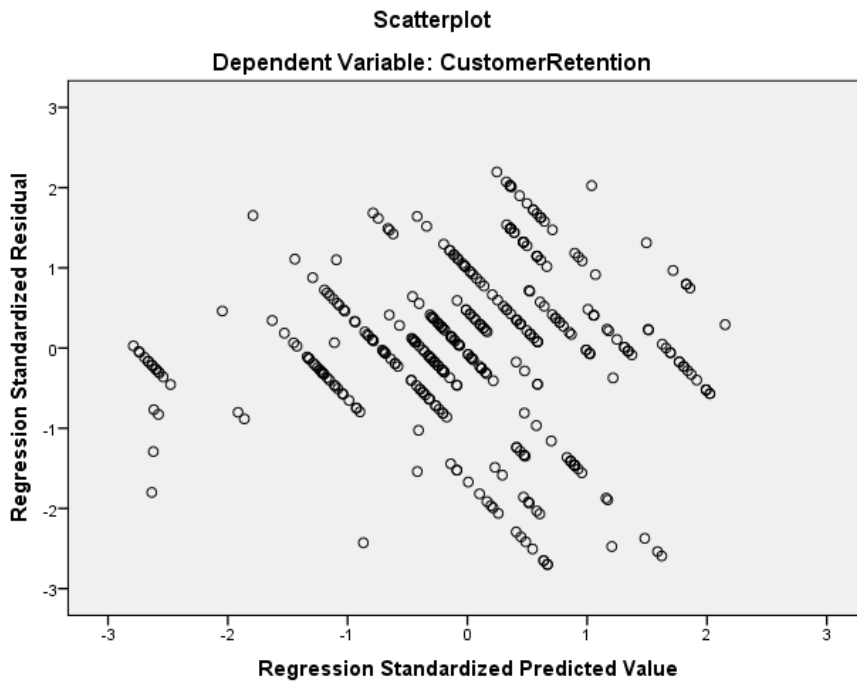
Source: own construction

**Figure 4.4.3.2 Plotting residuals to check homoscedasticity amongst residuals of product quality**



Source: own construction

**Figure 4.4.3.3 Plotting residuals to check homoscedasticity amongst residuals of service quality and product quality**



Source: own construction

As shown on all figures, the plot shows a more random noise type pattern, indicating homoscedastic residuals on both models and both bundled together and the assumption is met.

#### **IV. Autocorrelation**

Multiple linear regression models assume the residuals are independent of one another. The Durbin-Watson statistic is used to test for the presence of serial correlation among the residuals. The residuals are not correlated if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50.

**Table 4.4.4.1 Durbin-Watson test for autocorrelation for service quality dimensions and customer retention**

Model Summary <sup>b</sup>	
Model	Durbin-Watson
1	2.175
a. Predictors: (Constant), Assurance, Tangability, Empathy, Reliability, Responsiveness	
b. Dependent Variable: CustomerRetention	

Source: Own result

As shown on table 4.4.4.1, the durbin-watson value is 2.175 which is in acceptable range (1.50 – 2.50).

**Table 4.4.4.2 Durbin-Watson test for autocorrelation for product quality dimensions and customer retention**

Model Summary <sup>b</sup>	
Model	Durbin-Watson
2	1.916
a. Predictors: (Constant), Perceived_Quality, Durability, Servicability	
b. Dependent Variable: CustomerRetention	

Source: own result

As shown on table 4.4.4.2, the durbin-watson value is 1.916 which is in acceptable range (1.50 – 2.50).

**Table 4.4.4.3 Durbin-Watson test for autocorrelation for service quality and product quality dimensions and customer retention**

Model Summary <sup>b</sup>	
Model	Durbin-Watson
1	2.107
a. Predictors: (Constant), Empathy, Tangability, Durability, Servicability, Perceived_Quality, Assurance, Reliability, Responsiveness	
b. Dependent Variable: CustomerRetention	

Source: own result

As shown on table 4.4.4.3, the durbin-watson value is 2.107 which is in acceptable range (1.50 – 2.50).

#### **4.4.2 Multiple Regression Analysis Result and interpretation**

Multiple regression analysis result and interpretation are described on the below subsections.

##### **4.4.2.1 Regression analysis result between service quality dimension and customer retention and interpretation**

**Table 4.4.2.1a Regression result of service quality dimension and customer retention**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.803 <sup>a</sup>	.644	.639	.41794
a. Predictors: (Constant), Assurance, Tangability, Empathy, Reliability, Responsiveness				
b. Dependent Variable: CustomerRetention				

As shown above on Table 4.4.2.1a Model summary for service quality dimensions and customer retention, 64.4% of customer retention variation is explained by dimensions of service quality (predictors) which are assurance, tangibility, empathy, responsiveness and reliability. The remaining 35.6% are explained by other variables outside of this model.

**Table 4.4.2.1b Regression result of service quality dimension and customer retention**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	118.199	5	23.640	135.340	.000 <sup>b</sup>
	Residual	65.327	374	.175		
	Total	183.526	379			
a. Dependent Variable: CustomerRetention						
b. Predictors: (Constant), Assurance, Tangability, Empathy, Reliability, Responsiveness						

As shown above on Table 4.4.2.1b Analysis of variance indicates the results that are shown on the model summary being significant or not. Accordingly, the significant level is 0.000 making it significant at 5%.

**Table 4.4.2.1c Regression result of service quality dimension and customer retention**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.052	.170		-.308	.758
	Tangability	.100	.041	.083	2.435	.015
	Reliability	.119	.052	.110	2.310	.021
	Responsiveness	.314	.048	.330	6.607	.000
	Empathy	.179	.048	.164	3.736	.000
	Assurance	.279	.048	.274	5.777	.000
a. Dependent Variable: CustomerRetention						

From the above table 4.4.2.1c, we can observe that, the regression unstandardized coefficients for the five independent variables, i.e. tangibility, reliability, responsiveness, empathy and assurance are 0.1, 0.1109, 0.314, 0.179 and 0.279 respectively. Their significance levels are 0.015, 0.021, 0.000, 0.000 and 0.000 respectively, which are less than 0.05 which makes all significant. This indicates that there is a positive significant cause and

effect relationship between tangibility, reliability, responsiveness, empathy, assurance and the dependent variable (customer retention).

The empirical findings also indicated that responsiveness is the strongest predictor or has the most significant effect on customer retention because it has the highest Beta coefficient result ( $\beta = 0.314$ ;  $p=.00$ ). The Beta Coefficient result of 0.314 signifies that for a 1 unit increase in the independent variable (responsiveness), the dependent variable (customer retention) will increase 0.314 units making other predictors constant to zero. It is obvious from this result that responsiveness is a crucial factor that affects customer retention.

According to the regression equation established, taking all the five service quality dimensions into account constant at zero, customer retention of the case company will be - 0.052.

The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in tangibility will lead to a 0.1 increase in customer retention which is the minim effect comparing it to the rest of independent variables effect on customer retention; a unit increase in reliability will lead to a 0.119 increase in the case company customer retention; a unit increase in empathy will lead to a 0.179 increase in customer retention of the case company and a unit increase in assurance will lead to a 0.279 increase in customer retention of the case company.

Multiple linear regression follows the below equation in explaining the variation of dependent variable by independent variables that are more than one. Since the dimensions are five, the equation is stated as follows:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + e$$

Where Y= customer retention (the dependent variable)

$\beta_0$ = the constant

$\beta_1$ -  $\beta_5$ = the Beta coefficients for their respective variables

$x_1$ -  $x_5$ = the independent variables

Adopting the mathematical explanation indicates that retention explanation and prediction by five components of service quality, multiple Regression method was used and based on the result the regression model can be written as follows:

$$y = -0.052 + 0.1x_1 + 0.119x_2 + 0.314x_3 + 0.179x_4 + 0.279x_5 + \text{Error}$$

#### 4.4.2.2 Regression analysis result between product quality dimension and customer retention and interpretation

**Table 4.4.2.2a Regression result of product quality dimension and customer retention**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.733 <sup>a</sup>	.538	.534	.47490
a. Predictors: (Constant), Perceived_Quality, Durability, Servicability				
b. Dependent Variable: CustomerRetention				

As shown above on Table 4.4.2.2a Model summary indicates that 53.8% of customer retention variation is explained by dimensions of product quality which are perceived quality, durability and serviceability. The remaining 46.2% are explained by other variables outside of this model.

