

Addis Ababa University School of Commerce

THE INFLUENCE OF LOGISTIC MANAGEMENT ON SERVICE QUALITY EFFECTIVENESS AND CUSTOMER SATISFACTION

A CASE OF ADDIS INTERNATIONAL BANK.



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A Thesis Submitted to the School Of Graduate Studies of Addis Ababa University School of Commerce in Partial Fulfillment of the Requirement for the Degree of Masters of Art in Logistic and Supply Chain Management.

Adviser: Delessa Daba (PhD)

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Board of Examiners Approval Sheet

Addis Ababa University School of Commerce

The Influence of Logistic Management on Service Quality
Effectiveness and Customer Satisfaction:

A Case of Addis International Bank

By Yishak Muzeyin

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Declaration

I, Yishak Muzeyin declare that this work entitled “The Influence of Logistic Management on Service Quality Effectiveness and Customer Satisfaction a case of Addis International Bank’, is outcome of my own effort and study and that all sources of materials used for the study have been duly acknowledged. I have produced it independently except for guidance and suggestion of the Research Adviser

This study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of MA in Logistic and Supply Chain Management.

By Yishak Muzeyin

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Date_____

Statement of Certificate

This is to certify that Yishak Muzeyin Seid has carried out this research work on the topic entitled, “The Influence of Logistic Management on Service Quality Effectiveness and Customer Satisfaction a case of Addis International Bank” for the partial fulfillment of Masters of Arts in Logistics and Supply Chain Management at Addis Ababa University School of Commerce. This study is an original work and not submitted earlier for any degree either at this University or any other University and is suitable for submission of Master Degree in Logistic and Supply Management

Advisor: Delessa Daba (PhD)

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Acronyms

SPSS	Statistical Package for Social Science
LSQ	Logistic Service Quality

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Abstract

This thesis paper makes an investigation on the influence of logistic management on the service quality effectiveness and customer satisfaction in a case of Addis international bank. The main objective of this paper is to assess the extent of logistic management practice in Addis international bank, to determine the influence of logistic management practice on service quality effectiveness and to measure the extent of the bank's service quality and customer satisfaction using the five service quality dimensions of SERVQUAL model. In order to undertake this research, a sample size of 99 customers and the whole employee (i.e. 42) of the human resource and facility management department of Addis international bank were taken. Primary type of data was collected with the help of questionnaires. Additionally, secondary data was also gathered using previous research works in the sector and different documents. The collected data was analyzed using SPSS version 20 correlations and liner regression in order to examine the relationship between the logistics management practice and the bank service quality and customer satisfaction. Finally the research comes up with the following findings. There is a positive statistical relationship between logistic management and service quality of the bank however the strength of the relationship is weak. The evidence from this study indicates that Addis international bank has a problem of Service quality and customer satisfaction. The main reason behind this poor performance was not related to the logistics management practice as it evidenced form the research finding the extent of the bank logistic management shows a positive result that the bank have good logistic management practices. Therefore the research recommended that the bank should make further research regarding to logistic management practice, the factors of customer satisfaction and service quality with incorporating other variables and with expanding the scope.

Keywords: Logistic Management Practice; Service Quality Effectiveness; Customer Satisfaction

CHAPTER ONE

1. Introduction

1.1. Background of the Study

Previously, logistics is mainly looked at as a costs generator. This traditional logistics comprehension started changing at the end of twentieth century, since the logistics researches based on marketing principles started analyzing logistics management abilities to achieve greater degree of customer satisfaction through services quality. Through service quality: market share is increased, effective system based on customer feedback is created, positive impact on customer satisfaction and loyalty is provided and competitive advantage is achieved in many segments and parts of market. Today, many companies use logistics as competitive advantage on market, mostly because of visible and material service and the impact on end-user and customer Rafele (2004). So for example, Novack and others (1994) state that logistics services and processes can successfully be used for creation of quality service, new value for customer and service provider.

However, in past, this problem wasn't given necessary attention. According to Rafele (2004), Traditional logistics research approach is concerned with study of stock levels, objects' location, and business logistics network design. Less attention is given to service quality and customer satisfaction and this paper defines framework for research of relation between service quality, satisfaction and logistics management.

In today increasingly competitive environment, quality service and customer satisfaction are critical to corporate organizations. Delivering high quality service is linked to increased profits, cost savings and corporate image. Customer satisfaction is the route to sustained high performance. Organizations should be aware of the fact that customer dissatisfaction leads to defection and long term losses. Ensuring quality customer service is everybody's business in the organization. However, it is the top management responsibility of creating an environment that fosters customer driven services in a customer oriented organization Brady, M.K, & J. Cronin, (2001).

Logistic according to Rushton, Croucher and Baker (2010) is a concept based on total system view of the materials good and service flow activity from the source of supply through to the final point of consumption. The interconnectivity and interrelationship it provides in the production of

manufacturing and merchandising business make it an essential tactical and strategic tool for manufacturing outfits and bulk-haulage firms Rushton, Croucher and Baker (2010).

The significance of logistics management cannot be overemphasized as it influences not only the way resources are transferred between different production units/division in an organization but more significantly as a determinant for service quality in the organization, no organization can operate efficiently without some elements of supply chain and logistics management; both of which are needed to tie-up loose-ends in productive activities. In a typical commercial bank branch-network, physical cash, stationery, equipment, furniture and personnel must inevitably be moved from certain sources to different destinations. Rising branch network and widespread adoption of information technologies rather than eliminate this has enhanced the requirement for careful- planning of resource-movements between points and reinforces the need for better arrangement that will ensure communication smoothing and seamless resource transfer between head-offices, branches and clients locations Rushton, Chroucher and Baker (2010).

Most of the researches conducted on logistic management studies at best do not connect banking practices with logistics management for instance, Vincent (2015), Fekadu, (2013) and Chase, (2002). It is essential that the quality of the services are related to the quality of the supply chain and by implication efficiency of the logistic arrangement designed for controlling operations in service businesses like deposit – money banks. The need for service quality using this approach has not been given the kind of attention it deserves. This paper explores the possibility of bridging this study gap.

The very challenging supply chain and logistics problem of having non-counterfeit cash available at the right time, in the appropriate quantity and quality, securely, and affordably is the common issues in Ethiopian banking. This dissertation presents supply chain and logistics tools and models to increase the cost-efficiency, cash availability, and security of managing cash inventories and deliveries.

The Ethiopian banking industry has undergone many changes in terms of service delivery with the aim of improving the quality of customer service. The past few years have also seen a phenomenal growth in the Ethiopian banking sector which has led to intense competition among the industry players. The phenomenal growth in the sector has called for a new approach to quality service to build strong customer relationship where the banks extend their strategic focus to largely

concentrate on the customer as the driver of business. Effective service quality management therefore has become a key driver to sustenance and growth of every player in the industry Gidey (1987).

In the service industry however many businesses especially Ethiopian institutions like banks have not recognized the impacts that commitment of reasonable resources into logistic management can make to the achievement of strategic goals. For instance annual reports and accounts of many Ethiopian banks indicated significant financial commitment into operational expenses such as marketing, information technology, personnel training and development. Logistic functions in many of these banks are perceived merely as isolated acts concerned mainly with the movement of physical items from the point of conception to the point of consumption rather than all embracing acts of articulated planning and coordination associated with delivery of quality service to clients, researcher (2017).

It is therefore important that to study the relationship between the logistic system and service quality to enable the bank compete in the market. In recent times the banking environment has been keenly competitive and therefore requires the players to be more skilful in their strategic approach to meet the growing demands of customers. Effective management of customer relationships is believed to be means in the approach of winning and maintaining customers.

1.2. Statement of the Problem

The customer is supposed to be regarded as the most important factor in the banking industry and other industries in the economy. That is why it appears the principle that the “customer is always right” is to all employees in any organization to enable them to satisfy the customer at all times. Customer satisfaction and services quality are most important element in achieving organizational goals. Organization tries to have constant satisfied with the service by provided by it. Because of, service quality play pivotal role in determining customer satisfaction. High customer expectation and intensifying violent competition is macro environment demand surround the financial services industry. These emphasize the need for high quality performance and services excellence in all aspects of the banking industry McDaniel and Hair (2006).

Effective supply chain and logistics management practices in organizations require total understanding of the day to day transactions to collaborate trade chain and the practices enabling

supply chain and logistics facilities and direct organizational performance Rushton, Croucher and Baker (2010). This has not been the case in the banking industry especially in Ethiopia in the recent past. In modern banking sectors, supply chain and logistics is an important business integration technique which creates a strategic advantage for the organization.

According to Gidey (1987) the expansion and growth trend in the Ethiopian banking sector has resulted in the deployment of new technologies; equipment and other facilities to enhance operational efficiency. Apart from other resources, Ethiopian banks handle for its routine activities the supply-chain of its cash resources either in transit or in-situ (Sorting) operations all of which are influenced by the efficiency of its logistics management. According to Fekadu (2013) without distinctive units charged with the responsibilities for the movement of resources one is tempted to enquire how effective is the process of logistics management designed to mobilize such resources and facilities from the points of origin to the points of usage.

The core and critical challenge mostly experienced by various banks in Ethiopia include application of ineffective logistic practices and procedures. Generally quality of service associated with resource-movement from the sources to their areas/ destinations of needs will have effects on a firm's 'bottom-line'. The extents of such influence depend largely on the effectiveness of the organization's logistics management and the quality of the supply chain system Rafele (2004).

