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ASSESMNT OF SERVICE QUALITY AND CUSTOMER RETENTION THE CASE OF TOLOMART TRADING PLC

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RETENTION THE CASE OF TOLOMART TRADING PLC**

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ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES FACULTY OF BUSINESS

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DECLARATION

I hereby declare that the research entitled “Assessment of service quality and customer retention in the case of Tolomart trading PLC” is my original work and has not been presented in St Mary’s School or any other University and that all sources of materials used for the research have been duly acknowledged.

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Abstract

Customer retention has been chosen by many businesses since it generates greater profit by lowering the expense of obtaining new consumers. Furthermore, customer retention is critical for building customer base through favorable word of mouth. This means that client retention extends beyond simply delighting and retaining existing consumers

This research aimed at finding out the effect of service Quality on Customer Retention at Tolomat Trading PLC. The target population of this research are the customers of Tolomart here in Addis Ababa, Ethiopia. In order to conduct the research conveniences sampling techniques which are a type of non-probability sampling techniques was used. The primary data were collected from customers of the company by a means of questionnaire. A total of 140 questionnaires were administered and 120 questionnaires were returned. Out of these, 92 were usable for the analysis. Descriptive statistics were used to describe the variables using percentage and inferential statistics were employed to reveal to the relationship between the elements of service quality and customer retention. The study found the independent variables, i.e. reliability, responsiveness, empathy, assurance and tangibility positively and significantly are related to the customer retention, the dependent variable are taken using purposive sampling technique and methodologies like correlation, multiple regression and ANOVA are used in the research. The result of correlation analysis shows moderate and high relationships between tangibility, assurance, responsiveness, reliability, empathy and customer retention.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Service quality means the act of providing a customer oriented service for customers. It is also a component of activity that defines the interaction between providers and clients where the provider offers a service, whether that will be information or a task, and the clients either find value or lose a value as a result. (Anderson R.2004)

Complaints are great, most companies consider customer complaints a primary source of their ongoing corporate headache. It is the part of the job that most people engage in this type of activity in the business or organization. After all, who enjoys talking to upset people who are on the verge of screaming? "But most companies do not understand the nature of complaints and what they truly represent. Complaints have a completely different meaning from the customer viewpoint and the company view point. Complaints professionally and smoothly increase customer loyalty and retention. (Lior Arussy, 2005)

Improving customer service will minimize customer complaints and improve customer retention often results in the design of a prevention process. (Michele Schermerhor,2000)

Ethiopia which is one of the developing countries that shows incredible service quality mechanisms in the E commerce world, the activity of service quality occurs by providing different service to customer that provides wide range of products and services. Electronic commerce through internet which enables the customers to choose a product or service of their choice from any vendor anywhere in the world e commerce is more Convenient (meaning for purchasing products or services without imposing physical constraints. It only takes a few clicks from the convenience of your own home to obtain the product. It saves money (the expense borne by the business for the middlemen is often borne by the consumer. Because the middlemen have been removed, the customer is no longer responsible for their costs. Several commercial organizations

offer lower-cost products and services to attract clients and compete.) Saves time and provides adequate information. (Philip kotler 1994).

Customer retention occurs to extent to which a customer is happy with the product and service provided by a business and the outcome felt by buyers who have experienced a company performance that has fulfilled expectation. The probability of being loyal longer is high in customer (Philip kotler 1994).

Organization should develop the tendency of providing service quality in a way that satisfy the customer that helps to achieve the organization profit goal (Philip kotler 1994).

Therefore, this study will focus on the service quality and customer retention in Tolomart Trading PLC. Customer retention decreases when the customers are dissatisfied with the services they receive due to time constraints or insufficient service quality to customers, and vice versa then the company handles any type of service complaint by effectively interviewing the customer.

1.2. Background of the organization

Tolomart trading PLC is an ecommerce company that established in January 2020, offering direct retail as well as a third-party market place. The company also have a logistics service which enables the delivery of packages to customers. It was established with the initial capital investment of 500,000 ETB. The Company is owned by private share holder and having Ato Germa Tefera as its general manager

The aim of Tolomart is to become one of the most popular e commerce platforms in Ethiopia with a diverse set of businesses. And also, they provide the market on a smartphone so that customers can shop easily within a few minutes, with the vision of becoming one of the best e commerce platforms in Ethiopia, to provide widest selection of product and services for our customers, to provide their service throughout the country and also to create easy and better life for their customers.

Generally shopping on Tolomart. Customers are able to browse a wide range of products and services from different vendors, so that they can choose not only what they want to buy, but also which vendor they want to buy from.

1.3. Statement of the problem

When a company provides adequate service to consumers, customer happiness rises; nevertheless, the opposite is true because service quality and customer retention are proportionally linked. When the company meets or exceeds the customer expectations, the customers start to build confidence and trust towards the organization.

Nowadays companies are more focused to divert their business to ecommerce rather than doing it traditionally, because companies can reach wider audience, will have lower operational cost, shopping from home is more convenient for customers, consumers can easily compare shops across the different brands.

Understanding how to sell products to the audience should be the priority in any new business, this is especially important because customers keep changing and evolving with time. With a better knowledge of the audience, salesman can not only know whom to sell, but how to sell as well.

The ultimate goal of the company is to satisfy customers through good service quality and good methods of handling customer retention. Customers would likely to be dissatisfied, if the service performance of the company is lower than what they have expected.

Therefore, this study fills the gap by studying service quality and customers retention handling practice of Tolomart Trading PLC.

However, as per the knowledge of the researcher based on literature review and questioners made for customers, little is known to what extent the service quality of the company contributes for customer retention.

Therefore, this study was initiated to fill the knowledge gap regarding the association between the service quality and customer retention of Tolomart Trading PLC

1.4 Research Question

This study is intended to answer the following question.

1. What is the level of customer retention?
2. What extent responsiveness affect customer retention?
3. What is association of reliability of service on customer retention?
4. What is the effect on responsiveness of service on customer retention?
5. What is association of empathy of service on customer retention?
6. What is the assurance of service quality on customer retention linked?

1.5. Research Objective

1.5.1. General objective

The study was conducted with aim to find out the link between the service quality and customer retention of Tolomart Trading PLC.

1.5.2. Specific objective

In order to achieve the general objective, the following specific objectives were addressed in the study.

1. To measure the level of customer retention
2. To find out the levels of elements of service quality
3. To examine the association between reliability of service and customer retention
4. To investigate the effect of responsiveness of service on customer retention
5. To examine the effect of empathy of service and customer retention
6. To investigate the effect of assurance of service on customer retention linked

1.6. Significance of the study

The study's significance would be in offering an opportunity for the organization to view existing clients for the services given. As a result, the company may take appropriate corrective action.

By conducting a research on service quality and customer retention strategies using the traditional service quality determinant in e-commerce industry and figuring out the reasons and

effects, a win-win situation will be produced for both enterprises and customers. Additionally, it will help companies in the industry identify the crucial factors in keeping present customers.

The major goal of this study is to close the information gap that exists among businesses regarding the advantages of maintaining current clientele and their resistance to taking these variables into account and incorporating them into their marketing strategy. Additionally, it will allow the business to concentrate its marketing efforts on retaining current clients rather than pursuing new ones and recognize the advantages of client retention.

Additionally, the study will broaden the researcher's understanding of the issues mentioned and how they affect both customers and companies. It also acts as a point of reference for future study on related themes since a significant amount of studies in the field have not yet been conducted.

1.7. Scope of the Study

The scope of the study is limited only on Tolomart Trading PLC. In addition, the study is limited reliability, responsiveness, and empathy and assurance variables of service quality and customer retention because it is impossible to cover all variables. The study would be conducted to assess service quality and customer retention handling practice in Tolomart trading PLC.

The primary focus of this study is to evaluate Tolomart Trading PLC's customer retention and service quality. Despite the fact that both service providers and customers should be involved in discussions about customer service quality and customer retention, the study's focus is exclusively on customers' perceptions. Additionally, the research sample was chosen from the company's current clientele.