**Table 4.4.2.2b Regression result of product quality dimension and customer retention**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	98.728	3	32.909	145.922	.000 <sup>b</sup>
	Residual	84.798	376	.226		
	Total	183.526	379			
a. Dependent Variable: CustomerRetention						
b. Predictors: (Constant), Perceived_Quality, Durability, Servicability						

As shown above on Table 4.4.2.2b Analysis of variance indicates the significant level of customer retention variation explained by dimensions of product quality (predictors) significant level which is 0.000. The result shows that it is significant at 5%.

**Table 4.4.2.2c Regression result of product quality dimension and customer retention**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.339	.162		2.090	.037
	Durability	.319	.040	.312	7.899	.000
	Servicability	.421	.041	.405	10.147	.000
	Perceived_Quality	.166	.031	.221	5.408	.000

a. Dependent Variable: CustomerRetention

From the above table 4.4.2.2c, we can observe that, the regression coefficients for the three independent variables, i.e. durability, serviceability and perceived quality are 0.319, 0.421 and 0.166 with significance level of 0.000, 0.000 and 0.000 respectively. Since the significant level is less than 0.01, all independent variables are significant at 5%. This indicates that there is significant cause and effect relationship between durability, serviceability, perceived quality and the dependent variable (customer retention).

The data findings analyzed in here also shows that taking all other independent variables at zero, a unit increase in durability will lead to a 0.319 increase in customer retention; a unit increase in serviceability will lead to a 0.421 increase in the case company customer retention which is the maximum effect comparing to the other variables and a unit increase in perceived quality will lead to a 0.166 increase in customer retention of the case company that is a minimum effect comparing to the others.

Based on the result, the equation for product quality dimensions as independent variable and customer retention as dependent variable listed below and according to Beta coefficient it can be said that taking all the three product quality dimensions into account constant at zero, customer retention of the case company will be 0.339.

Based on the result and multiple regression equation taking three independent variables, the regression model can be written as follows:

$$y = .339 + .319x_1 + .421x_2 + 0.166x_3 + \text{Error}$$



**Table 4.4.2.3a Regression result of service quality and product quality dimension with customer retention**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.844 <sup>a</sup>	.712	.706	.37759
a. Predictors: (Constant), Empathy, Tangability, Durability, Servicability, Perceived_Quality, Assurance, Reliability, Responsiveness				
b. Dependent Variable: CustomerRetention				

As shown above on Table 4.4.2.3a Model summary for service quality and product quality dimensions and customer retention, 71.2% of customer retention variation is explained by dimensions of assurance, tangibility, empathy, responsiveness, reliability, durability, serviceability and perceived quality. The remaining 28.8% are explained by other variables outside of this model.

**Table 4.4.2.3b Regression result of service quality and product quality dimension with customer retention**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	130.632	8	16.329	114.532	.000 <sup>b</sup>
	Residual	52.894	371	.143		
	Total	183.526	379			
a. Dependent Variable: CustomerRetention						
b. Predictors: (Constant), Empathy, Tangability, Durability, Servicability, Perceived_Quality, Assurance, Reliability, Responsiveness						

As shown above on Table 4.4.2.3b Analysis of variance indicates the results that are shown on the model summary being significant or not. Accordingly, the significant level is 0.000 making it significant at 5%.

**Table 4.4.2.3c Regression result of service quality and product quality dimension with customer retention**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.599	.165		3.634	.000
	Durability	.231	.034	.226	6.845	.000
	Servicability	.197	.036	.189	5.412	.000
	Perceived_Quality	.059	.029	.078	2.002	.046
	Tangability	.073	.037	.060	1.962	.040
	Reliability	.091	.049	.084	1.856	.034
	Responsiveness	.277	.044	.291	6.259	.000
	Assurance	.248	.045	.244	5.534	.000
	Empathy	.083	.045	.076	1.838	.027

a. Dependent Variable: CustomerRetention

From the above table 4.4.2.3c, we can observe that, the regression unstandardized coefficients for the eight independent variables, i.e. tangibility, reliability, responsiveness, assurance, empathy, durability, serviceability and perceived quality are 0.073, 0.091, 0.277, 0.248, 0.083, 0.231, 0.197 and 0.059 respectively. Their significance levels are 0.040, 0.034, 0.000, 0.000, 0.027, 0.000, 0.000 and 0.046 respectively, which are less than 0.05 which makes all significant. This indicates that there is a positive significant cause and effect relationship between tangibility, reliability, responsiveness, assurance, empathy, durability, serviceability, perceived quality and the dependent variable (customer retention).

The empirical findings also indicated that responsiveness is the strongest predictor or has the most significant effect on customer retention because it has the highest Beta coefficient result ( $\beta = 0.277$ ;  $p=.00$ ). The Beta Coefficient result of 0.277 signifies that for a 1 unit increase in the independent variable (responsiveness), the dependent variable (customer

retention) will increase 0.277 units making other predictors constant to zero. It is obvious from this result that responsiveness is a crucial factor that affects customer retention.

According to the regression equation established, taking all the eight dimensions into account constant at zero, customer retention of the case company will be -0.599.

The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in tangibility will lead to a .073 increase in customer retention which is the minim effect comparing it to the rest of independent variables effect on customer retention; a unit increase in reliability will lead to a .091 increase in the case company customer retention; a unit increase in empathy will lead to a .083 increase in customer retention of the case company, a unit increase in assurance will lead to a .248 increase in customer retention, a unit increase in durability will lead to a .231increase in customer retention, a unit increase in serviceability will lead to a .197 increase in customer retention and a unit increase in perceived quality will lead to a .059 increase in customer retention of the case company.

Again, as stated above, multiple linear regression follows the below equation in explaining the variation of dependent variable by independent variables that are more than one. Since the dimensions are eight, the equation is stated as follows:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + \beta_6 x_6 + \beta_7 x_7 + \beta_8 x_8 + e$$

Where Y= customer retention (the dependent variable)

$\beta_0$ = the constant

$\beta_1$ -  $\beta_8$ = the Beta coefficients for their respective variables

$x_1$ -  $x_8$ = the independent variables

Adopting the mathematical explanation indicates that retention explanation and prediction by five components of service quality, multiple Regression method was used and based on the result the regression model can be written as follows:

$$y = -0.599 + 0.231 x_1 + 0.197 x_2 + 0.059 x_3 + 0.073 x_4 + 0.091 x_5 + 0.277 x_6 + 0.248 x_7 + 0.083 x_8 + \text{Error}$$

## 4.5 Hypothesis Testing

Alternative hypothesis technique is used to test hypothesis which follows the belief of an existence of either relationship and or effect among independent and dependent variables. To test hypothesis, multiple regression beta coefficient and significant level is used to proof the existence of relationship and or effect among variables. Based on the outcome of the independent variables which are tangibility, reliability, assurance, responsiveness, empathy, perceived quality, serviceability and durability, the unstandardized beta coefficient are 0.073, 0.091, 0.248, 0.277, 0.083, 0.059, 0.197 and 0.231 with significance level of 0.040, 0.034, 0.000, 0.000, 0.027, 0.046, 0.000 and 0.000 respectively. Since the result are  $<0.05$ , and has effect on customer retention, the hypothesis is accepted. The findings are summarized in the below table 4.5 hypothesis testing.