The imperatives of logistic management, according to Rafele (2004) are that it makes available the right product, in the right quantity to the right customers at the right place and at the right time and cost. Several studies have focused on supply chain and logistics practices in processing and manufacturing sectors and logistic providers firms. For instance Studies by Fikadu (2013), own (2015) and Vincent, (2015) have found varied impacts of supply chain and logistics on organizational performance. Elizabet (2006) and Milan (2012) have found the role of logistic on the customer loyalty in the logistic firm, However, the supply chain and logistics management within the banking sector has not got the necessarily attention and no emphasis has been made on the best practices and their effects on service quality. It is out of these existing research gaps that more information is need to understand the influence of logistic management towards service quality effectiveness in Addis International Bank. It is against this backdrop that the study thus strove to bridge the gap between Logistic management practice and bank service quality by evaluating the relationship between the Logistics practice and the service quality.

1.3. Research Questions

This paper introduces the influence of logistic management practice on service quality effectiveness and customer satisfaction. In order to investigate these, three questions were addressed through this research.

1. How is the extent of logistic management practice in Addis International Bank
2. What is the influence of logistic management practice on the effectiveness of quality service delivery in Addis international Bank
3. How is the extent of the bank service quality and customers satisfaction ranked by the bank customers (through measuring the five service quality dimensions of SERVQUAL Model?)

1.4. Objectives of the Study

The objective of this study is to investigate the influence of logistic Management practice on the services quality effectiveness and customer satisfaction in a case of Addis International Bank.

1.4.1. Specific Objectives of the Study

In addition of attaining the general objective, the study has the following specific objectives:

1. To assess extent of logistic management practice in Addis international bank
2. To determine the influence of logistic management practice on the effectiveness of quality service delivery in Addis international Bank
3. To measure the extent of the bank's service quality and customer satisfaction using the five service quality dimensions of SERVQUAL model?

1.5. Significance of the Study

The study primarily serves as a catalyst for other studies into the field of Quality Service in Ethiopia, especially the banking and financial sector that has seen intense competition. It is hoped that the information I gathered from this research would be of benefit to corporate bodies, academia and researchers in general. It motivates other researcher to perform study on the so far untouched area of the topic and the research afforded the management of Addis International Bank another opportunity to critically evaluate their Service strategy and make the necessary changes to it. Again it also afforded the customers the opportunity to see themselves as partners of the bank.

1.6. The Scope of the Study

This is an area of study that would be more fruitful if it was conducted widely by including other financial institutions. But due to several constraints like time and cost, the study would be limited to firstly, a single company: - Addis International Bank in Addis Ababa region, secondly, the study is limited to the logistics management influence on service quality effectiveness and customer satisfaction dimension only and finally The study targeted only Employees of Addis International Bank and customers who are both account holder and ATM cared user in Addis Ababa only.

1.7. Organization of the Report

This dissertation was organized in to five chapters: The first chapter is presenting the introduction, background of the study, statement of the problem, objective of the study, specific objectives, research questions, significance and the scope of the study. The second chapter is presenting reviews related literature that underlines this study. Third chapter is presenting method of the study, which include: research variables, research strategy and design, data type and source, designing of the questionnaires, target population, sample size determination, sampling techniques, data analysis, procedure of data collection, source tools, reliability test and ethical consideration. Chapter four is presenting result and discussion. Finally, Chapter five is dealing with summary, conclusion and recommendation.

CHAPTER TWO

2. Review of Related Literature

2.1. Theoretical Literature

2.1.1. Definition of Logistics

According to Rushton, Croucher and Baker (2010) “Logistics is the process of planning, implementing and controlling the efficient and effective flow of goods, services and related information from point of origin to point of consumption in order to meet customer requirements”.

2.1.2. Operating Objectives of Logistics

Rapid response is concerned with a firm’s ability to satisfy customer’s requirement in a timely manner. Instead of stocking the goods and supplying on demand, orders are executed on shipment-to-shipment basis. Here IT helps to postpone the logistical operations to the latest possible time and then execute rapid delivery as when needed by customer Heizer and Brender, (2006).

1. **Minimum Variance:** Variance is any unexpected event that disrupts system. Logistical operations are disrupted by events like delays in order receipt, disruption in manufacturing, goods damaged at customer’s location and delivery to an incorrect location etc. Traditional solution to deal with variance was to keep safety stock or use high cost transportation. Such practices were expensive and risky and thus have been replaced by information technology to achieve positive logistics control Heizer and Brender, (2006).
2. **Minimum Inventory:** The objective of minimum inventory involves asset commitment and inventory turnover. Asset commitment is the financial value of inventory developed throughout the logical system and inventory turnover is the rate of inventory usage over time. The objective is to reduce the inventory without sacrificing customer satisfaction Heizer and Brender, (2006).
3. **Movement Consolidation:** One of the most significant logistical costs is transportation. Transportation cost depends on type of product, size of shipment and distance. Movement consolidation means grouping small shipments together in order to reduce transportation cost Heizer and Brender, (2006).

4. **Quality Improvement:** Logistics is a prime part of developing and maintaining continuous Total Quality Management improvement. If the quality of product fails, logistics will have to ship the product out of customer's premises and repeat the logistical function again. This adds to cost and customer dissatisfaction Heizer and Brender, (2006).
5. **Life-Cycle Support:** Life cycle support is also called cradle-to-cradle logistical support. It means going beyond reverse logistics and recycling to include the possibility of after sale services, product recalls and product disposal. This means that firms must consider how to make a product and its package (cradle) and the how to remake and reuse them (to cradle) Heizer and Brender, (2006).

2.1.3. Types of Logistics

- a. **Reverse Logistics:** - Reverse logistics is also known as Product Recall. It may be defined as a process of moving goods from their place of use, back to their place of manufacture for re-processing, refilling, repair, and recycling or waste disposal. Reasons for Reverse Logistics are Rigid quality standards- it is critical in case of contaminated products, which can cause environmental hazard, rigid laws prohibiting unscientific disposal of items, rigid laws making recycling mandatory, transit damage – e.g. leaking containers containing hazardous material, Product expiration, Erroneous order processing by supplier, exchange of new product for the old ones and return for repair or refill Heizer and Brender, (2006).

The success of reverse logistics depends upon the efficiency of following subsystems: *Product Location:* For product recall it is necessary to identify the product location in the physical distribution system of the firm. It is difficult in case of consumer goods but easier in case of industrial goods. *Product Collection System:* After the product location is identified, product collection is to be done through company's field force or third party. *Recycling / Disposal Centers:* This may be company's plant, warehouse or any other location. Called back products must be inspected before recycling or disposal etc. *Documentation System:* Proper documents should be maintained at each level, this would help in tracing the product location Heizer and Brender, (2006).

- b. **Inbound Logistics:** All the activities related to the material movement till the dispatch of the products out of the factory gate are called as inbound logistics activities. Creation of value in the products depends upon availability of inputs on time. Making available these inputs on time at minimum cost is the essence of Inbound Logistics. Activities of a procurement performance cycle come under the scope of Inbound Logistics. They are transportation during procurement operation, storage, handling and overall management of inventory of inputs Heizer and Brender, (2006).
- c. **Outbound Logistics:** All the activities in which the value added goods are to be made available in the market for customers are called as outbound logistics activities. Success of the firm depends upon the supply of products to the customer on time. Supplying the products of firm at marketplace at minimum cost is the essence of Outbound Logistics. Activities of distribution performance cycle come under the scope of Outbound Logistics. They are order management, transportation, warehousing, packaging, handling etc Heizer and Brender, (2006).
- d. **Third-Party Logistics (3PL):-** In order to keep the costs of inbound and outbound logistics activities under control, an outside agency appointed to perform these logistics functions is called “Third Party Logistics” Heizer and Brender, (2006).
- e. **Forth-Party Logistics (4PL):-** Forth Party Logistics is a complete outsourcing of manufacturing and logistics functions including selection of Third Party service provider Heizer and Brender, (2006).

Some of the Logistics Management practice includes Inventory management, Warehouse management, and Information management, Material handling management, Transport management and Logistics procurements practices.

Inventory management - Inventory management involves providing the required inventory levels that will sustain the organization’s daily operations at minimum costs. This covers issues like determining the level of stock to order, when to order, establishing receipt and inspection procedures and providing proper storage facilities. Without proper stock control procedures in place, firms are likely to face two undesirable inventory levels. That is to say excessive/ high levels of inventory or inadequate/ low levels of inventory ((Razzaque and Sheng, 1998).

Warehouse management-Warehouse management of a firm logistics system stores product (raw material parts, good in progress and finished goods) at end between the points of origin and point of consumption. It plans a weekly activity forecast on such factors as statistics and trends. It is also defined as the systematic location, storage and recording of goods in such a way that desired degree of service can be made to the operating shops at a minimum ultimate cost” (Razzaque and Sheng, 1998).

Information Management -Information Management is the handling of information acquired by one or many different sources in a way that optimizes access by all who have a share in that information or a right to that information (Razzaque and Sheng, 1998).

Material Handling Management - Material handling is the science of movement, handling and storage of material during transportation. People can move material by lifting the items directly or with the use of Material Handling equipment such as handcarts, slings, and other handling accessories. Material can also be moved using machines such as cranes and forklifts. These are generally used when heavy materials need to be moved Material handling requires systematic recording, critical review and overseeing of all related activities to eliminate as many unnecessary movements as possible. It is a primary activity in all industries and involves numerous people and specialized material handling equipment (Jiang, H and Qureshi, B. 2005).

Transport Management Logistics service is widely used in practice for transportation services as well as the management of the transport companies providing the service. Logistics can have a great influence on performance of the firm. If inbound material flows from the supplier are erratic, the firm’s internal operation will not be able to sustain their production strategies without a high level of safety stock (Jiang and Qureshi 2005).