Geographically; Tolomart website can be assessed worldwide but this study limited itself to the customers located here in Addis Ababa.

1.8. Organization of the paper

The research papers would provide **five chapters**. The **first chapter** is introduction that covers the background of the study, the statement of the problem, the objective of the study, the significance of study, scope, limitation of the study and organization of the paper.

The **second chapter** deals with literatures that are related of the topic of the study (service quality and customer complain handling).

The **third chapter** contains methodology part. The **fourth chapter** concerned about data analysis, presentation and interpretation. The **fifth chapter** concerned about research conclusion and recommendation of the study. All these chapters are emphasized about the assessment of service quality and customer complain handling practice in case of Tolomart Trading PLC.

1.9 Limitation

The factor below made the research limited:

- The dearth of relevant studies and well-organized data, particularly literatures pertaining to the study variables.
 - The research limitation encountered while conducting this research was overcome by referring the internet regarding the variables used in this study also it was overcome by referring books.
 - Conducting a systematic literature review (Defining the research question, extracting data from selected audience) entails conducting a thorough search of relevant literature using particular criteria and procedures to discover and choose high-quality studies. That assist in identifying any current studies that are directly related to the research issue.
 - Extend the search beyond standard academic resources: Consider searching for relevant material in industry reports, government publications, and other sources in addition to academic journals and databases. That assist in identifying new data and information sources that is relevant to the research.

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical Background

Service quality has been identified as a critical success criterion for service-oriented firms. Customer happiness and retention can be greatly influenced by the level of service given. Service quality is defined by Parasuraman et al. (1985) as "the degree and direction of discrepancy between customers' perceptions and expectations of the service."

Many studies have been conducted to study the relationship between service quality and customer retention. Zeithaml et al. (1996) discovered, for example, that perceived service quality has a favorable effect on customer satisfaction, which has a positive effect on customer retention.

Furthermore, numerous research have demonstrated that service quality attributes such as reliability, responsiveness, assurance, empathy, and tangibles are major determinants of customer retention (Caruana and Ewing, 2010; Sureshchandar et al., 2002).

According to Peter Drucker, prominent management expert, "there is only one definition of business purpose: to create a customer" (Drucker, 1954, pp. 39-40). Although this remark illustrates the issue that any company or organization faces, it is especially applicable to service-based businesses because of the increasing connection between service providers and their customers in the service-profit chain (see Heskett, Sasser, and Schlesinger, 1997). In fact, "high customer retention ratings are widely believed to be the best indicator of a company's future profits" (Anderson and Sullivan, 1993, p. 125).

service quality: Is when business structure that allows a provider to give services to a client. It also involves the two parties' constant engagement at the time when the provider provides the service and the client purchases it. (Navin Khadka & Nikhil David)

Customer retention: Refers to a company's or business's capacity to maintain its current clientele and encourage them to make additional purchases. It shows the company's ability to keep existing customers coming back—in other words, turn one-time purchasers into loyal

customers. It measures customer loyalty, satisfaction, and emotional attachments to a given good or service. Additionally, it shows how well a good or service is made, how much it is worth, and how well it can keep customers from switching to a rival.

2.2 Services

Service is an activity that is not individually definable, intangible, and the main goal is a transaction aimed to deliver consumer happiness. -Stanton et.al (1991, p.20), each service has the following distinct features.

Intangibility: refers to the lack of palpable or tactile property making it difficult to assess service quality. According to Zeithaml et al., “Because services are performances, rather than objects, they cannot be seen, felt, tasted, or touched in the same manner in which goods can be sensed.

Inseparability: Is a feature of service which states that service cannot be separated from the creator/seller of the service, Characteristics of a service that makes it difficult to separate the provision or creation of the service from its use

Heterogeneity: Is a characteristic of service that the service quality varies from one provider or location to another? This characteristic explains the difference in prices depending on location and quality of services

Perish ability: Is a characteristic of service that it is highly perishable and cannot stored for future use. According to the concept of perishability, since services cannot be kept in inventory for use or sale in the future, they will never expire. It also implies that once the service is rendered, it cannot be cancelled or returned. In some circumstances, such as with a prepaid calling card, it may be reimbursed or returned if it is still not used. It can still be returned if not used, but once the call is placed and the balance is used, it is lost.

2.3 Customer Value

Customer value: is the value that customer expects to receive from the good or service he\she buys to compensate the payment he\she makes for the products “Customer value is difference between

total customers value and total customer cost. And total customers value is the bundle of benefits customers expect from given product or service” (Kotler 1994, p.37).

2.4. Observations on Customer Retention

Some industry levels that uses for observing customer Retention are:

Customer retention will be lower where the industry offers a homogeneous product to a homogeneous market. On the other hand, industries that supply a high-quality homogeneous product to a homogeneous market will register high retention.

Customer retention is lower in industries where repeat buyers face high switching costs. They have to buy from the supplier even through their satisfaction in low.

2.5 Parameter of Quality Service to Customer Retention

According to Mudrick, if we can know the customers perception of a service relative to a set of characteristics important to him or her, we may uncover ways to improve the quality of service as a whole. It is found that customers assess quality in terms of: -

Reliability: - it involves consistency of performance and dependability.

Responsiveness: - it is willingness of readiness of employees to provide service.

Competence: - possession of the required skill and knowledge to perform the service.

Courtesy: - it involves politeness, respect and friendliness of contact personnel by considering the customers interest etc....

Access: - it involves approachability and ease of contact.

2.6 Measuring Service Quality

Tangibles

Tangibles are characteristics relating to tangible objects, such as machinery, structures, and the appearance of people and the tools used to communicate with customers. In her conceptual

framework for evaluating how physical surroundings affect both customers and staff, Bitner (1992) laid forth her methodology. According to Berry and Clark (1991), the impact of outward appearance on a customer's perception of quality has been validated. According to Bitner's (1990) research, a consumer's degree of pleasure may be influenced by their physical appearance. One of the initial dimensions that Zeithaml, et al. (1988) did not change was the tangible dimension.

Reliability

The ability of the staff to provide the service in a dependable and correct manner is related to reliability. Numerous researchers have discovered that reliability frequently appears in service evaluations, including Garvin (1987). According to Parasuraman et al. (1988), consumers typically place the greatest emphasis on reliability while looking for high-quality services. The conversion of negative to positive phrasing, as proposed by Babakus and Boller (1992) and Carman (1990), was also found by Parasuraman et al. (1991) to boost the accuracy of this dimension. The client misinterpreted this particular characteristic because to the negative phrasing in the request for a customer reaction. Reliability was one of the original dimensions not modified by Zeithaml, et al., (1988).

Responsiveness

The responsiveness dimension is the willingness and desire to help clients and provide fast service. According to Parasuraman et al. (1991), being responsive includes giving customers a precise time range within which services will be performed, providing prompt service, being willing to help, and never being too busy to attend to their needs. Although SERVQUAL and all of its characteristics were acknowledged as the best known and most widely accepted scale to assess perceived service quality, Bahia and Nantel (2000) ignored responsiveness in their research because they said it lacked reliability. Responsiveness was also one of the original dimensions not modified by Zeithaml, et al., (1988).

Assurance

Employees with expertise and courtesy who earn their clients' respect and trust establish certainty. In e-commerce research conducted by Anderson et al. in 1976, it was found that for a customer to feel secure enough to build a strong relationship, there must be a high degree of

confidence in the company's ability. According to Parasuraman et al. (1991), the key components of assurance are expertise and consistently courteous behavior from personnel. In the original ten dimensions for assessing service quality, assurance has taken the position of competence, civility, credibility, and security (Zeithaml et al., 1988).

Empathy

Empathy is the thoughtfulness and attention to detail that an organization shows to its clients. The two most important factors mentioned by Parasuraman et al. (1991) in their study of empathy were personalized care and flexible hours. The customer's decision to accept or reject the service contact depends on how much empathy they feel. In the original ten dimensions for assessing service quality, empathy takes the place of access, communication, and understanding the client (Zeithaml, et al., 1988).