**Table 4.5: Hypothesis Testing**

<b>Hypothesis</b>	<b>Result</b>	<b>Reason</b>
H1: Tangibility has significant effect on customer retention.	<b>Supported</b>	$\beta=.073, P<0.05$
H2: Reliability has significant effect on customer retention.	<b>Supported</b>	$\beta=.091, P<0.05$
H3: Assurance has significant effect on customer retention.	<b>Supported</b>	$\beta=.248, P<0.05$
H4: Responsiveness has significant effect on customer retention.	<b>Supported</b>	$\beta=.277, P<0.05$
H5: Empathy has significant effect on customer retention.	<b>Supported</b>	$\beta=.083, P<0.05$
H6: Perceived quality has significant effect on customer retention.	<b>Supported</b>	$\beta=.059, P<0.05$
H7: Serviceability has significant effect on customer retention.	<b>Supported</b>	$\beta=.197, P<0.05$
H8: Durability has significant effect on customer retention.	<b>Supported</b>	$\beta=.231, P<0.05$

Source: own result

## 4.6 Discussion

Based on the analysis, the result shows that all dimensions of service quality and product quality are supported. The finding also proved that there are cause and effect relationships between service quality and repurchase intention in the Ethiopian broadcasting service provider sector called Multichoice Ethiopia.

This finding is also in accordance with the literature, as researchers such as Ennew and Binks (2015), Headley and Miller (2002) and Nsiah, Richard and A Mensah, Asantewaah (2014) that also found that service quality has an effect on customer retention. The cause and effect relationships between service quality and customer retention showed that service quality is an important decision-making criterion for service consumers, and any efforts to improve quality will be beneficial.

In regards to the findings of the effect of product quality on customer retention with the representative dimensions of serviceability, durability and perceived quality are in line with a research done by Shaheen Mansori (2018) on the effect of product quality on customer satisfaction and loyalty from Malaysia that found serviceability, durability, perceived quality and aesthetic has significant effect on customer satisfaction and loyalty. Other researchers like Taye wolde (2019) and Mushtaq H. and Pratibha R. (2013) also found positive significant effect of product quality dimensions on customer retention on their research.

Therefore, quality plays the key role for influencing the higher retention rate of customer. It seems like customers are becoming more conscious in determining the quality of product and service to make an ideal decision in their purchase (Sebastianelli & Tamimi, 2002).

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS & RECOMMENDATIONS**

### **5.1 Summary of the Major Findings**

The aim of the study was to identify the effects of perceived service quality on customer retention taking Multichoice Ethiopia as a case. Based on preliminary observation, the company offers hybrid service that is a bundle of service and goods to its target customers. Basing this, the study conducted a research on both service quality and product quality to assess the bundled offer using SERVPERF and Garvin's product quality dimension models.

Thus, 380 completed and valid questionnaires are analyzed using statistical package for social science (SPSS). In the analysis descriptive statistics, correlation analysis and multiple regression analysis was performed.

The result of the background information of respondents indicated that the majority of the respondents are male (74.2%), educational level – degree holders (53.4%), Monthly income from 6001 – 9000 ETB (42.1%) and stayed with Multichoice Ethiopia from 6-7 years (46.1%). The descriptive analysis result reveals that all service quality and product quality dimensions reside within the range of 3.5-3.85 mean score. According to the sample respondents, the service quality that Multichoice Ethiopia is providing is in a moderate range of agreement with regards to reliability, responsiveness, assurance and empathy. The same goes to provision of product quality. Tangibility scored grand mean of 3.85 which indicates that respondents highly agree that Multichoice Ethiopia uses up to date and enough equipment, professional and neat staffs, materials used are easily understandable and has appealing environment.

The descriptive statistics employed for assessing the current level of customer retention at Multichoice Ethiopia also shows a grand mean score of mean of 3.6. It shows that the sample respondents moderately agree in repeated purchase of Multichoice Ethiopia's service even if the majority of respondents are within the range of 6-7 years.

The Pearson correlation analysis reveals that all service quality dimensions has significant relationship with customer retention. Among these dimensions, responsiveness and

assurance has very strong relationship with customer retention at 5% significant level ( $r=.737$ ,  $p=0.00$ ) and ( $r=.706$ ,  $p=0.00$ ) respectively.

In regards to product quality dimensions, durability, serviceability and perceived quality has substantial relationship with customer retention at 5% significant level ( $r=.552$ ,  $p=0.00$ ), ( $r=.615$ ,  $p=0.00$ ) and ( $r=.527$ ,  $p=0.00$ ) respectively.

From the multiple regression result, estimate of regression weight shows that service quality dimensions, tangibility, reliability, responsiveness, empathy and assurance explain the variation of customer retention with 64.4% at 5% significant level. Also, product quality dimensions, durability, serviceability and perceived service quality explains the variation of customer retention with 53.8% at 5% significant level. This indicates that the effect of service quality on customer retention is greater than the effect of product quality on customer retention.

The study also found that each service quality dimensions have significant effect on customer retention. Based on the findings responsiveness has the highest effect on customer retention with beta value of 0.314 with significant level of 5%.

Product quality dimensions: durability, serviceability and perceived quality also have significant effect on customer retention with serviceability having the highest effect on customer retention with beta value of 0.421 with significant level of 5%.

Finally, based on the findings, service quality and product quality's all dimensions explain the variation of customer retention with 71.2% at 5% significant level. These indicate that the effect of service quality and product quality on customer retention has the highest effect comparing to the effect of service quality or product quality alone.

## **5.2 Conclusions**

Companies use different strategies to retain their customers and maintain a long term relationship with them by meeting and satisfying their demand. Among these strategies providing a quality service and product is one of them to position the product in the minds of customers at the top and be a number one choice when that specific need arises among customers.

Multichoice Ethiopia has used different strategies to win a repeated purchase from its existing customers like price reduction and aggressive promotion but still the number of subscribers is licking every year. Basing this gap, the researcher conducted a research to find out the effect of service quality on customer retention using SERVPERF and Garvin's product quality model.

The empirical findings in the study revealed that the mean values from the results described the level of service provided by the company which mostly fall on "moderately agree" range. This implies that the respondents have a reservation with the company's service provision towards keeping promises and delivering what they promise, promptness on service delivery, staff being friendly, knowledgeable and providing attention to customers, decoder's service life, availability of spare parts and its image on product quality with its competitor.

Moreover, the outcome from regression analysis discloses that all dimensions of service quality and product quality have an effect on customer retention. The affirmation from previous studies conducted on cause and effect relationship with these variables still holds, with emphasis that as the service quality increased, the levels of customer retention also increased (Flint et al., 2011; Gillani & Awan, 2014; Hall, 2011; Mittal & Kamakura, 2001; Tsai et al., 2010). The finding is also true for the cause and effect relationship with product quality and customer retention meaning as the product quality increased the levels of customer retention increased (Oliver, 1981; Brady and Robertson, 2001 & Lovelock, et al, 2001).

Finally, the study concluded that the major effect came from responsiveness and serviceability which shows that if Multichoice Ethiopia wants to create, reinforce and retain customers that helps gaining competitive advantage, market share and over all organizational profit through repeated purchase, majorly, promptness on service delivery and maintainability of receivers are the ingredients.



### **5.3 Recommendation**

Based on the findings of the study and conclusions made, the following points are listed out as recommendations so that the broadcasting industry can boost its service quality practices which in return improve number of active subscribers or customer retention.