Procurement Logistics- It consists of activities such as market research, requirements planning, make-or-buy decisions, supplier management, ordering, and order controlling. The targets in procurement logistics might be contradictory: maximizing efficiency by concentrating on core competences, outsourcing while maintaining the autonomy of the company, or minimizing procurement costs while maximizing security within the supply process (Razzaque and Sheng, 1998).

Definitions of Quality Management

Quality is one of the five key objectives of operations along side with cost, flexibility, material management and delivery. While quality management is cross-functional in nature and involves the entire organization, operation has a special responsibility to produce a quality product for the customer. This requires the cooperation of the entire organization, the operation manager has a special responsibility to produce a quality product or deliver a quality service for its customers (Schlroeder, 2006).

The definition of quality depends on the role of the people defining it. Most consumers have a difficult time defining quality, but they know it when they see it. Since quality can be several things at the same time and may have various meanings, according to the person, the measures applied and the context within which it is considered. The difficulty in defining quality exists regardless of product, and this is true for both manufacturing and service organizations.

There is no single universal definition of quality. Some people view quality as “performance to standards.” Others view it as “meeting the customer’s needs” or “satisfying the customer.” Let’s look at some of the more common definitions of quality.

- **“Quality is the search for excellence”**

The ‘search for excellence’ is inbred in a Darwinian philosophy for the survival of the fittest. Quality is thus an expression of this excellence, which leads one firm’s product to dominate another, and to guarantee its survival by image of quality. Over time, excellence creates an image and quality. (Tapiero, 1996).

- **“Quality is in the eye of the beholder”**

Heizer and Render(2002), demonstrated that quality is the ability of a product or service to meet customer needs, or quality may be in the eyes of the beholder, but to create a goods or a service, operation managers must defined what the beholder (the customer) expects. Thus, the characteristics that connote quality must first be defined through research (user based approach to quality). Then the characteristics will be translated to specific attributes of a product (product based approach of quality). Then, the manufacturing process is organized to ensure that products

are made precisely to specification (a manufacturing based approach to quality). A process that ignores any one of these steps will not result in a quality product.

- **“Conformance to specifications”**

Here quality is defined in terms of how well a product or service meets the targets and tolerances determined by its designers. “Conformance to specifications” measures how well the product or service meets the targets and tolerances determined by its designers. For example, the dimensions of a machine part may be specified by its design engineers as 3.05 inches. This would mean that the target dimension is 3 inches but the dimensions can vary between 2.95 and 3.05 inches. Similarly, the wait for hotel room service may be specified as 20 minutes, but there may be an acceptable delay of an additional 10 minutes. As these examples illustrate, conformance to specification is directly measurable, though it may not be directly related to the consumer’s idea of quality (Chase and Jacob, 2002).

- **“Value for price paid”**

Quality defined in terms of product or service usefulness for the price paid. is a definition of quality that consumers often use for product or service usefulness. This is the only definition that combines economics with consumer criteria; it assumes that the definition of quality is price sensitive (Chase, 2002).

2.1.4. Total Quality Management

Total quality management (TQM) is different from the old concept of quality because its focus is on serving customers, identifying the causes of quality problems, and building quality into the production process. According to Heizer and Render(2006) TQM stress a commitment by management to have a continuing companywide drive toward excellence in all aspects of products and service that are important to the customer. Heizer and Render(2006) have also developed seven concepts for effective Quality Improvement (QI) program by modifying the 14 points developed by Deming as follow: (1) Continuous Improvement, (2) Six Sigma, (3) Employee empowerment, (4) Benchmarking, (5) Just-in-Time, (6) Taguchi concept, and (7) Knowledge of TQM.

I. Gurus of Quality Management

The concept of quality has existed for many years, though it’s meaning has changed and evolved over time. In the early twentieth century, quality management meant inspecting products to ensure that they met specifications. In the 1940s, during World War II, quality became more statistical in nature. Statistical sampling techniques were used to evaluate quality, and quality control charts were used to monitor the production process. In the 1960s, with the help of so-called “quality gurus,” the concept took on a broader meaning. Quality began to be viewed as something that encompassed the entire organization, not only the production process. Since all functions were responsible for product quality and all shared the costs of poor quality, quality was seen as a concept that affected the entire organization.

Quality gurus have put forth several approaches to improve company performance. Total Quality Management is a philosophy that involves each and every individual in an organization in a continual effort to improve quality and achieve customer satisfaction. The following table depicts leaders in the field of Quality Management. Approaches are embodied in a set of quality management practices, known as total quality.

Table 2.1- Leaders in the Field of Quality Management

LEADR	Philosophy/Contribution Leaders
W. Edward Deming	Deming insisted management accept responsibility for building good system. The employees cannot produce products that on average exceed the quality of what the process is capable of producing. He also made 14 points for implementing quality improvement.
Joseph M. Juran	A pioneer in teaching the Japanese how to improve quality, Juran believes strongly in top-management commitment, support, and involvement in the quality effort. He is also a believer in teams that continually seek to raise quality standards. Juran varies from Deming

	<p>somewhat in focusing on the customer and defining quality as fitness for use, not necessarily the written specifications.</p>
<p>Armand Feigenbaum</p>	<p>His 1961 book, Total quality control, laid out 40 steps to quality improvement processes. He viewed quality not as a set of tools but as a total field that integrated the processes of a company. His work in how people learn from each other's successes led to the field of cross functional teamwork</p>
<p>Philip B. Crosby</p>	<p>Quality is free was Crosby's attention-getting book Published in 1979. Crosby believed that in the traditional trade-off between cost of improving quality and the cost of poor quality, the cost of poor quality is understated. Crosby coined the term zero defects and stated, "there is absolutely no reason for having error or defects in any product or service"</p>

Source: Gurus of Quality Management: Adapted from Heizer and Brender "Principle of Operation Management" p.196. Leaders in the field of Quality management.

II. Quality Management in Manufacturing Firms

In recent years organizations are increasingly recognizing the strategic importance of quality and quality management. Many organizations have arrived at the conclusion that effective quality management can enhance their competitive abilities and provide strategic advantages in the marketplace. This belief has led many organization, on the part of many, both large and small, manufacturing and service, profit and non-profit, to shape and evolve their approaches to quality management by taking quality as strategic weapon to organizational success Trapiero, (1996).

Manufacturing quality, unlike the general concept of quality, as defined above, is well defined in terms of attributes which are associated to and required by a manufacturing process to operate faultlessly. In this, sense quality is a characteristics and a requirement of the industrial apparatus. Management of operations and quality control are the means used to ‘produce ‘ and control quality in manufacturing. There may be several dimensions along which such manufacturing quality may be defined, including (Trapiero, 1996)

- A. The propensity to maintain the manufacturing process in control, i.e. operating according to agreed on standards of manufacture.
- B. The propensity of the manufacturing process to produce items or products faultlessly.
- C. The propensity to maintain (and or reduce) the manufacturing process variability, i.e. limit process instabilities by maintaining the process repetitively Trapiero, (1996).

The following table depicts the basic difference between products at manufacturing and service giving firms with regard quality and its management:

Table 2.2 Difference between Manufacturing and Service Giving Firm

Manufacturing Organizations	Service Organizations
Conformance to specifications	Tangible factors
Performance	Consistency
Reliability	Responsiveness to customer needs
Features	Courtesy/friendliness
Durability	Timeliness/promptness
Service ability	Atmosphere

Source: Trapiero C. (1996)

III. Quality Management in Service Firms

The Origins of Service Quality Theory: The Disconfirmation Paradigm The foundation of service quality theory lies in the product quality and customer satisfaction literature. Early conceptualizations (e.g., Gronroos 1982, 1984; Parasuraman, Zeithaml, 1985) are based on the disconfirmation paradigm employed in the physical goods literature. This suggest that quality

results form a comparisons of perceived with expected performance as is reflected in Gronroos's (1982,1984) as cited by Brady and Cronin (2001), similar conceptualization of service quality that "puts the perceived service against the expected service" (Gronroos 1984,p.37, emphasis in original.) As cited by Brady and Cronin (2001), In addition to adapting the disconfirmation paradigm to the measurement of service quality, Gronroos (1982) identifies two service quality dimensions i.e., Functional quality and Technical quality.

Functional quality represents how the service is delivered; that is, it defines customers' perceptions of the interactions that take place during service delivery. **Technical quality** reflects the outcome of the service act, or what the customer receives in the service encounter. (Brady and Cronin, 2001)

The disconfirmation paradigm also is the basis for Parasuraman et al (1985) SERVQUAL model, which views service quality as the gap between the expected level of service and customer perceptions of the level received. Parasuraman et al (1988) propose five dimensions of service quality: the reliability, Responsiveness, Assurances, Empathy, and tangibility characteristics of the service experience. "Rust and Oliver (1994) offer a three-component model: the *service product* (i.e. technical quality), the *service delivery* (i.e. functional quality, and the *service environment*." (Barady and Cronin, 2001)

IV. Service Quality

Practitioners and writers in the popular press tend to use the term satisfaction and quality interchangeably, but researchers have attempted to be more precise about meanings and measurement of the two concepts, resulting in considerable debate. Although they have something in common, satisfaction is generally viewed as a broader concept; whereas service quality focuses specifically on dimensions of service. Based on this view, perceived service quality is a component of customer satisfaction (Zeithaml and Bitner, 2006).

Quality defined from the customer's viewpoint. The increasingly important role played by services and the inability of researchers to apply traditional manufacturing definitions to service quality led to a new conceptualization of service quality. Only one definition of quality was judged to be appropriate by service scholars (Gronroos, 1983; Parasuraman et al., 1985), and that definition was governed by the extent to which a service met the expectations of customers. Service quality affects customer satisfaction. A popular definition of service quality is 'conformance to customer

specifications'- that is, it is the customer's definition of quality that matters, not that of management.