2.7 Customer Loyalty and Retention

Customer retention refers to a company's capacity to keep its customers over time. It is a critical metric that can have a big impact on a company's success. Retaining consumers is frequently more cost-effective than obtaining new customers, as attracting new customers through marketing and advertising activities can be costly. Highly pleased customers are more likely to be less price sensitive, recommend the business and its products to others, and stick with it for a long time. In any event, loyalty grows as satisfaction does, and in highly competitive marketplaces, there is surprisingly little difference in the loyalties of customers who are merely content and those who are less satisfied. Between the loyalty of pleased consumers and wholly satisfied customers, there is a significant distinction. Even a small deviation from total satisfaction can result in a significant loss of loyalty. However, there are significant differences between industries and levels of competition in the link between consumer pleasure and loyalty (Armstrong 2001; p. 6720)

2.8 Importance of customer retention?

1. Cost savings

In general, keeping a current client costs less than finding new ones. In fact, the cost of acquiring a new customer has climbed by about 50% over the past few years, and it is now nearly 5 times more expensive.

2. Upsell opportunities

Once a customer decides to stick with your product or service, they'll be more receptive to promotions for your other offerings or upgrades.

According to one study, repeat customers have a higher average order value than new ones. The study found that, in the apparel industry, customers spent 67% more with a business between 31–36 months into their relationship than between 0–6 months.

That's partly because customers with a longer relationship with a business have a sense of its value and are willing to spend more on its products. On the other hand, it's harder to upsell a new customer who still doesn't know whether they like your product or service.

3. Brand advocates

Loyal customers not only keep doing business with you but can also turn into brand advocates. If your product is valuable to them, they might be inspired to:

- Write positive reviews on your website
- Leave positive social media comments or share your posts with friends
- Gift your products to their loved ones, who might become loyal customers themselves
- Refer new customers to your business through word-of-mouth or referral programs

This type of social proof can help you gain new customers—75% of consumers report checking at least 3 customer advocacy sources like product reviews before making a purchase. Plus, it's free advertising for business.

2.9 Strategies of some customer retention ?

According to Muhammad (2013) and DeSouza (1992), there below are customer retention strategy.

1. Craft an engaging onboarding flow: Using on boarding flow, like a welcome email series, is the first opportunity to showcase the value of the business and encourage recipients to take high-value actions, such as watching a video tutorial on the product. These actions encourage the customer to use the product and create habits around it, making it a part of their life.

2. Start a membership program: Membership or loyalty programs benefit businesses and customers alike, helping boost retention.

First, these programs encourage users to create an account with the business to track their loyalty points and to save their information. This gives the business owner valuable customer data while the customer gets perks, such as free shipping, cash back, and early access to sales.

Additionally, loyalty programs allow the sales man to stay in touch with customers on their preferred channels, gather first-party customer data that enables them to personalize communication, and encourage customers to take advantage of membership perks. (Muhammad (2013) and DeSouza (1992)).

3. Provide quality customer service on all channels: Customer service is one of the pillars of customer retention. That's because giving customers a positive experience every time they contact company will inspire them to keep doing business with you. On the other hand, a single bad experience is enough to turn them toward a competitor: 56% of consumers admit they'll discontinue business with a company after a frustrating customer support experience. The culprit for these frustrating experiences? It's usually disconnected channels and data silos. And the best way to avoid these is to create an omni channel experience that allows agents to access data from all channels through a single platform. (Muhammad (2013) and DeSouza (1992)),

4. Gather customer feedback: Customer feedback is key to understanding customers' pain points and what they love about the product. Plus, when responded to their feedback, it shows customers that the company cares about their experience, which boosts loyalty. Muhammad (2013) and DeSouza (1992),

Gather feedback through surveys, reviews, social media comments, and in-app pop-ups. Then, act on this feedback—like adding a new app feature that users requested—to show customers the commitment to improving their experience. Muhammad (2013) and DeSouza (1992),

5. Reengage inactive customers: Rewarding your most active customers is one part of customer retention, but it's also crucial to pay attention to inactive customers to reengage them before they churn. Muhammad (2013) and DeSouza (1992),

Reengaging emails are a great way to remind customers about what is being offered. These can include:

- A reminder that customers have unused rewards points
- A “we miss you” email with a coupon
- An email promoting product features the customer hasn't tried yet

6. Personalize communications throughout the customer journey: A new customer might be interested in an overview of everything the business offers, while an existing customer will be more interested in tailored recommendations based on their past purchases or behaviors.

Personalization pays off: 86% of consumers admit that personalized experiences increase their brand loyalty. Muhammad (2013) and DeSouza (1992),

To achieve this personalization at every stage of the customer journey, the salesman needs to gather customer data from different sources to get a full view of the customer and their needs.

7. Infuse your business' personality into every interaction: When the brand's personality shines through in the messaging, customers remember that there are real people running the business. And ultimately, we all want to have relationships with other people, not faceless brands.

One effective way is to use unique voice in the email copy, social media posts, and other communications to engage customers and generate an emotional response.

8. Create a referral program: Loyal customers are the best brand advocates because they know firsthand why people should choose the business. A referral program allows the salesman to reward these loyal customers while gaining new ones without paying for more expensive acquisition tactics. Muhammad (2013) and DeSouza (1992),

2.10 Measuring customer retention

Customer retention rate can be calculated by analyzing a customer's propensity for repeat business, willingness to recommend the company to others, insensitivity to price changes, and attitude of praising rather than criticizing. complaining) (Sharmeela, Gengeswari & Padmashantini,2012).

A weighted customer retention rate or a crude customer retention rate must be used to measure and manage the customer retention rate. Ibok, George, and Acha (2012) quote Desouza (1992). While the weighted retention rate is derived by weighing consumers according to the number of their transactions, the crude customer retention rate assesses the overall percentage of customers the company keeps based on the decline or escalation of customers over a given period of time.

Accordingly, Ahmad and Buttle (2001) contend that when it comes to service organizations, evaluating retention should include counting the precise number of customers who have remained clients as well as applying a weighted rate that takes both a client's lifetime worth and their share of wallet into account.

2.11 The Benefits of retaining customers

According to Mudie & Pirrie (2006), the benefits of customer retention to the service provider and customers are

Advantages for the provider of the service

- Relational consumers frequently make larger purchases over time, either as a result of consolidating their purchases with a favorite provider or because their own company or family has expanded and requires more products.
- Experienced consumers typically request fewer services from the provider and operate the service with less error. Thus, production is raised and operational expenses are decreased.
- Long-term satisfied consumers will spread good word of mouth recommendations, lowering the amount of money needed to advertising to bring in new clients.
- Price promotions for this category don't need to be as frequent. These clients may actually be less price sensitive than other customers.

Benefits to the customer

- When one has confidence in the service provider, one has feelings of trust or comfort, or alternatively, less anxiety. Confidence advantages have been determined to be the most significant to customers of the three sorts of benefits.
- When a client benefits from a service beyond its technical advantages, social benefits frequently result. The service provider is now a vital component of the client's (life) support network. These connections are not just found in consumer services. They may also be found in markets that are business to business.
- Advantages of special treatment include receiving preferred treatment, such as with the loyalty programs run by the majority of major airlines. The service provider might agree to something that they normally wouldn't. Interestingly, consumers rank special treatment perks as the least essential of the three kinds of customer benefits.

Reichheld (1996) as cited in Ahmed & Buttle (2001), identified six economic benefits of retaining customers.

- Savings on customer acquisition or replacement costs, a guarantee of base revenues due to the likelihood that current customers will spend a minimum amount each period, and an increase in per-customer income as existing clients are likely to earn more money, have more

- diverse requirements, and spend more money over time; • a decrease in relative operating costs as firms may spread the cost over many more clients and over a longer period of time;
- Free consumer referrals from current clients, which would otherwise cost money in the form of commissions or introductory fees;
 - Pricing premiums because returning consumers frequently make purchases without waiting for sales or price cuts, especially when it comes to new models or iterations of old products.