- Management to invest on ongoing employee training to instill the habit of being skillful and promptness among employees.
- Management to monitor each touch point's interaction with customers to ensure a standard customer service delivery. For those that performing below the standard should get training to improve their customer handling techniques.
- Employee recognition programs that acknowledge outstanding staffs that are customer driven to aspire their colleagues.
- Empowering employees to handle customers' quires and problems efficiently.
- Engaging with contemporary technologies to minimize waiting and serving time.
- Management should avail spare parts if the customer faces a malfunction with the receiver with fair price to avoid additional cost incurred in buying a new one.
- Management to revise repair price comparing to its rival to avoid service switch.
- The company should have research and development department that assesses the perception of customers to improve the strategies and practices adopted by the company.

### **5.4 Limitations and Recommendations for further study**

The limitation of the study was the use of the choice of the sample was based partly on convenience of access; as used sampling technique was non probable due to some target population residing up country which led to access limitation.

Moreover, the study is conducted using a data collection technique of questioners only.

Hence, recommendations for future research can be made to address the limitations of this research, namely to carry out a longitudinal study as the expectation and requirements of customers can change over time, a qualitative approach using one on one interview or focus groups can be considered for triangulation of findings to explore in depth insights and justify the current results that indicate service quality dimensions: tangibility, reliability,

responsiveness, assurance and empathy has significant effect on customer retention and also Product quality dimensions: durability, serviceability and perceived quality are also significant contributor to the retention of customers to other similar industries and finally,

Further research based on these findings can add to the present pool of knowledge by examining the influence of other factors towards customer retention in broadcasting industry.

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**APPENDIX**

**APPENDIX I**  
**ENGLISH QUESTIONNAIRE**  
**ST. MARY'S UNIVERSITY**  
**FACULTY OF BUSINESS**  
**MA PROGRAM IN MARKETING MANAGEMENT**

**Dear respondent,**

I would like to thank you in advance for taking your time to fill out this questioner basing your experience as your input will be a key in developing my research on the effect of service quality and product quality of Multichoice Ethiopia on customer retention. The purpose of this survey is to make a partial fulfillment of the requirements for the Masters of art degree in Marketing Management from St. Mary's university. The questioner has two major parts. Part one deals with the background of the respondent and part two deals with service quality, product quality and retention questions to be measured by the level of customer's agreement. Before proceeding to answering the questions, the researcher would like to assure you that any information you provide will be used only for the purpose of academic research.

Thank you for answering all questions completely!

**Part I - Background of the respondents**

**Instructions:** Please select an appropriate response by putting a tick (✓) mark.

1. Gender:

Male  Female

2. Educational level

Below high school  Diploma

Degree  Masters and above

3. Monthly income:

Below 3000 ETB  3001 - 6000 ETB

6001- 9000 ETB  above 9000 ETB

4. For how long have you used the DStv service?

1 month - 1 year  2 - 3 years  4 - 5 years

6 - 7 years  more than 7 years



## Part II - Research Questions

Based on your experience, please indicate your level of agreement by circling the numbers, where:

1=Strongly Disagree 2= Disagree 3=Neutral 4=Agree 5=Strongly Agree

No.	Service Quality Questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>Tangibility</b>						
1	Multichoice Ethiopia has an up-to-date and enough equipment used at the front counter of the office.	1	2	3	4	5
2	The physical setting and the atmosphere of Multichoice Ethiopia's office is virtually appealing.	1	2	3	4	5
3	The Agents at the Multichoice Ethiopia's office are neat and professionally appearing.	1	2	3	4	5
4	Materials associated with the Multichoice Ethiopia's service (manuals, brochures, statements) are visually appealing and easy to understand.	1	2	3	4	5
<b>Reliability</b>						
5	Multichoice Ethiopia always keeps its promise and delivers what they have promised.	1	2	3	4	5
6	Employees of Multichoice Ethiopia show sincere interest in solving the problems you have as a customer.	1	2	3	4	5
7	The service given at the office of Multichoice Ethiopia is always right at the first time.	1	2	3	4	5
8	There is a timely delivery of service and every information is communicated on the right time.	1	2	3	4	5
9	Multichoice Ethiopia provides customers accurate and error-free records.	1	2	3	4	5
<b>Responsiveness</b>						
10	The employees of Multichoice Ethiopia informs customers exactly when services will be performed	1	2	3	4	5
11	Multichoice Ethiopia's employees give prompt service to customers	1	2	3	4	5
12	Multichoice Ethiopia's employees are always willing to help customers	1	2	3	4	5
13	Multichoice Ethiopia's employees are never too busy to respond to customers' requests.	1	2	3	4	5
14	Multichoice Ethiopia's employees are willing to accept feedback and comments on irregularities.	1	2	3	4	5

<b>Assurance</b>						
15	Multichoice Ethiopia's employees behavior instill confidence in customers	1	2	3	4	5
16	Multichoice Ethiopia's customers feel safe in their transactions and with employees in handling cases.	1	2	3	4	5
17	Multichoice Ethiopia's employees are consistently polite with their customers	1	2	3	4	5
18	Multichoice Ethiopia's employees have the knowledge and skills to serve customers	1	2	3	4	5
<b>Empathy</b>						
19	Multichoice Ethiopia's employees give customers individual attention.	1	2	3	4	5
20	Multichoice Ethiopia's employees give customers personal services when the need arises.	1	2	3	4	5
21	Multichoice Ethiopia's employees have their customers' "best interest at heart"	1	2	3	4	5
22	Multichoice Ethiopia's employees understand the specific needs of their customers.	1	2	3	4	5
<b>Product Quality Questions</b>						
<b>Durability</b>						
23	Multichoice Ethiopia's receiver has resistance to external factors like power fluctuation.	1	2	3	4	5
24	Multichoice Ethiopia's receiver is made of long-lasting materials	1	2	3	4	5
25	Multichoice Ethiopia's receiver has long service life.	1	2	3	4	5
26	Multichoice Ethiopia's receiver is more durable than other competitors' receiver.	1	2	3	4	5
<b>Serviceability</b>						
27	Multichoice Ethiopia's receiver spare parts are widely available.	1	2	3	4	5
28	Multichoice Ethiopia's technical department is skillful in repairing DStv's receivers.	1	2	3	4	5
29	Multichoice Ethiopia's receiver repair price is less costly than other competitors' repair price.	1	2	3	4	5
<b>Perceived Quality</b>						
30	Multichoice Ethiopia's receiver quality meets my standard.	1	2	3	4	5
31	Multichoice Ethiopia has good receiver quality because of its brand name.	1	2	3	4	5
32	Multichoice Ethiopia has good receiver quality because of its image.	1	2	3	4	5

33	Multichoice Ethiopia's receiver is of better quality than other competitors' receiver.	1	2	3	4	5
<b>Customer Retention</b>						
34	I would consider DStv as my first choice in purchasing satellite entertainment service during the next few years.	1	2	3	4	5
35	I would recommend DStv to someone seeking advice on satellite entertainment service.	1	2	3	4	5
36	I will not prioritize other satellite entertainment companies that offer more attractive prices other than DStv.	1	2	3	4	5
37	I will not switch to other satellite entertainment company when there is problem with Multichoice Ethiopia's service.	1	2	3	4	5
38	I want to build a long term relationship with Multichoice Ethiopia	1	2	3	4	5

**Thank You!**

አባሪ ለ -

ለዲኤስቲቪ ደንበኞች የተሰራጨ መጠየቅ

የአገልግሎት አሰጣጥ ጥራት በደንበኞች መቆየት ላይ የሚኖረው ውጤት (የዲኤስቲቪ ዋና የሸያጭ እና ክፈያ ማእከል የኬዝ ጥናት)።

የዚህ ጥናት አለማ በቅድሳት ማሪያመ ዩኒቨርሲቲ በማስተር ኦፍ ኦርጋኒዘሽን ላይ ለመስራት በከፊል ማሟያ የሆነውን ጥናቱን ለመስራት ነው። መጠየቁ ሁለት ዋና ዋና ክፍሎች አሉት የመጀመሪያው ክፍል የመላሹ ድህረ ታሪክ ላይ ያተኮረ ሲሆን ፣ሁለተኛው ክፍል በደንበኞች ሰምምነት ደረጃ የሚለካውን የአገልግሎት አሰጣጥ ጥራቶች ላይ ያተኮረ ነው። በዚህ መጠይቅ ላይ የሰፍሩት ማንኛውም መረጃ ለትምህርታዊ አገልግሎት ብቻ እንደሚውል እየገለፅኩ ፣ ከዚህ በተጨማሪም ግላዊ መረጃዎች በጥቅል ለሚደረግ ምርምር ግብአትነት ብቻ እንደሚውሉ ላረጋግጥልዎ እወዳለሁ።

ሁሉንም ጥያቄዎች ሙሉ በሙሉ ስለሚሞሉ በቅድሚያ አመሰግናለሁ!