In the marketplace, quality must ultimately be evaluated from the customer's perspective. Customers can articulate how well a product and/or service meets their expectations, a perceptual judgment they cannot make about how well the product and/or service conforms to specifications. Defining quality as the extent to which a product and/or service meets and/or exceeds expectations allows managers and researchers to include subjective factors (i.e., courtesy, helpfulness) (Zeithaml and Bitner, 2006).

V. Factors That Influence Customers Perception and Exception

Because expectations play such a critical role in customer evaluation of services, marketers need to have a control over these factors as well, but many of the forces that influence customer expectation are uncontrollable. When consumers are interested in purchasing service, they are likely to seek or take in information from several different sources. For example, they may call a store, ask a friend, or deliberately track newspaper advertisements to find the needed service at the lowest price. They may also receive service information by watching television or hearing an unsolicited comment from a colleague about a service that was performed well. In addition to these active and passive types of external search for information, consumers may conduct an internal search by reviewing the information held in memory about the service. Those factors that determine customers' perception and expectation of quality service are:

Explicit service promises: - are personal and non-personal statements about the service made by the organization to customers. The statements are personal when they are communicated by salespeople or service or repair personnel; they are non personal when they come from advertising, brochures, and other written publications. Explicit service promises are one of the few influences on expectations that are completely the control of the service provider.

Promising exactly they will ultimately be delivered would seem a logical and appropriate way to manage customer expectations and ensure that reality first the promises. All types of explicit service promises have a direct effect on desired service expectation. If the sales visit portray a banking service that is available 24 hours a day, customer's desires for that service (as well as the service of competitors) will shaped by this promise. Explicit service promises influence the level of both desired service and prediction service (Zeithamal and Bitner 2006).

Implicit service promises: - are service-related cues other than explicit promises that lead to inferences about what the service should and will be like. These quality cues are dominated by price and the Tangibles associated with the service. In general, the higher the price and the more impressive the Tangibles, the more a customer will expect from the service. **Word-of-mouth communication:**- The importance of word-of-mouth communication in shaping expectations of service is well documented. These personal and sometimes non-personal statements made by parties other than the organization convey to customers what the service will be like and influence both predicted and desired service. Word of mouth tends to be very important in services that are difficult to evaluate before purchase and direct experience of them. Experts (including consumer reports, friends, and family) are also word-of-mouth sources that can affect the levels of desired and predicted service.

Past experience: - Past experience, the customer's previous exposure to service that is relevant to the focal service, is another force in shaping predictions and desires. The service relevant for prediction can be previous exposure to the focal firm's service. For example, you probably compare each stay in a particular hotel with all previous stays in that hotel. (Zeithaml and Bitner 2006)

VI. Measurement and Dimensions of Service Quality

Manufacturing quality measurement can largely be objective and standardized while many service measurements are perceptual or subjective. Parasuraman, (1985) argued that the customer's perception of service quality offering is a function of five dimensions categorized as reliability, Assurance, Tangibles, Empathy, and Responsiveness and suggested SERVQUAL (a service quality measurement tool).

Parasuraman's SERVQUAL model is widely used to measure perceived service quality. Parasuraman (1985) also found that the customer's perception of service quality depends upon the size and direction of the gap between the service the customer expects to receive and what he or she perceives to have been received. Thus, service quality is defined as the gap between customers' expectation of service and their perception of the service experience.

The **Gap Theory** is the method for calculating the service quality that involves subtracting a customer's perceived level of service received from what was expected. (Clow and Kurtz, 2003).

This gap model is one of the best-received and most heuristically valuable contributions to the service literature according to Brown and Bond (1995). The five dimensions of service quality are: tangibility, reliability, Responsiveness, Assurance and Empathy.

Tangibles: the appearance of the company's physical facilities, equipment, and personnel. If a restaurant, for example, is dirty, not presentable and the employees are disheveled looking the tangible quality will be low.

Reliability: The ability of the company to perform the promised service dependably and accurately without errors. For example, if a restaurant takes a reservation for 7:00pm and you are not seated promptly or they bring the wrong meal, the Reliability will be low. Note that Reliability for service (which is more accurately called conformance) is defined differently than Reliability for manufacturing.

Responsiveness: the willingness of the company to provide service the prompt and helpful to the customer. In the restaurant, for example, the meal should be provided in a timely fashion and with help when needed to understand the menu.

Assurance: The knowledge and courtesy of the company's employees and their ability to convey trust and confidence.

Empathy: The caring, individualized attention the company provides to its customers. As discussed above, these dimensions of service are very different from manufacturing and reflect the close interaction that the employees have with the customer in service delivery.

As discussed above, these dimensions of service are very different from manufacturing and reflect the close interaction that the employees have with the customer in service delivery. Some researchers have used SERVQUAL entirely to investigate bank service while others have chosen to use a smaller number of attributes to represent each of the five dimensions. According to Brown and Bond (1995), their GAP model is one of the best received and most heuristically valuable contributions to the service literature.

2.1.5. Customer Satisfaction

Customer satisfaction is a business term that describes the measurement of goods or services provided by the Company to ensure that their customers' expectation is achieved (Munusamy et al., 2010). Customers' satisfaction can be observed or measured from the result of loyalty customers that continuously using the same service, and in addition, promote the product or the

service to their friends .However, customers' satisfaction is very subjective because until this day, there still no researchers who are able to set the demand as well as the requirements of a service desired by the customers due to its intangibility and different experience of each users. Studies from Munusamy, (2010) stated that customers' satisfaction and service quality are closely related. Their theory is that, the higher quality of service, the higher the customers' satisfaction.

2.1.6. Logistic Service Quality (LSQ)

When buyers can select similar products from a number of suppliers, sellers may choose to differentiate themselves by the quality of their customer service and by the service processes accompanying their products. As firms progress to offering higher service levels, they must become more proactive with their customers and anticipate customer expectations (Murugiah, 2010).

In recent years, there has been a focus in academic research to explore supply chain relationships. Specifically, research efforts have been gauged to understand how to create customer value. Although the logistics literature traditionally focused on “hard” measures to assess customer requirements (e.g., fill rates, on-time delivery, order cycle time), firms now understand that customer requirements go beyond the hard product and service issues, and there is a need to explore some of the softer concepts such as image, relationship, and ease of doing business. Recent logistics literature has moved to more behavioral research to focus on creating competencies to build lasting distinctiveness with customers. This involves firms assessing their own strengths and weaknesses relative to the needs and desires of customers and identifying the long-term requirements, expectations, and preferences of current and/or potential customers and markets (Zeithmal and Bitner, 2006).

Logistics literature focusing on creating customer loyalty will be increasingly important. Additionally, in an environment of increasing homogeneity among products and when buyers can select similar products from a number of suppliers, sellers may choose to differentiate themselves by the quality of their customer service and by the service processes accompanying their products. Understanding how logistics service can impact building strong customer relationships should lead to creating competitive advantage (Maltz and Maltz, 1998).

As logistics capabilities can raise customer service levels, firms are placing more reliance on logistics service in recent years to improve their competitive positioning. Because logistics spans

the boundaries between suppliers and customers, and logisticians understand that these activities constitute the very essence of their business, logistics service creates value by supporting customers' delivery requirements in a cost effective manner, and has become increasingly important to successful logistics operations. Improving customer service is an ongoing focus of the logistics community (Stank, 2003).

Based on the realization that customers want other service elements besides the traditional measures, logistics research began to focus on other elements of customer service. According to Maltz and Maltz (1998), customer service has two aspects. The first is basic customer service, involving cycle time, on-time delivery, and inventory availability. The second aspect of customer service is responsiveness, representing the ability to adapt to market-driven change. The dichotomy has been conceptualized in a number of ways.

Operational elements include physical features of the service, e.g., characteristics of delivery that define and capture form, time, and place utilities of the service. In accordance with the service quality literature operational LSQ consists of reliability - the ability to perform the promised service dependably and accurately. Also consistent with the literature, relational LSQ is defined as the perceptions of logistics activities that bring the firm closer to its customers, in order to understand customers' needs and expectations and have the ability to provide quality services to meet them in an efficient manner. It is operational by assurance (the knowledge and courtesy of employees and the ability to convey trust and confidence), responsiveness (the willingness to help customers and provide prompt service), and caring (the provision of considerate, individualized attention to customers) (Stank, 2003).

2.1.7. LSQ Vs Satisfaction Relationship

There are many definitions and descriptions of how logistics creates customer satisfaction, and most are tied to the so-called seven R's. Logistics service is that part of a product's offering that infers a firm's ability to deliver the right amount of the right product at the right place at the right time in the right condition at the right price with the right information. According to Stank, (2003), this conceptualization implies that part of the value of a product is created by logistics service. Therefore, having all these "rights" in place should influence a customer's overall global judgment of a supplier. (Stank, 2003)

Stank, (2003) indicated that the relationship between operational performance and customer satisfaction was statistically significant, leading them to conclude that improvements in operational performance yield higher levels of customer satisfaction. However, there was only marginal support for the relationship between relational performance and satisfaction. Alternatively, Stank, (2003) discerned that relational performance demonstrates a positive relationship with satisfaction, but operational performance did not have a significant relationship with satisfaction. They concluded that operational performance is an “order qualifier” and not a differentiator in the eyes of customers.

Viewing LSQ from a process perspective, (Stank, 2003), found that for different customer segments, satisfaction was positively affected by different LSQ dimensions. However, he did conclude that perceptions of the effectiveness and ease of use for ordering procedures, an operational LSQ element, had the most consistent positive effect on satisfaction. Further, he found support for the positive influence of personnel quality (similar to relational LSQ), in the largest customer segment. Although the findings are mixed, there is evidence to believe that both operational LSQ and relational LSQ influence satisfaction.