2.12 Research Hypothesis

A research hypothesis, according to (Kothari, 2004), is a conclusion that can be verified using scientific procedures and connects an independent variable to a particular dependent variable. A formal inquiry that the researcher hopes to answer is a research hypothesis.

It can be characterized as a claim or series of claims made as an explanation for the occurrence of a particular group of events, whether the claim is made solely as a provisional conjecture to direct a study or as something that is recognized as highly plausible in light of known facts.

The hypotheses formulated after reviewing the relevant literature will be presented below:

H1a: Reliability have a significant effect on Customer Retention.

H10: Reliability have no significant effect on Customer Retention

H2a: Responsiveness have a significant effect on Customer Retention.

H20: Responsiveness have no significant effect on Customer Retention

H3a: Assurance have a significant effect on Customer Retention

H30: Assurance have no significant effect on Customer Retention.

H4a: Empathy have a significant effect on Customer Retention

H40: Empathy have no significant effect on Customer Retention.

H5a: Tangibility have a significant effect on Customer Retention

H50: Tangibility have no significant effect on Customer Retention.

Empirical literature

Zeithaml et al., 1996 service quality and customer retention in service delivery Company.

Indicate that service quality contributes very strongly to the maintenance of long-term customer relationships. Its impact on customers' commitment was found to be stronger than the impact of trust, which is regarded as a key mediating variable in other business relationships (Morgan and Hunt, 1994). Furthermore, we found that service quality is not only strongly related to customers' affective commitment, but also directly related to their behavioral intentions. This is an important contribution to existing research on service quality. The findings confirm the positive effect that has been frequently found between service quality and customers' retention.

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. In contrast to reliability, which has a negative impact on service loyalty, empathy, assurance, responsiveness, and etc.

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 Asokoro rural bank limited. Service quality dimensions have a significant influence on customer retention

Shaheen Mansori, PhD (2018) The Effects of Product Quality on Customer Satisfaction and Loyalty: Evidence from Malaysian Engineering Industry Durability, Serviceability, Aesthetics, and Perceived Quality are major product quality dimensions. The findings show that the two factors with the greatest influence on customer satisfaction and loyalty are serviceability and perceived quality.

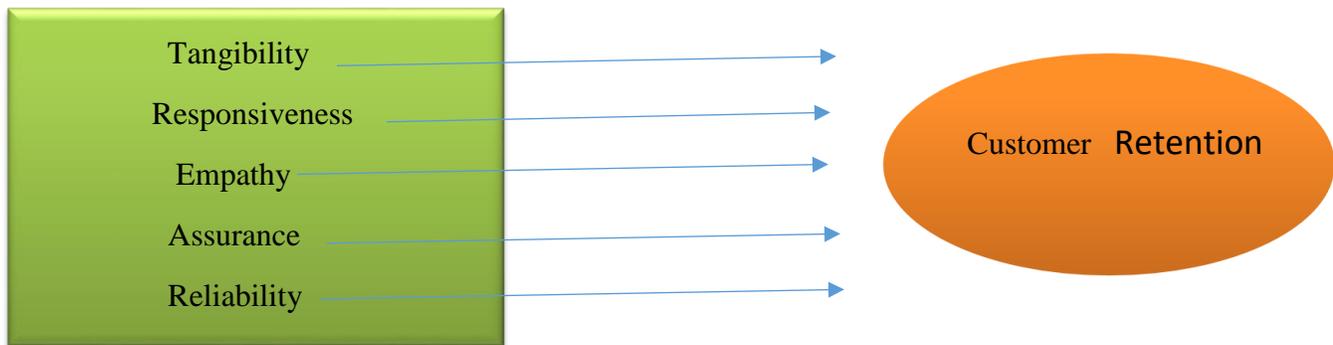
Ernest Emeka Izogo and Ike-Elechi Ogba (2014) Service quality, customer satisfaction and loyalty in automobile repair services sector. The findings demonstrate that customer happiness and loyalty are significantly predicted by service quality dimensions.

Another study by Sureshchandar et al. (2002) assessed the impact of service quality, customer satisfaction, and loyalty on customer retention in the banking industry. The study found that service quality and customer satisfaction significantly influenced customer retention, with service quality having a more significant impact.

Figure 2.1 Conceptual Framework

Independent Variable

Dependent variable



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

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter deals with the research design and methodology that was used to achieve the objectives of the study. Research approach and design, target population, sampling techniques, sample size, source of data, data collection method, data analysis and presentation are discussed. The validity and reliability test of the research and ethical considerations are also addressed in this chapter.

3.1 Research Design

The study used descriptive and explanatory research design. Descriptive research design enables the research to describe the characteristics of service quality and the customer retention. And the explanatory research design was employed to reveal the association between the components of service quality and customer retention

In order to examine factors affecting customer retention practice in the ecommerce industry, the researcher follows quantitative methods to carry out the research. It is quantitative since the researcher has described factors affecting service quality and retention and the extent these factors affect customer retention.

3.2 Research Approach

The researcher used quantitative research approach.

Quantitative research technique involves the calculation and presentation of statistical information and also use numerical scores are calculating by asking their people. Quantitative technique also to make analysis by using tables and charts. Quantitative research is based on the measurement of quantity or amount. It is applicable to phenomena that can be expressed in terms of quantity. It is often regarded as being purely scientific, justifiable, precise and based on facts often reflected in exact figures (Jonker & Pennink, 2010).

The use of formalized standard questions and predetermined response possibilities in questionnaires or surveys that are given to a large number of respondents is also heavily emphasized. Quantitative research's primary objective is to offer decision makers with precise information they can utilize to: (1) create informed predictions about the relationships between market elements and behaviors; (2) gain insightful knowledge about those relationships; and (3) confirm or validate the relationships that already exist.

3.3 Target population, Sample size and sampling Techniques

3.3.1 Target population

The target population of the study where all customers of Tolomart trading PLC. The researcher used this category of population to study the research problem and distributed the questionnaire.

3.3.2 Sample Size

In order to make the feasible and scientific of the research determine sample size for its appropriateness and simplicity to distribute the questioner.

The total study population is 220 of the customers of Tolomart trading PLC. So the samples sizes would be determined by using the following formula: Cochran, W. G, (1997). Sampling theory, Third edition.

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

Where: N= total population

n= sampling size

e= margin of error (e=0.05=5%)

$$n = \frac{220}{1+220(0.05)^2} = 140$$

Using the calculated sample size, the researcher used convenience sampling to select 140 customers as a sample for distributing the questionnaire to the customers of the company to get more information about the service quality and customer retention.

3.3.3 Sampling Techniques

Research used convenience sampling techniques which are a type of non-probability sampling techniques. Where members of the target population meet certain practical criteria such as easy accessibility, availability at a given time or willingness to participate convenience sampling technique is selected because it is affordable, easy and the subjects are readily available. In this study, since customers of the company are the target population and getting sample frame and contacting customer is difficult, convenience sampling technique was found to be appropriate.

3.4 Source of data

The researcher used both primary and secondary sources of data to conduct the research. The Primary data were collected from such as questionnaire from customer of Tolomart trading PLC. Hence, the rationale behind using questionnaire is to get deep information from respondents. The researcher used questionnaire for the customers to allow respondent feel free while they provide information as well as to save time, on the other hand the researcher visited library to review related literature, magazines and other sources of data these are considered as secondary data source.

3.5 Data Collection method

The research used structured type of **questionnaires** for the selected service receiver customers so as to get adequate information from them. structured questions ask respondents to select an answer from a given set of choices (Jonker & Pennink, 2010) that require the respondent to make a choice among a limited number of prelisted responses or scale points; they require less thought and effort on the part of the respondent; also referred to as closed-ended questions.

The survey questionnaires contain two parts. The first part describes the demographic profile of respondents including their gender, age and educational background. The second part contains five factors regarding service quality and retention. It is developed in a five-point Likert scale with a probable response alternative ranging from strongly agree to strongly disagree with values assigned 1-Strongly agree, 2-Agree, 3- Neutral, 4- Disagree and 5- Strongly disagree, was

distributed and collected so as to get first hand data from respondents which are used to measure how strong the factors influence them to stay with a specific service provider.