ክፍል አንድ - የመላሹ ድህረ ሁኔታዎች

መመሪያዎች:- በእያንዳንዱ ጥያቄዎች ስር ያሉትን አማራጭ ፊደል የ  $\sqrt{\quad}$  ምልክት በማድረግ እባክዎ ትክክለኛ የሆነውን መልስ ይምረጡ።

1. ጾታ

ወንድ  ሴት

2. የትምህርት ደረጃ

ከሁለተኛ ደረጃ በታች  ዲግሪ   
ዲፕሎማ  ማስተርስ እና በላይ

3. ወርሀዊ ገቢዎ

ከ3000 ብር በታች  ከ3001 ብር - 6000 ብር   
ከ 6001 ብር - 9000ብር  ከ 9000 ብር በላይ

4. የዲኤስቲቪ ደንበኛ ከሆኑ ስንት ጊዜ ሆነዎት?

ከ 1 ወር - 1 ዓመት  ከ2-3 ዓመት  ከ4-5 ዓመት   
ከ 6-7 ዓመት  ከ7 ዓመት በላይ

**ክፍል - ሁለት ፥ የጥናት ጥያቄዎች**

ከቆይታዎ ትነሰተው፣ የሰምምነቶዎን መጠን ከታች በተዘረዘረው ገለጻ መሰረት ይለኩ።

1. በጣም አልሰማምም      2. አልሰማምም      3. አስተያየት የለኝም      4. እሰማማለሁ      5. በጣም እሰማማለሁ

ቁ.ር	የአገልግሎት አሰጣጥ ጥራት ጥያቄዎች	በጣም አልሰማምም	አልሰማምም	አስተያየት የለኝም	እሰማማለሁ	በጣም እሰማማለሁ
<b>ተጨባጭነት</b>						
1	መልቲቶይስ ኢትዮጵያ የደንበኛ አገልግሎት ክፍሉ ውስጥ ጥቅም ላይ የሆነ ዘመናዊ የሆኑ እና በቂ መሳሪያዎች አሉት።	1	2	3	4	5
2	መልቲቶይስ ኢትዮጵያ የደንበኛ አገልግሎት ክፍሉ አካላዊ አቀማመጥ እና ሁኔታ በተጨባጭ ሳቢ ነው።	1	2	3	4	5
3	መልቲቶይስ ኢትዮጵያ የደንበኛ አገልግሎት ክፍሉ ላይ የሚሰሩት ወኪሎች (ሰራተኞች) ንጹህ እና ስርዓት ያለው አለባበስ የለበሱ ናቸው።	1	2	3	4	5
4	መልቲቶይስ ኢትዮጵያ የደንበኛ አገልግሎት ክፍሉ መገልገያዎች ምሳ፡ ደረሰኝ ብሮሽሮች የሚሰጡ እና በቀላሉ ሚረዱዋቸው ናቸው።	1	2	3	4	5
<b>ተአማኒነት</b>						
5	የመልቲቶይስ ኢትዮጵያ የደንበኛ አገልግሎት ወኪሎች የገቡትን ቃል ሁልጊዜ ያከብራሉ እንዲሁም ይተገብራሉ።	1	2	3	4	5
6	መልቲቶይስ ኢትዮጵያ የደንበኛ አገልግሎት ሰራተኞች እርስዎ እንደ ደንበኛ ያሉባትን ችግሮች ከልብ የመገጨ ፍላጎት አሉዋቸው።	1	2	3	4	5
7	መልቲቶይስ ኢትዮጵያ የደንበኛ አገልግሎት ሰራተኞች ለመጀመሪያ ጊዜ የሚሰጥ አገልግሎት ሁልጊዜ ትክክለኛ (ከስህተት የጻዳ) አገልግሎት ነው።	1	2	3	4	5
8	አገልግሎት በወቅቱ የሚሰጥ ሲሆን ማንኛውም መረጃ በትክክለኛው ጊዜ እንዲደርስዎ ይደረጋል።	1	2	3	4	5
9	አስፈላጊ የሆኑ መዛግብት በትክክል የሚመዘገቡ (የሚያዙ) እና ከስህተት የጻዱ ናቸው።	1	2	3	4	5
<b>ምላሽ ሰጪነት</b>						
10	መረጃ ደንበኛ በፈለገው ጊዜ በቀላሉ ሊያገኝ በሚችልበት መንገድ ይያዛል።	1	2	3	4	5
11	የኢትዮጵያ አየር መንገድ የጭነት ማስገቢያ ይሰጣል ተብሎ ቃል የተገባበትን አገልግሎት ይሰጣል።	1	2	3	4	5
12	የመልቲቶይስ ኢትዮጵያ የደንበኛ አገልግሎት ሰራተኞች ሁልጊዜ ደንበኛን ለመርዳት ፍቃደኛ ናቸው።	1	2	3	4	5
13	የመልቲቶይስ ኢትዮጵያ የደንበኛ አገልግሎት ሰራተኞች/ወኪሎች የደንበኛን ፍላጎት እና	1	2	3	4	5

	ጥያቄን ተቀብሎ ለማስተናገድ ስራ የሚበዛባቸው አይደሉም።					
14	ወኪሎች ያልተለመዱ አሰራሮች በሚያጋጥሙ ጊዜ ግብረመልስ እና አስተያየቶችን ለመቀበል ፍቃደኞች ናቸው።	1	2	3	4	5
<b>ማረጋገጫ</b>						
15	በማስገቢያ ክፍሉ ውስጥ የሚሰሩ ሰራተኞች ባህሪ ደንበኞች እምነት እንዲያደርባቸው ይረዳቸዋል።	1	2	3	4	5
16	ስራ በሚሰራበት ጊዜ ደንበኛ በመልቲፕሎስ ኢትዮጵያ ሰራተኞች ላይ የደህንነት ስሜት ይሰማዋል።	1	2	3	4	5
17	የመልቲፕሎስ ኢትዮጵያ የደንበኛ አገልግሎት ሰራተኞች ደንበኞችን በሚያስተናግዱ ጊዜ ትሁት ሆነው ያስተናግዳሉ።	1	2	3	4	5
18	የመልቲፕሎስ ኢትዮጵያ የደንበኛ አገልግሎት ሰራተኞች የደንበኞችን ጥያቄ ለመመለስ እውቀቱ አላቸው።	1	2	3	4	5
<b>ደንበኞችን መረዳት</b>						
19	የመልቲፕሎስ ኢትዮጵያ የደንበኛ አገልግሎት ሰራተኞች እያንዳንዱን ደንበኛ ትኩረት ሰጥተው ያስተናግዳሉ።	1	2	3	4	5
20	የመልቲፕሎስ ኢትዮጵያ የደንበኛ አገልግሎት ሰራተኞች አስፈላጊ ሆኖ ሲገኝ ለደንበኞች በግል አገልግሎቶቹን ይሰጣሉ።	1	2	3	4	5
21	የመልቲፕሎስ ኢትዮጵያ የደንበኛ አገልግሎት ሰራተኞች ደንበኞቻቸው ከልባቸው የሚፈልጉትን ነገር ይረዳሉ።	1	2	3	4	5
22	የመልቲፕሎስ ኢትዮጵያ የደንበኛ አገልግሎት ሰራተኞች የእያንዳንዱን ደንበኛ ልዩ ፍላጎት ይገነዘባሉ።	1	2	3	4	5
<b>የእቃ ጥራት ጥያቄዎች</b>						
<b>ጥንካሬ የአገልግሎት ቆይታ ጊዜ</b>						
23	የመልቲፕሎስ ኢትዮጵያ ሪሲቨር ውጫዊ ትዕይንት ምሳ የሙብራት መቆራርጥ የምቋቋም ብቃት አለው።	1	2	3	4	5
24	የመልቲፕሎስ ኢትዮጵያ ሪሲቨር ከሚቆዩ ግብአቶች ነው የተሰራው።	1	2	3	4	5
25	የመልቲፕሎስ ኢትዮጵያ ሪሲቨር ረጅም የአገልግሎት ጊዜ አለው።	1	2	3	4	5
26	የመልቲፕሎስ ኢትዮጵያ ሪሲቨር ከሌሎች ሪሲቨሮች የተሻለ ጥንካሬ አለው።	1	2	3	4	5
<b>ተበላሽቶ ቶሎ የመስተካከል</b>						
27	የመልቲፕሎስ ኢትዮጵያ ሪሲቨር መለዋወጫ በሰፊው ይገኛል	1	2	3	4	5
28	የመልቲፕሎስ ኢትዮጵያ ጥገና ከፍል ሰራተኞች ሪሲቨር የመጠገን ብቃት አላቸው።	1	2	3	4	5