2.2. Empirical Literature

Ilhaamie (2010) examined the level of service quality, expectation and perception of the external customers towards the Malaysian public services using the SERVQUAL instrument. The study found that tangible is the most important dimension. It also has the lowest scores of perception. On the other hand, service quality gap is neither the lowest nor the highest. Finally, these external customers have the highest expectation on the reliability of the Malaysian public service.

Ellinger et al. (2000), show that logistics is a strategic vector in companies’ organization and influences their performance, namely in terms of service quality and overall profitability. In parallel with its internal importance, logistics also has an impact on effectiveness and profitability, as mentioned by Mentzer et al. (2001) and Fugate et al. (2010). The management of logistics activities has become a valuable way of securing competitive advantage and improving organizational performance (Li et al., 2006).

Green et al. (2008), addressing the relationship between logistics practices and organizational performance in a large number of companies in the United States, concluded that logistic practices

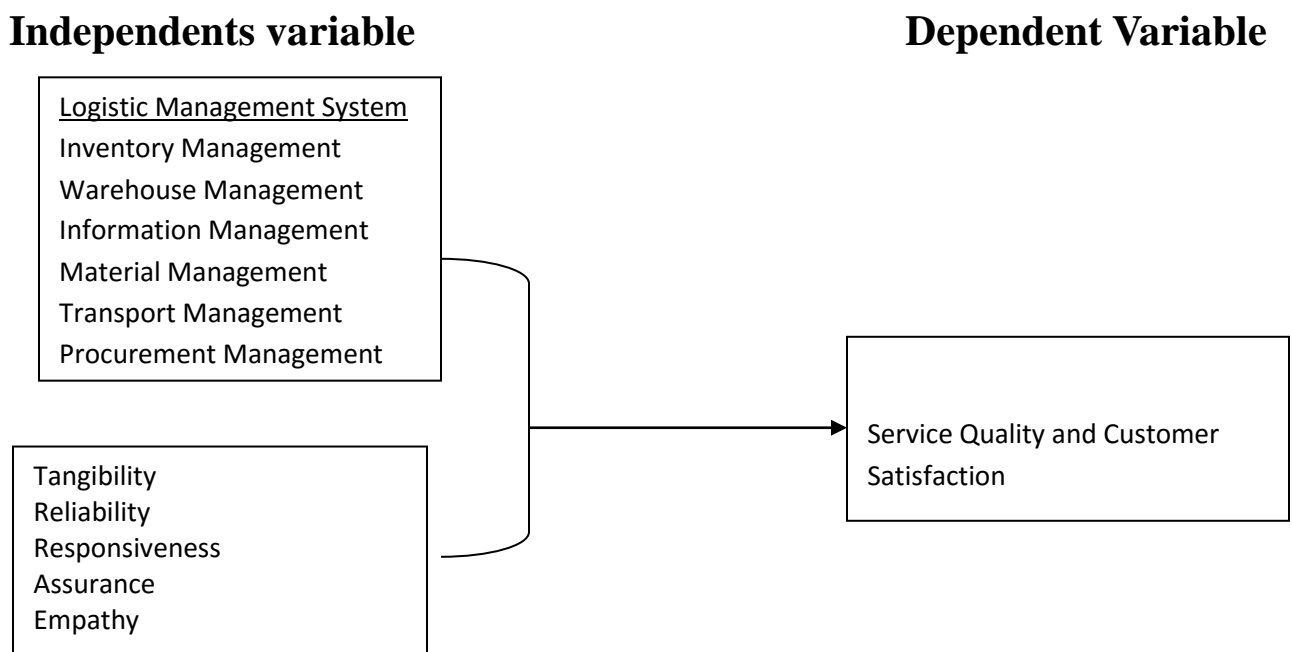
have a positive impact on business performance, namely in speed of delivery, the responsiveness and flexibility of delivery, and also influence marketing performance, which has a leverage effect on the average sales growth and business profitability.

Roth et al. (2008) investigated the antecedents and performance results of a set of leading global companies, concluding that information technology and logistics management contribute to increased sales and profitability. More precisely, information and communication technology increased sales and logistics management increased organizational profitability. Chow et al. (2006), who focus on analyzing the relationship between objectives, practices, skills and management performance in the supply chain, concluded that logistics practices influence logistics capabilities positively in terms of quality and service, operation distribution and efficiency.

2.3. Conceptual Framework

The conceptual frame work of the Influence of logistic management practice on quality service effectiveness and customer satisfaction in Addis International Bank will examined the independent variable 'Logistics Practice' and the dependent variable- 'Service Quality' and 'Customer Satisfaction'

Figure 1 Conceptual Framework



Source: developed by the researcher

CHAPTER THREE

3. Method of the Study

This chapter discusses research methodology which was used by the researcher. It covers the research design, target population, sample and sampling procedure, instrumentation, data collection and data analysis and presentation.

3.1. Research Variable

The study variables were based on selecting samples of bank employments and customer by the use of questionnaire as a main tool to collect data from both the bank employees and customer. The variables to be measured are the influence of logistic management practices on the service quality effectiveness and customer satisfaction.

3.2. Research Strategy and Design

The research methodology used in this research was descriptive approach. Descriptive research involves field survey where the researcher went to the population of interest asked certain issues about the problem under the study. Quantitative and qualitative strategies were the two main strategies used in this research work. Quantitative strategy emphasizes quantification in the collection and analysis of data. In order to suit for the collection of the required information from a large sample and make the analysis easier, the researchers used a quantitative technique by incorporating a qualitative idea in a structured questionnaire. The researchers used this strategy because it is appropriate to answer the research questions. Thus information was gathered from the sample of customers and the total population of employees working in the human resource and facility management department of the Addis international bank via questionnaire. Hence, this study investigates and generalizes the influence of logistic management practice on service quality effectiveness and customer satisfaction of Addis international bank.

The dimensions of the SERVQUAL model are used for measuring service quality and Customer satisfaction from customer side since it deals with expectations and perceptions of individuals about services offered by the bank. To know how customers perceive service quality, it is appropriate to use self completed questionnaires which give the respondents a chance to independently and anonymously give answers that reflect their expectations and perceptions.

3.3. Data Type and Source

The data was collected using primary and secondary source. The primary source was questionnaires because it was the most practical and easiest tool for collecting the data under the

prevailed circumstances. There were two types of questionnaires: - one for the customers and the other for the employees. Secondary data was collected from the books, journals and other sources.

3.4. Design of Questionnaire

First of all the researcher had to revisit his research objectives and determine what information he needs to collect the data. His questionnaires for the survey was two; the first questionnaire was regarding to customer expectations and perceptions each aimed at finding the customers' opinions pertaining to the expectations and perceptions of service quality and satisfaction in the bank. These are statements that seek to describe how the state of services in the bank should look like. The statements are coined in such a way that they express a desire of the respondents for a particular attribute of service quality. These statements were developed by Parasuraman et al., (1988). The researcher has not changed the original SERVQUAL instrument but he has however rephrased the statements to be context relevant.

The second questionnaires seek to measure the bank's employees' perceptions towards the bank's logistic management practice influence on the service quality effectiveness, for which respondents are expected to rank their extent of agreement with the statement.

All the questions were close ended questions with 5-point Likert-scale where the respondents are asked to select the most appropriate number that corresponds to extent to which they agree with a statement. The scale in this survey questions is 1-5 with '1' denoting 'strongly disagree' and '5' denoting 'strongly agree'. Both questionnaires comprised of two parts. The first part of the questionnaires is about the respondent's demographic profile whereas the second part is about the perception and expectation questions for customer and the logistics management practices and influence on service quality for employees.

3.5. Target Population

The study targeted Addis International Bank's customers (i.e. customers who are both account holder and ATM card user in Addis Ababa) and the whole employees in the human resource and facility department were used. Regarding to the customer the researcher believed that those customers who are using both the card payment system and deposit account can give more reliable information than the other customers. The target population is 5,844 (i.e. 5,802 customers and 42 employees).

3.6. Sample Size Determination

Determining the sample size is a very important issue because samples that are too large may waste time, resource and couldn't be manageable, while samples that are too small may also lead to inaccurate results. The sample size of the study was determined based on the calculating method of Israel Glenn (1992), which is reliable up to 90% and deviation factor is less than 0.1(10% chance of sampling error).

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

n=sample size

N=the population size

e= the level of precision/sampling error

The total number of customers who were both depositors and ATM card holders were 5,802 as of December 31, 2016.

Therefore: $5,802/1+5,802(0.1)^2 = 99$ and

Therefore; the sample size that was considered for the study was 141 (i.e. 99 customers and 42 employees).

3.7. Sampling Techniques

The researcher believes simple random sampling was helpful to obtain reliable and fruitful information from customs of the bank. And the whole employees in the human resource and facility department were used so there is no need to have a sampling technique for employees.

3.8.Data Analysis

The analysis method was used to analyze the datasets from the two different structured questionnaires. The methods that were used to analyze the relationship between the different attributes addressed in the surveys were a correlation analysis and a linear regression.

Data collected was checked for completeness and consistency. The researcher organized and analyzed the data using tables and percentages also interpretation was given under each table through statistical and qualitative method based on the tabulate data. Finally conclusion and recommendation were given using the analysis.

3.9.Procedures of Data Collection

Before the full scale survey, a sample of 10 respondents were selected and given the prepared questionnaire to fill. The major objective of the pilot taste was to check if it is possible to get the desired result using the prepared questionnaire and to identify and eliminate potential problems associated with question content and wording. Based on feedback received from the test respondents few modifications were made in order to make it more clear and understandable to the full scale survey respondents.