3.6 Model Specification

In the prior literature, the variables of service quality on customer retention have been explored and studied using a of empirical model.

Correlation and regression analysis will be used to determine whether there are any significant differences in the determinants of the variables, and to provide the appropriate conclusions and recommendations. The study of how one or more variables affect changes in another variable is the focus of regression analysis. Thus, it is an examination of the functional connections between two or more variables (Kothari, 2004).

$$RET = f (REA, RES, ASS, EMP \text{ and } TAN)$$

Where;

RET= Retention

REA = Reliability

RES=Responsiveness

ASS = Assurance

EMP = Empathy

TAN= Tangibility

$$RET = \beta_0 + \beta_1(REA) + \beta_2(RES) + \beta_3(ASS) + \beta_4(EMP) + \beta_5(TAN) + \epsilon$$

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \epsilon$$

Where;

Y- Dependent Variable

X₁ ... X₃ - Independent Variables

β₁, β₂, β₃ ... are coefficients of the independent variables

β_0 = is a constant term (Coefficient of Intercept)

ε - Random Error

3.7 Data analysis and presentation

The analysis was carried out after collecting the necessary data from different sources that are mentioned above. There are different methods of data analysis of the respondents' data. The method was utilized to present data in tables, numbers and percentages to describe the data to make them understandable and sensible. Furthermore, Correlation and regression analysis were employed to examine the relationship between the components of service quality and customer retention.

3.8 Validity and Reliability

3.8.1 Validity

Validity is sometimes known as a construct According to Bhattacharjee (2012), a measure's validity refers to how well it adequately captures the underlying construct that it is intended to measure. According to Hair, Bush, and Ortinau's (2003), the degree to which a research tool fulfills the goal for which it was designed and the veracity to which conclusions drawn from an experiment.

Consumer feedback from Tolomart Trading PLC served as evidence that the data collection tool's information was reliable. As a result, ambiguous words were deleted from the items and their clarity was improved in order to increase the questionnaire's dependability

3.8.2 Reliability

The consistency or dependability of a construct's measure is referred to as reliability. In other words, if the underlying phenomenon is unchanged, do we essentially obtain the same answer every time we use this scale to measure the same construct? Be aware that consistency but not accuracy are necessary for reliability (Bhattacharjee, 2012).

Reliability statistics of each variables

No	Dimension	Number of items	Alpha Value
1	Tangibility	4	.733
2	Reliability	4	.960
3	Responsiveness	4	.944
4	Assurance	4	.973
5	Empathy	4	.849
6	Retention	4	.781

The table above indicates that the 6 variables included in the analysis are highly consistent and reliable in measuring the construct of interest. The high Cronbach's Alpha suggests that the items are strongly correlated with each other and collectively provide a reliable measure of the underlying construct.

Accordingly, the researcher has conducted a pilot test to few respondents to check the measuring questions reliability. Hence, each variables result is >0.7 . Based on the result, the researcher continued to collect data from target respondents.

3.9 Ethical consideration

Ethics is defined by Webster's dictionary as conformance to the standards of conducts of a given profession or group. Ethics is the moral distinction between right and wrong, and what is unethical may not necessarily be illegal (Bhattacharjee, 2012).

In this research the researcher tried her best to follow an ethical path in the collection, analysis and interpretation of the data. In the process of collecting data permission is obtained from customers.

Several important rules of research ethics, including informed permission, anonymity, confidentiality, and disclosure, were followed in this study. Prior to completing the

questionnaire, participants were informed about the purpose of the study and how the information would be treated in confidence. The study would be used only for academic purposes and would not be disclosed to any outside parties, while participants were instructed not to write their names on the survey. They were also aware that if they felt intimidated while completing the survey, they might stop at any time.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

In this chapter the data obtained from the respondents has been analyzed using table and percentage. Total of 100 questionnaires were distributed to respondents from this 90(90%) of them were filled and collected. However, the usable questionnaires were 92 as 20 questionnaires were incomplete and excluded from analysis. The questioner distributed to the customer contained two parts, respondents' personal information and open questions related to service quality and retention in case of Tolomart trading PLC. The first part contained respondent demographic characteristic that used to describe the respondent's characteristics. The second part contained 24 questions that related to the study. These questions include five separate sections. First section deals with questions related to service reliability, second section deals with question employees, the fourth section deals overall customer perceived service quality and the fifth section deals with questions related to customer retention.

	In Number	In Percent
Sample Size	140	100%
Collected	120	85%
Uncollected	20	14%
Completely Filled	92	65%
Disqualified	28	20%

From the above table, out of 140 distributed questionnaire 120 were collected while 20 remain uncollected. Furthermore, from the collected questionnaire, 28 were not filled properly and completely so the analysis is made based on the response obtained from 92.

4.2. Biography of respondents

The analysis would have included 50 male and 42 females' respondent. This indicates most of the company customers are females and most of the respondent's age is included in 18-25 years. This shows most of the company customers are adult while most of the customers education level are degree because this indicate most graduate students are the customers of the company.

Table 4.1: Background of Customer Respondents.

No	Items	description	frequency	percentage
1	Sex	Male	50	54.3%
		Female	42	45.6%
		Total	92	100%
2	Age	18-25	13	14.13%
		26-35	18	19.56%
		36-45	20	21.73%
		Above 46	41	44.56%
		Total	92	100%
3	Level of education	10 complete	7	7.6%
		10-12 complete	10	10.8%
		Diploma	20	21.7%
		First Degree	30	32.6%
		Above	25	27.17%
		Total	92	100%

As show on the table 1, the male and female respondents of customers account for male 50(54.3%) and 42 (45.6%) respectively. This indicates the majority customers of the company are female.

Table 1 item 2 indicates that the age groups of the customer respondents from the total of 92 respondents, 14.13% of them range from 18-25years while 19.56% of them range from 26-35 years while 21.73% of them range from 36-45 the remaining 44.56% of them range from above 46 years.

Besides, the same table item 3 specifies the level of education of customer respondents, out of a total of 92 respondents, 7.6% have completed 10th grade while 10.8% of them are 10-12 completed while 21.7 of them have Diploma, 32.6% have their degree and 27.17% are above respectively.

The table gives an overview of the sample's demographics and reveals that the researchers tried to include a varied group of individuals with a range of origins and educational levels. The data in the table can aid in ensuring that the sample is representative of the larger community and can enhance the generalizability of the study's findings.

4.3. Customer Responses

The following section emphasizes on the presentation and analysis of data gathered from the customers of Tolomart Trading PLC. In addition, some observation of the researcher has also been included.

Table 4.3.1 This table shows about reliability of the company

Question related with Reliability			
	N	Mean	St deviation
1. When the company promises a certain service by a certain time, it does deliver.	92	2.31	1.14
2. When customers have a problem, the company shows genuine interest in solving it.	92	2.21	1.12
3. The company always performs the service right at the first time	92	2.38	1.16
4. The company insists on error-free records	92	2.30	1.14

Overall, the interpretation of the frequency tables indicates that there is a mix of positive and negative perceptions among customers regarding the company's service delivery, problem-solving approach, service quality, and record-keeping practices. The results highlight areas where the company can focus on improving customer satisfaction and addressing any concerns or deficiencies in its operations.

Table 4.3.2 this table show about the company’s responsiveness

Question related with Responsiveness			
	N	Mean	St deviation
5. The company employees tells the customer exactly when service will be delivered	92	2.23	1.13
6 The company employees give the customers a prompt service	92	2.23	1.14
7. The company employees are always willing to help the clients.	92	2.37	1.12
8 The company employees are never too busy to respond to your request	92	2.12	1.16

Overall, the interpretation of the frequency tables indicates that there are areas where the company employees excel, such as willingness to help and providing clear information about service delivery. However, there are also areas where improvements can be made, particularly in terms of promptness of service and responsiveness to customer requests. These findings highlight the importance of addressing customer concerns related to timeliness and availability of company employees to enhance overall customer satisfaction

Table 4.3.3: this table shows about the company’s assurance

Question related with Assurance			
	N	Mean	St deviation
9. You feel safe in all your transactions at the company	92	2.08	1.20
10. In the company, employees are consistently considerate with you	92	2.12	1.19
11. Employees in the company have the knowledge to answer your question	92	2.05	1.19

12. There is willingness and readiness of employees to respond to customers request about service system	92	2.37	1.16
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Overall, the interpretation of the frequency tables reveals areas for improvement in the company's performance. Customers' perception of safety in transactions, consistent consideration from employees, knowledge to answer questions, and responsiveness to requests are areas that require attention and enhancement. These findings highlight the need for the company to focus on training, communication, and customer-centric approaches to ensure a positive and satisfactory customer experience.