29	የመልቲቾይስ ኢትዮጵያ ሪሲቨር ከሌሎች ሪሲቨሮች ተበላሽትው ለማስተካከል ወጪ ቆጣቢ ናቸው።	1	2	3	4	5
<b>ያገኙት ጥራት</b>						
30	የመልቲቾይስ ኢትዮጵያ ሪሲቨር ጥራት የእኔን መመዘኛዎች ያሟላል።	1	2	3	4	5
31	የመልቲቾይስ ኢትዮጵያ ሪሲቨር ከብራንድ ስሙ የተነሳ የተሻለ ጥራት አለው።	1	2	3	4	5
32	የመልቲቾይስ ኢትዮጵያ ሪሲቨር ከምልከታው የተነሳ የተሻለ ጥራት አለው።	1	2	3	4	5
33	የመልቲቾይስ ኢትዮጵያ ሪሲቨር ከሌሎች ሪሲቨሮች የተሻለ ጥራት አለው።	1	2	3	4	5
<b>ደንበኛ ማቆየት</b>						
34	በሚቀጥሉት አመታት፣ የመዘናኛ ሳተላይት ግዢ ላይ ዲኤስቲቪን የመጀመሪያ ምርጫዬ አድርጌ አስባለሁ።	1	2	3	4	5
35	የመዘናኛ ሳተላይት ለሚሹ ፣ ዲኤስቲቪን እመክራለሁ።	1	2	3	4	5
36	የተሻለ ዋጋ ያላቸውን ሌሎች ተወዳዳሪዎችን ከዲኤስቲቪ አላስቀድምም።	1	2	3	4	5
37	ከመልቲቾይስ ኢትዮጵያ በኩል የአገልግሎት ችግር ሲያጋጥም፣ ወደ ሌላ የመዘናኛ ሳተላይት አልሄድም።	1	2	3	4	5
38	ከመልቲቾይስ ኢትዮጵያ ጋር ረጅም ግንኙነት መገንባት እፈልጋለሁ።	1	2	3	4	5

**አመሠግናለሁ!**

## Appendix II: SPSS OUTPPUT

### A. Reliability Test

Reliability Statistics	
Cronbach's Alpha	N of Items
.950	38

### B. Frequency of demography of respondents

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Female	98	25.8	25.8	25.8
Valid	Male	282	74.2	74.2	100.0
	Total	380	100.0	100.0	

Education Level					
		Frequency	Percent	Valid Percent	Cumulative Percent
	1	44	11.6	11.6	11.6
	2	74	19.5	19.5	31.1
Valid	3	203	53.4	53.4	84.5
	4	59	15.5	15.5	100.0
	Total	380	100.0	100.0	

Monthly Income					
		Frequency	Percent	Valid Percent	Cumulative Percent
	3001 - 6000 ETB	160	42.1	42.1	42.1
	6001- 9000 ETB	76	20.0	20.0	62.1
Valid	above 9000 ETB	73	19.2	19.2	81.3
	Below 3000 ETB	71	18.7	18.7	100.0
	Total	380	100.0	100.0	

Duration of clientship					
		Frequency	Percent	Valid Percent	Cumulative Percent
	1 month - 1 year	54	14.2	14.2	14.2
	2 – 3 years	115	30.3	30.3	44.5
	4 - 5 years	20	5.3	5.3	49.7
Valid	6 - 7 years	175	46.1	46.1	95.8
	More than 7 years	16	4.2	4.2	100.0
	Total	380	100.0	100.0	



### C. Descriptive statistics of all variables

Descriptive Statistics			
	N	Mean	Std. Deviation
Tangability	380	3.8539	.57577
Reliability	380	3.7342	.64418
Responsiveness	380	3.7789	.73148
Assurance	380	3.6171	.68346
Empathy	380	3.6434	.63679
Durability	380	3.6724	.68089
Servicability	380	3.6437	.66994
Perceived_Quality	380	3.5039	.92619
CustomerRetention	380	3.6268	.69587
Valid N (listwise)	380		

### D. 1. Correlation between service quality dimension with customer retention

		Correlations					
		Tangability	Reliability	Responsiveness	Assurance	Empathy	CustomerRetention
Tangability	Pearson Correlation	1	.370**	.323**	.304**	.374**	.375**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	380	380	380	380	380	380
Reliability	Pearson Correlation	.370**	1	.703**	.670**	.609**	.657**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	380	380	380	380	380	380
Responsiveness	Pearson Correlation	.323**	.703**	1	.700**	.642**	.732**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	380	380	380	380	380	380
Assurance	Pearson Correlation	.304**	.670**	.700**	1	.620**	.706**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	380	380	380	380	380	380
Empathy	Pearson Correlation	.374**	.609**	.642**	.620**	1	.644**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	380	380	380	380	380	380
CustomerRetention	Pearson Correlation	.375**	.657**	.732**	.706**	.644**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	380	380	380	380	380	380