During the full scale survey, the questionnaire was administered to the target population through personal contact by the researchers and collaborators, who helped in data collection. Respondents were kindly requested to fill the questionnaire. Out of the total 141 (99 to customers and 42 to employees) distributed questionnaires 133 (91 from customers and 42 from employees) were collected back, this makes the response rate 94.33%.

3.10. Source and Tools/Instrument of data collection

In order to answer raised research questions, both primary and secondary data sources are used in this study. The primary data collection method is performed using the use of structured questionnaire. The questionnaire has divided in to two parts. The first part has four questions for employees (i.e. their gender, their age, how long they have been working with the bank and their level of education and five questions for customers (i.e. their gender, their age, how long they have been a customer of the bank, what kind of account they hold and their level of education) and is prepared to gather basic demographic information of respondents.

In the second part the employee questioner was divided among two dimensions: - the extent of logistic management practice in the bank and the influence of logistic management practice on the effectiveness of quality service delivery. Respondents were asked to state their level of agreement towards the statements constructed on a five point Likert scale and the customer questioner was distributed among the five dimensions of the SERVQUAL model as Tangibility, Reliability, Responsiveness, Assurance and Empathy statements constructed to show customers' expectation

and perception on a five point Likert scale. The final part of the customer questionnaire has five questions which requested customers to rate the level of their satisfaction, on a five point Likert scale.

3.11. Reliability test

The reliability of the measures was assessed using the inter-item consistency measure of Cronbach’s alpha. The alpha for all independent and dependent variables for employee and customer data are 0.82 and 0.88 respectively and exceeded the minimum acceptable value of 0.7. The findings indicate high level of internal consistency among the items in each construct and as such each construct is reliable. Therefore, no item was deleted.

Table 3.1 - Reliability Statistics of Customer and Employees Data

Cronbach's Alpha	N of Items
.827	44

Source: Survey finding (2017)

Cronbach's Alpha	N of Items
.880	30

Source: Survey finding (2017)

3.12. Ethical Considerations

The researcher had treated any information he got from any individual confidentially without disclosing the respondents identity, and he was open minded as much as possible and express opinions as they were given. He was not modifying anything and he was very appreciative of all literature that has contributed in any way to his research.

CHAPTER FOUR

4. Result and Discussion

4.1. Results/Finding of the Study

4.1.1. Demographic Information of the Respondents

Descriptive statistics (frequency distribution) is used to discuss the general demographic characteristics of respondents.

A total of forty two (42) questionnaires were distributed to the employees of Addis International bank's Human Resource and Facility Department and 100% was returned i.e. 100% of the total distributed questionnaires were used for the analysis.

Table 4.1 Demographic of Respondent (Employees)

Variables		Frequency	Valid Percent
Age	under 30	25	59.5
	31-41 years	12	28.6
	41-50 years	5	11.9
Gender	Female	10	23.8
	Male	32	76.2
Years of Experience	less than 1 year	5	11.9
	1-2 years	15	35.7
	2-4 years	14	33.3
	over 4 years	8	19.0
Level of Education	Diploma	17	40.5
	Degree	20	47.6
	Masters and above	5	11.9

Source: survey finding (2017)

As table 4.1 depicts, from the total respondents, the age group under 30 constitutes the highest percentage share (59.5%), followed by the age group 31-41 with 28.6%. The gender distribution of respondents is dominated by male respondents with 76.2% while the female respondents constitute

23.8% of respondents. The year of experience the respondent have as indicated on the above table 35.7% are working with the bank for 1-2 years, 33.3% are working with the bank for 2-4 years, 19% are working with the bank for over 4 years and the rest which was 11.9% are working with the bank for less than 1 year. Considering the education status of respondents, the above table shows that from the total number of respondents 47.6% were Degree holders, 40.5% were Diploma holders and the remaining 11.9% were Masters and above.

A total of Ninety Nine (99) questionnaires were distributed to the customer and a total of 91 questionnaires were returned i.e. 91.92% of the total distributed questionnaires used for the analysis.

Table 4.2 Demographic of Respondent (Customer)

Variables		Frequency	Valid Percent
Age	under 30	48	52.7
	31-41 years	31	34.1
	41-50 years	12	13.2
Gender	Female	23	25.3
	Male	68	74.7
Being a customer of the bank for	Less than 1 year	27	29.7
	1-3 years	42	46.2
	4-5 years	22	24.2
Type of Account they hold	Saving account	49	53.8
	Current account	31	34.1
	Special Saving account	11	12.1
Level of Education	Primary	8	8.8
	High school or Certificate	11	12.1
	Diploma	27	29.7
	1st Degree	41	45.1
	Masters and above	4	4.4

Source: survey finding (2017)

As table 4.2 depicts, from the total respondents, the age group under 30 constitutes the highest percentage share (52.7%), followed by the age group 31-41 with 34.1%. The gender distribution of respondents is dominated by male respondents with 74.7% while the female respondents constitute

25.3% of respondents. The respondent year of being a customer of the bank indicates that 46.2% are under 1-3 years, 29.7% are less than 1 year and 24.2% are 4-5 years. From the total respondent saving account holder constitutes the highest percentage share (53.8%) followed by current account holder with 34.1%. Considering the education status of respondents, the above table shows that from the total number of respondents 45.1% were Degree holders, 29.7% Diploma holder and the rest are high school, primary school and masters and above constitute 12.1%, 8.8% and 4.4% respectively.

4.1.2. Result of the Employee Data Analysis

4.1.2.1. Extent of Logistic Management in Addis International Bank

The first objective of the study was to determine the extent of logistics management at Addis International Bank. As such the respondents were required to indicate their level of agreement with various statements on the extent to which their organizations had been practicing the various logistics practices.

Table 4.3 Inventory Management Practices

Inventory Management	N	Mean	Std. Deviation
Proper flow of information	42	3.86	.872
Inventory accuracy has been achieved	42	4.05	.854
Good inventory turns and proper space utilization	42	4.10	.821

Source: Survey findings (2017)

According to the results depicted in Table 4.3, majority of the respondents agreed that there have been good inventory turns/ proper space utilization to large extent as shown by a mean score of 4.10, inventory accuracy has been achieved to large extent as shown by a mean score of 4.05 and there is proper flow of inventory to large extent as shown by a mean score of 3.86.

Table 4.4 Warehouse Management Practice

Warehouse Management	N	Mean	Std. Deviation
Good housekeeping practice have been achieved by the bank	42	4.00	.883
Proper receipt procedures have been undertaken by staffs	42	3.83	1.102
Less damages to commodities due to proper storage	42	3.98	.749
Staff welfare has been achieved due to implementation of health and safety standards	42	3.98	.811

Source: survey finding (2017)

From the results shown in Table 4.4 above, there was agreement from most of the respondents that Good housekeeping practice have been achieved by the bank to the large extent as shown by a mean score of 4.00, there has been staff welfare has been achieved due to implementation of health and safety standards to large extent as shown by a mean score of 3.98, there are less damages to commodities due to proper storage to large extent as shown by a mean score of 3.98 and proper receipt procedures have been undertaken by staff to large extent as shown by a mean score of 3.83.

Table 4.5 Information Management Practices

Information Management	N	Mean	Std. Deviation
Visibility between various departments in the bank	42	4.00	.442
Paperless operation in the bank	42	3.88	.832
Availability and proper flow of information in the bank	42	3.79	.898
My bank utilizes information technology in coordinating its activities with suppliers	42	3.88	.832

Source: survey finding (2017)

According to the study results, majority of the respondents agreed that through Logistic management in their banks there has been visibility between various departments in the organization to large extent as shown by a mean score of 4.00, there has been paperless operation in the organization as well as availability and proper flow of information in the organization to large extent as shown by a mean score of 3.88 and their organizations utilizes information technology in coordinating its activities with suppliers to large extent as shown by a mean score of 3.79.

Table 4.6 **Material Management Practices**

Material Management	N	Mean	Std. Deviation
Quality check on the materials	42	3.76	.932
Adoption of modern storage infrastructure	42	3.81	.969
Efficiency due to use of modern material handling equipment	42	3.74	.767
The supplier to the bank show compliance with particular regulations such as emissions caps, hazardous material labeling etc, this has enhanced quality of the product delivered	42	3.67	.846

Source: survey finding (2017)

As shown in Table 4.6 majority of the respondents recapped that due to Logistic management there has been adoption of modern storage infrastructure, quality check on the materials, efficiency due to use of modern material handling equipment and the supplier to the organization show compliance with particular regulations such as emissions caps, hazardous material labeling, product specification and having environment related documentation, this has enhanced quality of the product delivered as shown by mean scores of 3.81, 3.76, 3.74 and 3.67 respectively.

Table 4.7 **Transport Management Practices**

Transport Management	N	Mean	Std. Deviation
Vehicle scheduling has improved	42	3.86	.872
Route optimization has been achieved	42	3.83	.935
Speed of delivery increased	42	3.55	.832

Source: survey finding (2017)

From the study, the respondents opined vehicle scheduling has improved to a moderate extent as shown by a mean score of 3.86 and route optimization has been achieved to a large extent as shown by a mean score of 3.83, while they indicated that Speed of delivery increased to large extent as shown by a mean score of 3.55.