Table 4.3.4: this table shows about empathy of the employees

Question related with Empathy			
	N	Mean	St deviation
13. The employees of the company give customers personal attention	92	2.34	1.22
14. The employees understand customers specific needs and wants of the customers	92	2.37	1.22
15. The service providing company has convenient operating hours to its customers	92	2.56	1.14
16. The company has customers' best interest at hearing customers request	92	2.47	1.18

These findings suggest that there is room for improvement in providing personal attention, understanding customer needs, ensuring convenient operating hours, and demonstrating a commitment to customers' best interests. The company should focus on enhancing customer service practices, fostering a customer-centric approach, and addressing any gaps identified in order to meet customer expectations and enhance customer satisfaction.

Table 4.3.5: this table shows about Service Tangibility

Question related with Tangibility			
	N	Mean	St deviation
17. Call center are well trained are well trained and educated about the service	92	2.34	1.22
18. Applications are both available on both Appstore and play store	92	2.37	1.16
19. The company delivers superior service in every way	92	2.19	1.34
20. The website facilities are visually attractive	92	2.247	1.18

These findings suggest that there may be areas for improvement in terms of the training and knowledge of call center employees, accessibility of applications on different platforms, convenience of delivery locations, and visual attractiveness of the website facilities. The company should consider addressing these areas to enhance customer experience and satisfaction.

Table 4.3.7: this table shows about Customer Retention

Question related Customer Retention			
	N	Mean	St deviation
21. The company completely meets your expectations.	92	2.34	1.22
22. The company satisfies needs and wants of their customers and delivers prompt service with its modern technology	92	2.37	1.16
23. You are satisfied with the waiting time to get the service delivered	92	3.06	0.99
24. You are satisfied with the payment transaction at the company	92	2.56	1.18

These findings suggest that while a considerable number of respondents are satisfied with the company meeting their expectations, satisfying their needs, and delivering prompt service with modern technology, there are still areas of concern. Waiting time for service delivery and payment transaction satisfaction require attention from the company to improve customer satisfaction and address any existing gaps.

Descriptive Statistics

	Mean	Std. Deviation	N
retention	2.46	2.13	92
reliability	2.30		92
responsiveness	2.20	2.70	92
assurance	2.13	2.17	92
empathy	2.38	2.14	92
tangibility	2.32	2.31	92

Source: Own Survey, 2023

Overall, these statistics provide an overview of the respondents' perceptions of various factors related to retention, reliability, responsiveness, assurance, empathy, and tangibility. The mean values indicate the average ratings for each variable, while the standard deviations give an indication of how much the responses vary from the mean. The sample size of 92 indicates the number of observations available for each variable.

Table 4.3.8 correlation value of coefficient

Value of coefficient Relation between variables

0.70-0.90	Very strong association
0.50-0.69	Substantial association
0.30-0.49	Moderate association
0.10- 0.29	Low association
0.01-0.09	Negligible association

Source: Alwadael (2010)

Correlation

		retention	reliability	responsiveness	assurance	empathy	tangibilit y
Pearson Correlation	retention	1.000	.942	.919	.954	.931	.945
	reliability	.942	1.000	.956	.940	.951	.935
	responsiveness	.919	.956	1.000	.957	.967	.931
	assurance	.954	.940	.957	1.000	.952	.963
	empathy	.931	.951	.967	.952	1.000	.918
	tangibility	.945	.935	.931	.963	.918	1.000
Sig. (1-tailed)	retention	.	.000	.000	.000	.000	.000
	reliability	.000	.	.000	.000	.000	.000
	responsiveness	.000	.000	.	.000	.000	.000
	assurance	.000	.000	.000	.	.000	.000
	empathy	.000	.000	.000	.000	.	.000
	tangibility	.000	.000	.000	.000	.000	.
N	retention	92	92	92	92	92	92
	reliability	92	92	92	92	92	92
	responsiveness	92	92	92	92	92	92
	assurance	92	92	92	92	92	92
	empathy	92	92	92	92	92	92
	tangibility	92	92	92	92	92	92

All variables have strong positive correlations with the retention variable. The correlation coefficients range from .919 to .954, indicating a strong linear relationship.

The significance levels (p-values) for all correlations are .000, which means that all correlations are statistically significant at the conventional threshold of .05.

The sample size (N) is 92 for each correlation coefficient, indicating that there are 92 observations available for the analysis.

Overall, these results suggest that there is a strong positive relationship between the variables, indicating that higher ratings in one variable tend to be associated with higher ratings in other variables. This implies that customer' perceptions of retention, reliability, responsiveness, assurance, empathy, and tangibility are closely related and tend to influence each other.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	200.364	5	40.073	258.707	.000 ^b
	Residual	13.321	86	.155		
	Total	213.685	91			

a. Dependent Variable: retention

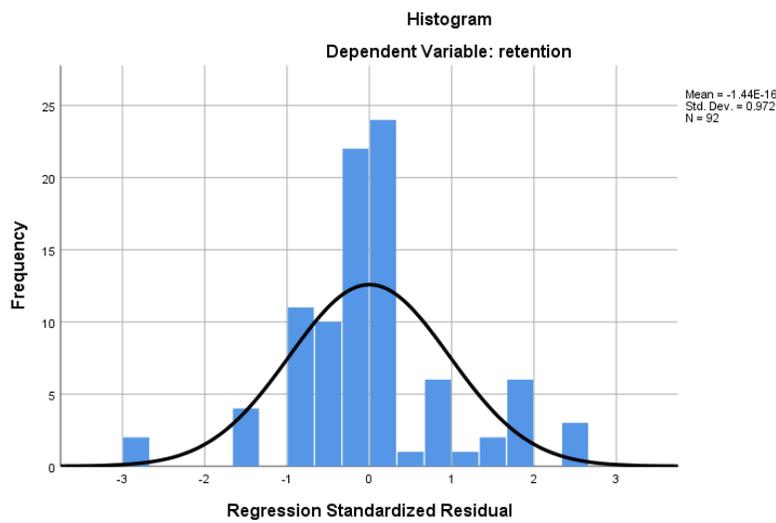
b. Predictors: (Constant), tangibility, empathy, reliability, responsiveness, assurance

- The regression component of the model explains a substantial amount of the variability, as indicated by the relatively large sum of squares (200.364) and the mean square (40.073). This means that the predictors collectively account for a significant portion of the differences observed in the retention variable.
- The F-value of 258.707 further supports the significance of the regression model. The F-value compares the mean square of the regression component to the mean square of the residual component (unexplained variability). A high F-value suggests that the explained variability is much larger than the unexplained variability.
- The p-value (Sig.) of .000 is below the conventional threshold of .05, indicating that the regression model is statistically significant. This means that the probability of obtaining such a strong relationship (or a stronger one) between the predictors and the dependent variable by chance alone is very low.

In conclusion, the results suggest that the combination of tangibility, empathy, reliability, responsiveness, and assurance significantly influences the retention variable. These predictors

collectively contribute to explaining the observed differences in retention, providing valuable insights for understanding and potentially improving retention in the given context.