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

## D. 2. Correlation between product quality dimension with customer retention

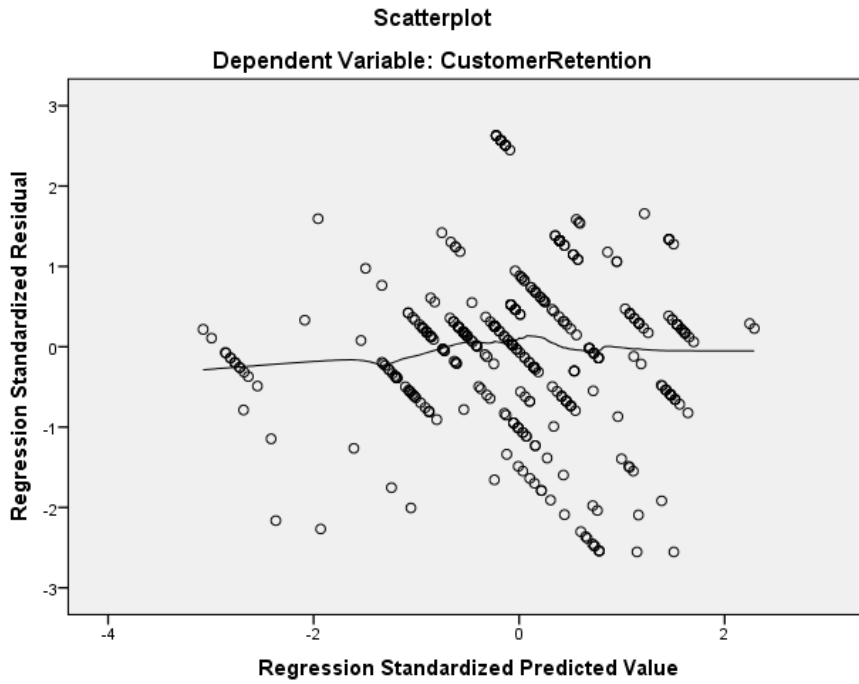
		Correlations			
		Durability	Servicability	Perceived_Quality	CustomerRetention
Durability	Pearson Correlation	1	.365**	.415**	.552**
	Sig. (2-tailed)		.000	.000	.000
	N	380	380	380	380
Servicability	Pearson Correlation	.365**	1	.434**	.615**
	Sig. (2-tailed)	.000		.000	.000
	N	380	380	380	380
Perceived_Quality	Pearson Correlation	.415**	.434**	1	.527**
	Sig. (2-tailed)	.000	.000		.000
	N	380	380	380	380
CustomerRetention	Pearson Correlation	.552**	.615**	.527**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	380	380	380	380

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

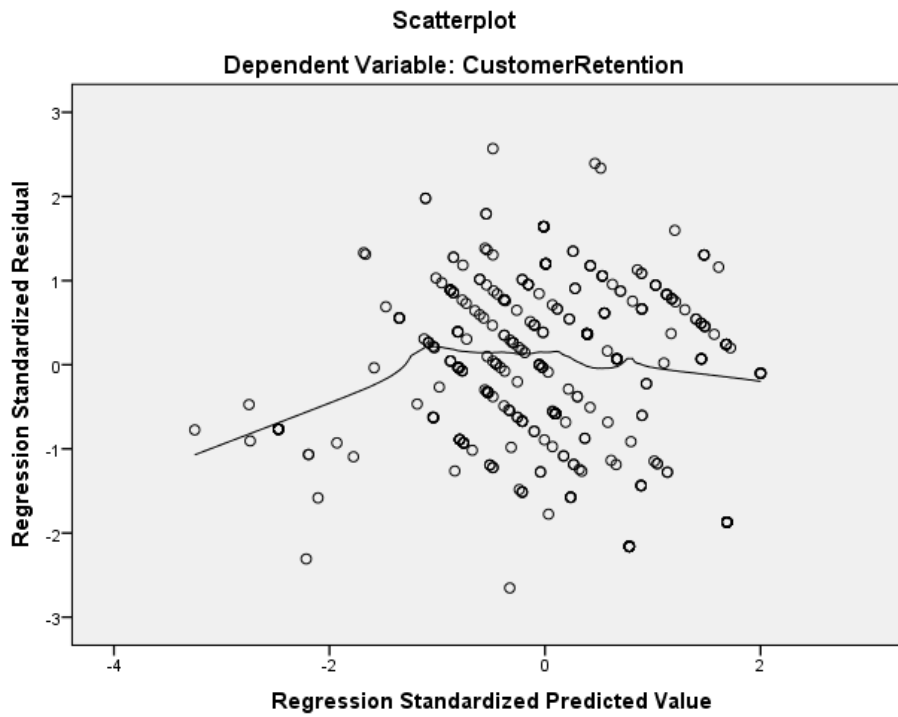
## E. Normality

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Tangability	380	3.8539	.57577	-.769	.125	1.301	.250
Reliability	380	3.7342	.64418	-.056	.125	-.308	.250
Responsiveness	380	3.7789	.73148	-.527	.125	.461	.250
Assurance	380	3.6171	.68346	-.425	.125	.411	.250
Empathy	380	3.6434	.63679	-.764	.125	.824	.250
Durability	380	3.6724	.68089	.055	.125	.212	.250
Servicability	380	3.6437	.66994	-.394	.125	-.245	.250
Perceived_Quality	380	3.5039	.92619	-.645	.125	.066	.250
CustomerRetention	380	3.6268	.69587	-.389	.125	.083	.250
Valid N (listwise)	380						