Table 4.8 Procurement Logistic Management Practices

Procurement Logistic Management	N	Mean	Std. Deviation
My bank logistic management practice transparent sourcing of suppliers	42	3.83	.696
Good supplier relations is maintained by the bank	42	3.93	.867
Effective information delivery is maintained with the supplier of services and provider	42	3.90	.821
In the assessing the potential Logistic Management services, the organization's benchmarks to determine whether the service meets your targets	42	3.90	.850

Source: survey finding (2017)

According to the results shown in table 4.8, through logistic management, good supplier relations is maintained by the organization to a large extent as shown by a mean score of 3.93, effective information delivery is maintained with the supplier of services as well as in the assessing the potential logistic management services, the organizations’ benchmarks to determine whether the service meets the targets to a large extent as shown by a mean score of 3.90 and the organizations practice transparent sourcing of suppliers to a large extent as shown by a mean score of 3.83. In general, a large number of respondents said that there’s a large extent of material management, transport management and procurement logistic management in the bank.

4.1.2.2. The relationship between logistic management practice and the bank service quality

In its second objective the study sought to find the extent to which Addis international bank has been practicing various logistics practices and the results are shown in the following sections.

Table 4.9 Relationship Between Bank Service and Inventory Management

Inventory Management	N	Mean	Std. Deviation
Logistic system has led to reduction in lead time	42	3.81	.917
Logistic system has made the bank to achieve timely delivery of services to client	42	4.02	.715
The orders and deliveries are easily processed to avoid delays in delivering the service	42	3.93	.838

Source: survey finding (2017)

The results depicted in Table 4.9 show that majority of the respondents agreed with that logistics Management has made the organizations to achieve timely delivery of services to clients to a large extent as shown by a mean score of 4.02, orders and deliveries are easily processed to avoid delays to a large extent as shown by a mean score of 3.93 and logistics management has led to reduction in lead time to a large extent as shown by a mean score of 3.81.

Table 4.10 Relationship Between Bank Service and Warehouse Management

Warehouse Management	N	Mean	Std. Deviation
Supplier database maintaining becoming easier and help the service delivery sustainable	42	3.76	.790
All activities and processes are pulled into a central database	42	3.95	.825
Incoming stocks are properly recorded after receiving from suppliers and ready for delivery	42	3.93	.808
Stock bins and other recording methods are well enhanced to speed up the delivey	42	3.95	.854

Source: survey finding (2017)

Further, the respondents agreed that stock bins and other recording methods a well enhanced as well as all activities and processes are pulled into a central database to a large extent as shown by a mean score of 3.95, incoming stocks are properly recorded after receiving from suppliers to a large extent as shown by a mean score of 3.93 and database of the supplier can be easily maintained to a large extent as shown by a mean score of 3.76.

Table 4.11 Relationship Between Bank Service and Information Management

Information Management	N	Mean	Std. Deviation
The bank has achieved the use of modern tool in offering its service	42	3.71	.742
Sharing of information improves the bank service quality	42	3.8333	.69551
information moves faster and this reduces lead time and improve service delivery	42	3.5238	.86216
Maximum security is accorded against information proliferation	42	3.6190	.82499

Source: survey finding (2017)

With regard to information management, the respondents agreed that maximum sharing of information improves the bank service quality, the organizations have achieved the use of modern tool in offering their services, security is accorded against information proliferation and information moves faster and this reduces lead time in the organization to large extents as shown by mean scores of 3.833, 3.71, 3.619 and 3.523 respectively.

Table 4.12 Relationship Between Bank Service and Material Management

Material Management	N	Mean	Std. Deviation
Incoming materials are adequately safeguarded	42	3.8810	.86115
A database for all receivables and outgoing materials is available so, no stock out response	42	3.9048	.84995
Adequacy in staffing to undertake material management is in place	42	4.0238	.71527
Material tendering and purchase done on merit	42	3.5952	.82815

Source: survey finding (2017)

Table 4.12 shows the results on the respondents’ agreement with statements concerning the organization performance in relation to material management logistic in the banks. Majority of the respondents recapped that adequacy in staffing to undertake material management is in place to a large extent as shown by a mean score of 4.023, a database for all receivables and outgoing material is available to a large extent as shown by a mean score of 3.904, all incoming material are adequately safeguarded to a large extent as shown by a mean score of 3.88 and there is material tendering and purchases done on merit to a large extent as shown by a mean score of 3.595.

Table 4.13 Relationship Between Bank Service and Transport Management

Transport Management	N	Mean	Std. Deviation
Monitoring of stock movement is made easier	42	3.7619	.79048
The bank applies optimal transport system	42	3.9048	.84995
Adequate logistic system is one core attribute in delivering quality service	42	3.9286	.80828

Source: survey finding (2017)

In regard to transport management, majority of the respondents agreed that adequate logistical function is one core attribute in the organizations to a large extent as shown by a mean score of 3.928, the bank applies optimal transport system to a large extent as shown by a mean score of 3.904 and monitoring of stock movement is made easier to a large extent as shown by a mean score of 3.761.

Table 4.14 **Relationship Between Bank Service and Procurement Logistic Management**

Procurement Logistic Management	N	Mean	Std. Deviation
Logistic management leads to higher service quality	42	3.5476	.94230
Logistic management has led to overall sustainability of the bank service quality	42	3.7143	.74197
Logistic management has improved service quality	42	3.5476	.88902
The organization recognizes the role of logistic in its functions	42	3.5476	.83235

Source: survey finding (2017)

From the study majority of the respondents recalled that logistics management has led to overall sustainability of the bank service quality to the large extent with a score mean of 3.714 and the logistics management has improved service quality, the organization recognizes the role of logistics in its functions and logistics outsourcing leads to higher service quality to large extents as shown by mean scores of 3.547.

4.1.2.3. Inferential Analysis on Logistics Management and Bank Quality Service

The study sought to complement the descriptive analysis by carrying out an inferential statistics analysis. This involved carrying out a multiple regression analysis and a correlation analysis. Pearson’s product moment correlation analysis was used to assess the relationship between the variables while multiple regressions was used to determine the predictive power of the factors on the procurement process

4.1.2.4. Coefficient of Correlation

To quantify strength of the relationship between the variables, the study used Karl Pearson’s coefficient of correlation.

Table 4.15

Correlations

Variables		Bank Service Quality	Inventory Management	Warehouse Management	Information Management	Material Management	Transport Management	Procurement Management
Bank Service Quality	Pearson Correlation	1	-.161	.299	.339*	.582**	.664**	.681**
	Sig. (2-tailed)		.309	.054	.028	.000	.000	.000
	N	42	42	42	42	42	42	42
Inventory Management	Pearson Correlation	-.161	1	.261	-.009	.061	.009	-.215
	Sig. (2-tailed)	.309		.095	.956	.700	.954	.172
	N	42	42	42	42	42	42	42
Warehouse Management	Pearson Correlation	.299	.261	1	.020	.458**	.227	-.012
	Sig. (2-tailed)	.054	.095		.900	.002	.148	.941
	N	42	42	42	42	42	42	42
Information Management	Pearson Correlation	.339*	-.009	.020	1	.342*	.306*	.456**
	Sig. (2-tailed)	.028	.956	.900		.027	.048	.002
	N	42	42	42	42	42	42	42
Material Management	Pearson Correlation	.582**	.061	.458**	.342*	1	.546**	.359*
	Sig. (2-tailed)	.000	.700	.002	.027		.000	.020
	N	42	42	42	42	42	42	42
Transport Management	Pearson Correlation	.664**	.009	.227	.306*	.546**	1	.348*
	Sig. (2-tailed)	.000	.954	.148	.048	.000		.024
	N	42	42	42	42	42	42	42
Procurement Management	Pearson Correlation	.681**	-.215	-.012	.456**	.359*	.348*	1
	Sig. (2-tailed)	.000	.172	.941	.002	.020	.024	
	N	42	42	42	42	42	42	42

*. Correlation is significant at the 0.05 level (2-tailed).

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

Source: survey finding (2017)

The researcher used the Pearson’s coefficient of correlation (r) to study the correlation between the study variables and the findings. Pearson’s correlations analysis was then conducted at 95% confidence interval and 5% confidence level 2-tailed. Table 4.15 above indicates the correlation matrix between the factors (inventory management, warehouse management, information management, material handling management, transport management and procurement logistics management) and Addis International bank’s Service Quality. According to the table, there is a positive relationship between Service quality of the bank and procurement logistics management

with a correlation value of 0.681, between Service quality of the bank and transport management with a correlation value of 0.664 as well as Service quality of the bank and material management with a correlation value of 0.582. In addition, there exist a positive correlation between Service quality of the bank and information management and warehouse management magnitude 0.181, 0.339 and 0.299 respectively. The positive relationship indicates that there is a direct correlation between the aspects Logistic Management and the Service quality of the bank with procurement logistics management having the highest value and warehouse management having the lowest positive correlation value.

4.1.2.5. Regression Analysis

In addition, the researcher conducted a multiple regression analysis so as to determine the relationship between the six variables and Service Quality of the Bank. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study.

Table 4.16 **Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.856 ^a	.734	.688	.19033

Source: survey finding (2017)

Predictors: (Constant), inventory management, warehouse management, information management, material management, transport management and procurement logistics management.

The six independent variables that were studied (inventory management, warehouse management, information management, material management, transport management and procurement logistics management), explain 73.4% of the service quality of Addis International Bank as represented by the R². This therefore means the six independent variables only contribute about 73.4% to the service quality of the bank, while other factors not studied in this research contribute 26.6% of the service quality of the bank.