Normality Test:



It can be shown in the figure above the histogram indicating that the data confirms that almost there was no serious violation of the normality assumption. Because residuals followed a straight line provides evidence of no gross violation of the assumption of normality and the histogram is almost bell-shaped.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Durbin-Watson	
						F Change	df1	df2		
1	.868 ^a	.738	.734	.39357	.938	258.707	5	86	.000	.584

a. Predictors: (Constant), tangibility, empathy, reliability, responsiveness, assurance

b. Dependent Variable: retention

- The regression model has a high R Square value of .738, indicating that the predictors (tangibility, empathy, reliability, responsiveness, assurance) explain a significant portion of the variance in the dependent variable (retention).
- The Adjusted R Square value of .734 considers the number of predictors and provides a slightly more conservative estimate of the proportion of variance explained.
- The Std. Error of the Estimate of .39357 represents the average distance between the observed retention values and the predicted values from the regression model.
- The Change Statistics indicate that adding the predictors to the model resulted in a substantial increase in R Square (from .738 to .738) and a significant F statistic of 258.707.

In summary, the Model Summary table suggests that the regression model has a strong fit and the predictors (tangibility, empathy, reliability, responsiveness, and assurance) are significantly associated with the retention of customers.

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error				Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
	Beta											
1 (Constant)	.128	.110		1.164	.248	.347	.091					
reliability	.472	.123	.409	3.837	.000	.227	.716	.942	.382	.103	.064	15.700
Responsiveness	.481	.161	.386	2.995	.004	.800	.162	.919	.307	.081	.044	22.935
assurance	.569	.152	.503	3.740	.000	.267	.871	.954	.374	.101	.040	24.933
empathy	.282	.151	.224	1.868	.045	.018	.582	.931	.197	.050	.050	19.904
tangibility	.257	.121	.231	2.136	.036	.018	.497	.945	.224	.058	.062	16.172

A, Dependent Variable: retention

Constant: The constant term in the regression equation is 0.128. This represents the expected value of the dependent variable (retention) when all predictor variables are set to zero. In this case, it indicates the expected retention when all predictor variables have a value of zero.

Reliability: The coefficient for reliability is 0.472. This means that for every one unit increase in the reliability score, the expected value of the retention variable increases by 0.472 units, holding all other variables constant. The standardized coefficient (Beta) of 0.409 suggests that reliability is a significant predictor of retention, and it has a moderate positive impact on retention.

Responsiveness: The coefficient for responsiveness is 0.481. This indicates that for every one unit increase in the responsiveness score, the expected value of retention increases by 0.481 units, while holding other variables constant. The standardized coefficient (Beta) of 0.386 suggests that responsiveness also has a significant and moderate positive impact on retention.

Assurance: The coefficient for assurance is 0.569. This means that for every one unit increase in the assurance score, the expected value of retention increases by 0.569 units, holding other variables constant. The standardized coefficient (Beta) of 0.503 indicates that assurance has a significant and relatively strong positive impact on retention.

Empathy: The coefficient for empathy is 0.282. This implies that for every one unit increase in the empathy score, the expected value of retention increases by 0.282 units, while keeping other variables constant. The standardized coefficient (Beta) of 0.224 suggests that empathy has a significant but relatively weaker positive impact on retention compared to the other variables.

Tangibility: The coefficient for tangibility is 0.257. This means that for every one unit increase in the tangibility score, the expected value of retention increases by 0.257 units, holding other variables constant. The standardized coefficient (Beta) of 0.231 indicates that tangibility has a significant but relatively weaker positive impact on retention compared to the other variables.

Overall, these results suggest that reliability, responsiveness, assurance, empathy, and tangibility are all significant predictors of retention. Among them, assurance has the strongest impact, followed by reliability, responsiveness, empathy, and tangibility. These findings can help in understanding which factors have the most influence on the retention of customers or employees, depending on the context of the analysis.

The regression equation shows the model developed based on the analysis, including the constant term and the coefficients for each predictor variable. This equation allows for the prediction of retention based on the values of the predictor variables.

In summary, the Coefficients table provides information about the relationships between the predictor variables (reliability, responsiveness, assurance, empathy, and tangibility) and the dependent variable (retention). These relationships are statistically significant, indicating that these predictors have a significant impact on retention.

4.5 Regression Equation:

4.5.1 Model of the Study

Based on the analysis, the below model was developed.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

$$Y = 0.128 + 0.409(\text{REA}) + 0.386(\text{RES}) + 0.503(\text{ASS}) + 0.224(\text{EMP}) + 0.231(\text{TAN}) + \epsilon$$

RET = Retention

REA = Reliability

RES = Responsiveness

ASS = Assurance

EMP = Empathy

TAN= Tangibility

4.6 Hypothesis Test

H₁: Reliability have a significant effect on consumers' buying behavior.

The results show that the sig. (0.000) t value of 3.83 then H₀ is rejected and H₁ is accepted. Thus, it can be concluded that reliability have significant effect on consumer retention.

H₂: Responsiveness have a significant effect on consumers retention.

The results show that the sig. (0.04) t value of 2.995 then H₀ is rejected and H₁ is accepted. Thus, it can be concluded that responsiveness has significant effect on consumer retention.

H₃: Assurance have a significant effect on consumers' buying behavior

The results show that the sig. (0.000) t value of 3.474 then H₀ is rejected and H₁ is accepted. Thus, it can be concluded that assurance have significant effect on consumer retention.

H₄: Empathy have a significant effect on consumers' buying behavior

The results show that the sig. (0.065) t value of 1.86 then H₀ is rejected and H₁ is accepted. Thus, it can be concluded that empathy has significant effect on consumer retention.

H₅: Tangibility as have a significant effect on consumers' buying behavior

The results show that the sig. (0.036) t value of 2.136 then H₀ is rejected and H₁ is accepted. Thus, it can be concluded that tangibility has significant effect on consumer retention.

- **H₁: Reliability:** According to several research, reliability is a significant aspect in client retention. For example, Zeithaml et al. (1996) discovered that reliability was the most important service quality attribute in predicting customer satisfaction and loyalty. Another study, conducted by Parasuraman et al. (1988), discovered that reliability was a significant determinant of client loyalty in business.
- **H₂: Responsiveness;** It has been discovered that response time is a key element in retaining customers. For instance, a study conducted in the hotel business by Cronin and Taylor in 1992 indicated that responsiveness was a strong predictor of customer satisfaction and loyalty. In a similar vein, a study by Sureshchandar et al. (2002) discovered that responsiveness was an important factor in fostering client loyalty in the retail sector.
- **H₃: Assurance** is a crucial aspect of service quality that has been shown to affect client retention. For instance, a study by Parasuraman et al. (1985) discovered that assurance played a significant role in client loyalty and satisfaction in the banking sector. Assurance was found to be a strong predictor of client loyalty in the healthcare sector, according to a different study by Dabholkar et al.
- **H₄: Empathy** has also been discovered to be a key element in customer retention. For instance, a study by Matzler et al. (2004) discovered that empathy was a significant predictor of client loyalty in the hotel industry. Likewise, a study by Grönroos (1994) discovered that empathy was a key element in client satisfaction and loyalty in the service industry.
- **H₅: Tangibles** lastly, it has been discovered that tangibles have an impact on client retention. For instance, a study conducted in the banking sector by Parasuraman et al. (1988) discovered that tangibles were a major factor in fostering customer loyalty. (2000) revealed that tangibles were a strong predictor of client loyalty in the healthcare sector. Dabholkar et al.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

The conclusions and suggestions made in this chapter are based on the study and fundamental discoveries regarding the factors that affect service quality and customer retention at Tolomart Trading PLC. Researchers come to varied conclusions on the factors that affect service quality and retention and base their conclusions on their findings. The study would conclude and make the following suggestions:

5.1 Summary of Major Finding

The major findings of this research are as follow: -

- It is confirmed that the dimensions of service quality vary in driving customer retention
- Reliability, Responsiveness, Tangibility, Empathy, Assurance are found to be determining Service quality and customer retention at Tolomart trading PLC.

The correlation analysis of the study shows positive and significant relationship between all independent variables and dependent variable. There was a strong positive relationship between the dependent variable (consumer retention) and the five independent variables namely Reliability, Responsiveness, Tangibility, Empathy, Assurance.