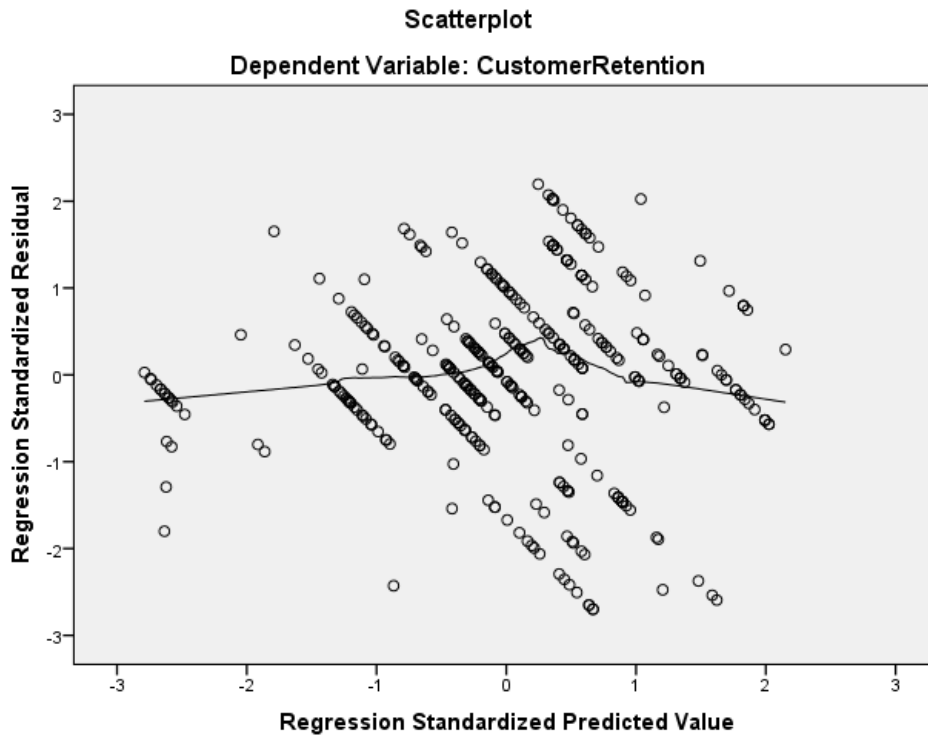
## F. 1. Linearity



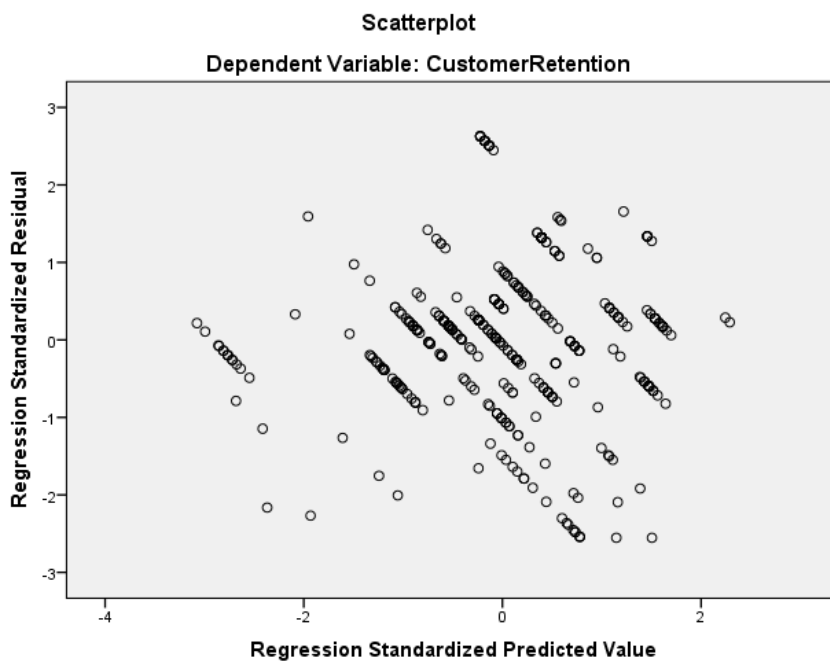
## F.2. Linearity



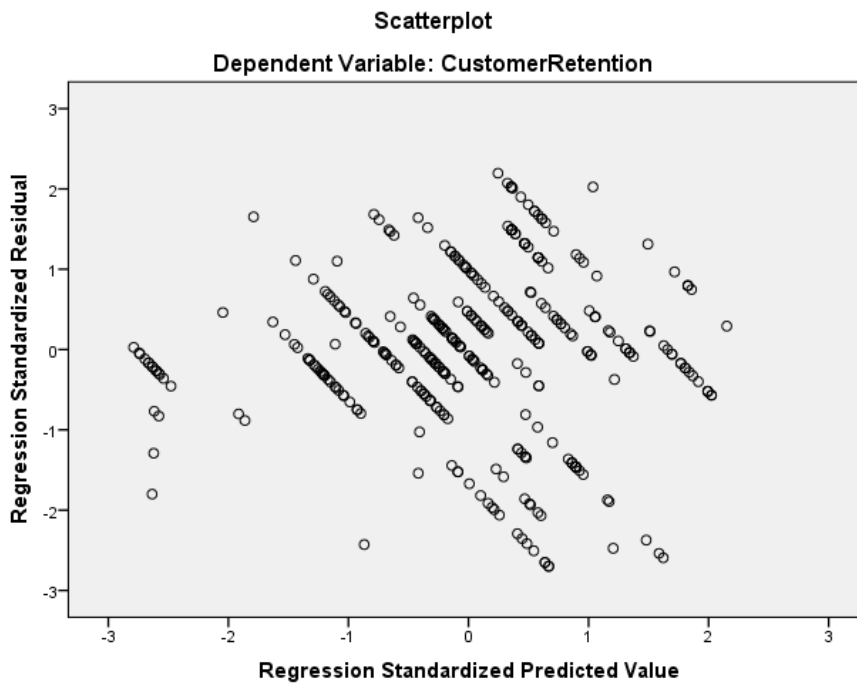
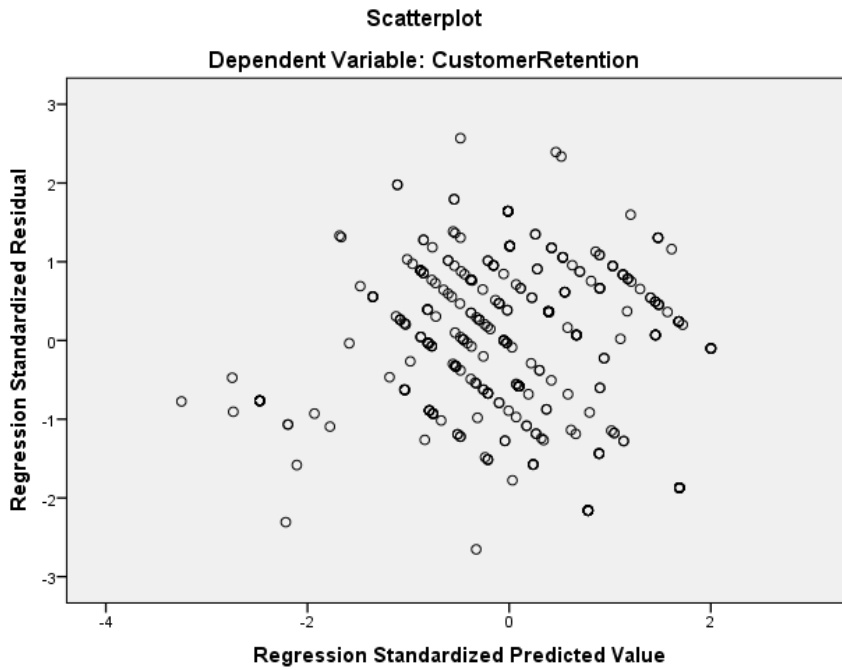
### F3: Linearity



### G. 1. Homoscedacity



## G.2. Homoscedacity



## H. 1. Model summary and autocorrelation of service quality with customer retention

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.803 <sup>a</sup>	.644	.639	.41794	2.175

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

b. Dependent Variable: CustomerRetention

## H.2. Model summary and autocorrelation of product quality with customer retention

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.733 <sup>a</sup>	.538	.534	.47490	1.916

a. Predictors: (Constant), Perceived\_Quality, Durability, Servicability

b. Dependent Variable: CustomerRetention

## H.3. Model summary and autocorrelation of service quality and product quality with customer retention

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.844 <sup>a</sup>	.712	.706	.37759	2.107

a. Predictors: (Constant), Empathy, Tangability, Durability, Servicability, Perceived\_Quality, Assurance, Reliability, Responsiveness

b. Dependent Variable: CustomerRetention

## I.1. ANOVA of service quality with customer retention

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	118.199	5	23.640	135.340	.000 <sup>b</sup>
	Residual	65.327	374	.175		
	Total	183.526	379			

a. Dependent Variable: CustomerRetention

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

### I.2. ANOVA of product quality with customer retention

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	98.728	3	32.909	145.922	.000 <sup>b</sup>
	Residual	84.798	376	.226		
	Total	183.526	379			

a. Dependent Variable: CustomerRetention

b. Predictors: (Constant), Perceived\_Quality, Durability, Servicability

### I.3. ANOVA of service quality and product quality with customer retention

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	130.632	8	16.329	114.532	.000 <sup>b</sup>
	Residual	52.894	371	.143		
	Total	183.526	379			

a. Dependent Variable: CustomerRetention

b. Predictors: (Constant), Empathy, Tangability, Durability, Servicability, Perceived\_Quality, Assurance, Reliability, Responsiveness

### J.1. Coefficient and multicollinearity of service quality with customer retention

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
	1	(Constant)	-.052					.170
	Tangability	.100	.041	.083	2.435	.015	.828	1.208
	Reliability	.119	.052	.110	2.310	.021	.416	2.404
	Responsiveness	.314	.048	.330	6.607	.000	.381	2.621
	Assurance	.279	.048	.274	5.777	.000	.423	2.366
	Empathy	.179	.048	.164	3.736	.000	.494	2.025

a. Dependent Variable: CustomerRetention

### J.2.Coefficient and multicollinearity of product quality with customer retention

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.339	.162		2.090	.037	
	Durability	.319	.040	.312	7.899	.000	.786
	Servicability	.421	.041	.405	10.147	.000	.771
	Perceived_Qualit y	.166	.031	.221	5.408	.000	.736

a. Dependent Variable: CustomerRetention

### J.3.Coefficient and multicollinearity of service quality and product quality with customer retention

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.599	.165		3.634	.000	
	Durability	.231	.034	.226	6.845	.000	.714
	Servicability	.197	.036	.189	5.412	.000	.634
	Perceived_Qualit y	.059	.029	.078	-2.002	.046	.509
	Tangability	.073	.037	.060	1.962	.040	.822
	Reliability	.091	.049	.084	1.856	.034	.380
	Responsiveness	.277	.044	.291	6.259	.000	.359
	Assurance	.248	.045	.244	5.534	.000	.401
	Empathy	.083	.045	.076	1.838	.027	.453

a. Dependent Variable: CustomerRetention