Hypothesis result shows that reliability have a sig. (0.000) t value of 3.83 then H_0 is rejected and H_1 is accepted. Thus, it can be concluded that reliability have significant effect on consumer retention. And also, the hypothesis result of responsiveness have a sig. (0.04) t value of 2.995 then H_0 is rejected and H_1 is accepted. Thus, it can be concluded that responsiveness has significant effect on consumer retention.

The outcome of empathy have the sig. (0.065) t value of 1.86 then H_0 is rejected and H_1 is accepted. Thus, it can be concluded that empathy has significant effect on consumer retention.

The results show that the sig. (0.036) t value of 2.136 then H_0 is rejected and H_1 is accepted. Thus, it can be concluded that tangibility has significant effect on consumer retention. And

assurance have the sig. (0.000) t value of 3.474 then H_0 is rejected and H_1 is accepted. Thus, it can be concluded that assurance have significant effect on consumer retention.

Close ended questionnaires given to Tolomart Trading PLC consumers were used to gather the study's findings. The level of client retention as a result of service quality was investigated by the researcher. Using the study's findings as a basis, the following conclusions are made.

Descriptive analysis revealed that most respondents fall in the age group of below 18- 46 and above. Concerning their education, about 37.5% of the sample respondents have attained at attend above first degree.

5.2 Conclusion

The goal of this study is to determine how Tolomart Trading PLC's service quality and customer retention are impacted by reliability, responsiveness, tangibility empathy, and assurance. The study's primary goal was to scientifically evaluate the connection between service quality and customer retention at Tolomart Trading PLC.

According to the research, reliability, responsiveness, tangibility, empathy, and assurance are crucial elements that can improve the quality of the service and keep customers loyal to the business. The study demonstrates how customer retention is impacted by service quality.

Customers who receive high-quality service from a business will not only keep their accounts with the business but also feel at ease referring relatives and friends to it. As a result, businesses that wish to succeed must concentrate on keeping customers happy by providing high-quality goods and treating people how they want to be treated. As a result, businesses should provide exceptional service to keep consumers because doing so helps them build solid relationships with all of the customers who may have an impact on them directly or indirectly.

From the study, it was confirmed that the dimensions of service quality vary in driving customer retention. This indicates that improvements of service quality should be conducted on all the five service quality dimensions. This study also found a positive relationship between all service quality dimensions and customer retention. Accordingly, the results of this research paper

confirmed the theory of literatures regarding the relationship between service quality dimensions and customer.

At the company, it was discovered that reliability, responsiveness, tangibility, empathy, and assurance were factors in determining service quality and client retention. Service quality has a favorable and considerable impact on customers' retention, as was stated in the analysis section.

This study found that the all major determinants of service quality were positively and significantly associated with service retention in Tolomart trading.

Regarding whether or not dissatisfied customers intend to switch to other companies, the result revealed indicates a weak relationship in between customer quality and switching intentions.

5.3. Recommendation

The customer is one of the vital assets for business regardless of its nature and size. Business that lacks this important asset may face the difficulty that operational income is less than operational cost; business losing customers may confront the problem of a profit decline. Several studies have shown that improving service quality and customer retention results in better financial performance for business.

Based on the findings of the study and conclusions reached the following recommendations are forwarded.

Customers place more emphasis on factors like reliability, responsiveness, assurance, empathy and tangibility. Therefore, such factors should be considered seriously by Tolomart, designing their marketing strategies by widening their delivery destinations and providing good customers services to customers.

The company should exert its utmost effort to meet customers' expectation up to the standard. The dimensions of service quality as presented in the analysis vary in the degree they influence service quality and retention. The most important drivers of service quality are assurance, empathy, reliability, responsiveness and tangibility.

The company employees should be imparted with a knowledge and skill that would enable them to accomplish their activities in the desired way. Besides, the behaviors of employees have to be shaped in a way that can satisfy the customers of the company. This could be ensured through both training and pursuing appropriate motivational techniques. But, when designing the training sessions care must be taken to address the dimensions according to their order as they are prioritized in the findings. The need to keep up quality services rendered to customers upon its request promptly and paying individual attention to the views of customers, their needs and problems may encounter to reach the higher level of service.

It is preferable to implement cutting-edge tools, supplies, and networking systems that would facilitate and guarantee prompt service quality within the business, hence boosting client retention and contentment.

The most crucial elements that affect client and retention at Tolomart Trading PLC are reliability, responsiveness, assurance, empathy, and tangibility. However, the results demonstrated that the amount to which the independent variables affect the dependent variable varies. These suggest that various levels of focus should be placed on the determinants. Quality should be the cornerstone of the company's strategy because it is a skill that not all businesses excel at. In order to provide high-quality service, management must be very committed to planning, leading, implementing, and following up in a way that leads to the development of a corporate culture that internalizes a quality orientation in all its activities.

Every employee of the company must accept responsibility for serving customers by establishing high standards and upholding those standards in order for consumers to continue to be satisfied. Customers should not only be held to the standards of other businesses providing comparable services, but also of the top service providers overall. Additionally, the business should create a culture that supports its employees' adoption of the "right first time" mentality, which could lead to increased customer loyalty.

It is clear that consumer behavioral intentions in the service industry are explained by a multidimensional construct of service quality. Therefore, in order to increase service quality,

management of the organization needs to be aware of the necessity of incorporating all service-quality aspects.

5.4. Future Implication

Since the study's findings are only dependent on the impressions of its participants, future researchers who are interested in this topic may find it useful to investigate how consumer and service provider perceptions compare. The industry will have a better understanding of whether consumers and businesses share the same views on matters pertinent to firm selection criteria as a result of this. Future studies should focus on the choice between private and public companies in patronage situations, as well as the corporate image aspects that customers perceive as relevant to their selection decision.

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Appendix

Questionaries'

I am currently conducting a research entitled “THE ASSESEMENT OF SERVICE QUALITY AND CUSTOMER RETENTION PRACTICE IN CASE OF TOLOMART TRADING PLC” as a particular fulfilment of our course requirement for the subject particularly research II in saint Mary school of graduate in Addis Ababa, Ethiopia. In this light I am kindly requesting your time and effort to go through this questionaries' as your response will very much help full in achieving the purpose of the research. Rest assured that the information that you are providing will be kept confidential and will be used for the research purpose only. Thank you in advance!!

- ✓ No need to write your name
- ✓ For close question place tick mark (✓) on Strongly agree, Agree, Neutral, Disagree or Strongly disagree

PART ONE: Demographic characteristics of customers.

1. Sex?

A, male B, female

2. Age?

A, 18-25years B, 26-35years

C, 36-45years D, above 46 years

3. Level of education?

A, 10 Complete B, 10/12 Complete C, Diploma

D, First Degree E, and above

Questionnaire for customer	Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
Question related with Reliability					
1. When the company promises a certain service by a certain time, it does deliver.					
2. When customers have a problem, the company shows genuine interest in solving it.					
3. The company always performs the service right at the first time					
4. The company insists on error-free records					
Question related with Responsiveness					
5. The company employees tells the customer exactly when service will be delivered					
6 The company employees give the customers a prompt service					
7. The company employees are always willing to help the clients.					
8 The company employees are never too busy to respond to your request					
Question related with Assurance					
9. You feel safe in all your transactions at the company					
10. In the company, employees are consistently considerate with you					
11. Employees in the company have the knowledge to answer your question					

12. There is willingness and readiness of employees to respond to customers request about service system					
Question related with Empathy					
13. The employees of the company give customers personal attention					
14. The employees understand customers specific needs and wants of the customers					
15. The service providing company has convenient operating hours to its customers					
16. The company has customers' best interest at hearing customers request					
Question related with Tangibility					
17. Call center are well trained and educated about the service					
18. Applications are both available on both Appstore and play store					
19. The company delivers superior service in every way					
20. The website facilities are visually attractive					
Question related Customer Retention					
21. The company completely meets your expectations.					
22. The company satisfies needs and wants of their customers and delivers prompt service with its modern technology					
23. You are satisfied with the waiting time to get the service delivered					
24. You are satisfied with the payment transaction at the company					