Table 4.17

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.092	.438		2.492	.018
Inventory Management	-.072	.059	-.114	-1.223	.229
Warehouse Management	.123	.068	.189	1.819	.038
Information Management	-.048	.081	-.060	-.589	.560
Material Management	.087	.083	.126	1.041	.030
Transport Management	.245	.066	.396	3.715	.001
Procurement Management	.373	.079	.503	4.725	.000

a. Dependent Variable: Bank Service Quality

Source: survey finding (2017)

The researcher conducted a multiple regression analysis so as to determine the relationship between logistic management and Service Quality of the Bank. As per the SPSS, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \epsilon$) becomes:

$$Y = 1.092 - 0.072X_1 + .123 X_2 - 0.048X_3 + 0.087X_4 + 0.245X_5 + 0.373X_6$$

Where Y is the dependent variable (Bank Service Quality), X1= Inventory Management; X2= Warehouse Management; X3= Information Management X4= Material Management X5= Transport Management and X6= Procurement Logistic Management.

According to the regression equation established, taking all factors (inventory management, warehouse management, information management, material management, transport management and procurement logistics management) constant at zero, the performance of banks will be 1.092.

At 5% level of significance and 95% level of confidence, warehouse management had a 0.038 level of significance, material management had a 0.030 level of significance, inventory management showed a 0.229 level of significance, transport management had 0.001 level of significance, information management had a 0.560 level of significance while procurement logistics management had a significance level of 0.000 hence the most significant factor in determining the bank service quality.

Table 4.18

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.490	6	.582	16.056	.000 ^b
	Residual	1.268	35	.036		
	Total	4.758	41			

Source: survey finding (2017)

From table 4.18 above, the significance value is 0.000 which is less than 0.05 thus the model is statistically significant in predicting how inventory management, warehouse management, information management, material management, transport management and procurement logistics management affect the bank's service quality.

4.1.3. Result of Customer Data Analysis

4.1.3.1. Customer expectation, perception and gap score

Table 4.19

Dimension	Expectation	Perception	Gap Score
Tangibility	4.3407	3.7121	-0.6286
Reliability	3.8480	3.5037	-0.3443
Responsiveness	3.8066	3.6989	-0.1077
Assurance	4.1841	3.2253	-0.9588
Empathy	4.0681	3.6176	-0.4505
Average	4.0495	3.5515	
Overall average gap score for the 5 dimension is -0.49798			

Source: survey finding (2017)

4.1.3.2. Expectations and perceptions discussed

Expectations and perceptions were both measured using the 5-point likert scale whereby the higher numbers indicate higher level of expectation or perception. In general, consumer expectation

exceeded the perceived level of service shown by the perception scores. This resulted in a negative gap score (Perception – Expectation). According to Parasuraman et al., (1988, p.30) it is however common for consumer's expectation to exceed the actual service perceived and this signifies that there is always need for improvement.

The dimensions with the highest expectation scores were Tangibility (4.3407), Assurance (4.1841), and Empathy (4.0681). However, these scores are not very different from scores of other items and this implies generally, consumers expect very high from Addis international bank.

The dimension rated highest for actual service perceived were, Tangibility (3.7121), Responsiveness (3.6989) and Empathy (3.6176). There is no so much difference between the scores of perceptions but are generally lower than expectations.

The gap scores are the difference between the perception and expectation scores with a range of values from -5 to +5 and these gap scores measure service quality and hence customer satisfaction. The more perceptions are close to expectations, the higher the perceived level of quality. The largest gaps scores were, Assurance (- 0.9588), Tangibility (-0.6286), Empathy (-0.4505) and Reliability (-0.3443).

4.1.3.3. Gap scores analysis:

The gap score analysis is to enable us find out how consumers perceive service quality in Addis International Bank and try to identify what dimensions of service quality they are satisfied with.

According to Parasuraman et al., (1985, p.48) the higher (more positive) the perception (P) Minus expectation (E) score, the higher the perceived service quality and thereby leading to a higher level of customer satisfaction. In this regard, the gap scores were calculated based on the difference between the consumers' perceptions and expectations of services offered by Addis International Bank.

In general, it was found that, customers' perceptions of service quality offered by Addis International bank did not meet their expectations (all gaps scores the dimensions are negative). These values show that the perception of performance in Addis International bank is less than the expected level of service quality.

4.1.3.4. Overall perceived service quality

According to Parasuraman et al., (1988), overall service quality is measured by obtaining an average gap score of the SERVQUAL dimensions. From table 7 it shows that all the customers expect more from the bank than the bank actually offer. This is evident from the negative average mean of -0.49798 showing that expectations exceed perceptions in Addis international bank.

Summarily, overall perceived service quality is low (-0.49798) meaning the level of service they receive is lower than what they expect indicating there is no satisfaction. This could be possibly because of either the under delivering of services to consumers or the over promising of Addis international bank to consumers on their services.

The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable. The five independent variables that were studied, explain 60.4% of the customer satisfaction as represented by Adjusted R. Square. This therefore means that other variables not studied in this research contribute 41.4% of the customer satisfaction of the banks. Therefore, further research should be conducted to investigate the other variables and factors (39.6%) that influence customer satisfaction

Table 4.20 **Model Summary**

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.777 ^a	.604	.586	.45505

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

Source: survey finding (2017)

Table 4.21 **ANOVA^a**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.207	4	6.802	32.848	.000 ^b
	Residual	17.808	86	.207		
	Total	45.015	90			

Source: survey finding (2017)

General Anova shows the significance of the model. If the significance (p-Value) is less than Alpha (0.05), we say the model is significant. So as we can see the p-value (sig) is .000 which is less than the alpha 0.05 so the model is significant.

4.2. Discussion

This research demonstrated the interrelationships among logistic management practice, service quality and customer satisfaction in the Addis international banking. The research aiming to find the Extent of Logistic Management in Addis International Bank and there are six variables used to evaluate the extent of the logistics management practice at Addis international bank. According to the results researcher found from the analyzed data of inventory management there have been good inventory turns/ proper space utilization, inventory accuracy has been achieved to large extent and there is proper flow of inventory. This shows there is a good inventory management practice.

Regarding to warehouse management Good housekeeping practice, staff welfare, less damage to commodities and proper receipt procedures have been achieved by the bank logistic function. Considering to information management the logistics management practice in the bank has achieved visibility between various departments, paperless operation as well as availability and proper flow of information in the bank. Due to Logistic management there has been adoption of modern storage infrastructure, quality check on the materials, efficiency and the supplier to the organization show compliance with particular regulations such as emissions caps, hazardous material labeling, product specification and having environment related documentation, this has enhanced quality of the product delivered.

The result shows that transportation management of the logistics practice the bank has improve vehicle scheduling, route optimization and Speed of delivery to large extent. Through procurement logistic management a good supplier relations, effective information delivery with the supplier of services have maintained. This indicates that the bank have a good logistic practice so far.

By using the six variables the research was trying to determine the relationship between logistic management practice and the bank service quality. The Regression Analysis shows that information management and inventory management have no significant impact at 0.05 on bank service quality. Information management and inventory management recorded the lowest co-efficient (-0.072 and -0.0480 respectively) among the rest of the variables for service quality. This

result means, a 1% increase in information management and inventory management will lead to 7.20% and 4.80% decrease in the bank service quality respectively. This could mean the bank may not treat information management and inventory management as an important measurement. The bank must focus on other variables that influence the service quality.

The finding from the regression analysis shows that warehouse management and material management have a significant relationship at 0.05 on service quality, Similar to Ellinger et al. (2000) finding that logistics is a strategic vector in companies' organization and influences their performance, namely in terms of service quality and overall profitability. However the strength of the relationship is so weak (i.e. one unit change in warehouse management and material management will result in 12.3% and 8.7% increase in the bank service quality respectively).

The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in procurement management will lead to a 0.373 increase in the quality of the bank service. A unit increase in transport management will lead to a 0.245 increase in quality of the bank service; a unit increase in material management will lead to a 0.087 increase in quality of the bank's service; a unit increase in warehouse management will lead to a 0.123 increase in quality of the bank's service; a unit increase in inventory management will lead to a 0.072 decrease in quality of the bank's service, while a unit increase in information management will lead to a 0.048 decrease in quality of the bank's service. This infers that procurement management contributes more to the quality of the bank service followed by transport management.

As mention by Li et al. (2006) the management of logistics activities has become a valuable way of securing competitive advantage and improving performance, Procurement management and transport management has a positive statistical relationship with the bank service quality at 0.01. Procurement management and transportation management recorded the highest co-efficient, which is 37.30% and 24.50%. Even though they recorded the highest co-efficient the strength of their relationship with service quality is weak.

The third questions researcher trying to find out was to measure the extent of the bank's service quality and customer satisfaction using the five service quality dimensions of SERVQUAL model. The researcher has examined the difference between customers' expectations and customers' perceptions of the service quality in Addis International Bank. He found that the respondents'

Overall expectation on a scale of 1 to 5 is 4.0495. This is high and implies that customers expect a lot from the bank. Looking at the individual dimensions we realize that customers expect a lot from each dimension. The tangibility, empathy and the assurance dimensions also have scores of above 4. Customers are therefore very sensitive to how reliable, empathy and assuring a bank is in providing quality services to them. Generally, the expectations are fairly high since most of the dimensions are above 4, which is an indication that customers expect very high from the bank.

Parasuraman et al. (1985, 1988) introduced the gap score as a means to measure service quality and they identified quality as a determinant of service quality. They however restricted their inference of satisfaction from service quality to a gap score between perceptions and expectations. The researcher has been able to measure the gap between perception and expectations of the sample. The expectations are higher than the perceptions. This makes us to have negative gaps indicating that customers expect more than the bank actually offer in terms of the quality of services. In its strict sense customers perceive service quality in bank to be poor since it is lower than expectations and hence they are not satisfied. This describes how consumers perceive service quality.

As service quality is an antecedent of customer satisfaction, which means that since customers perceive service quality as low or poor, and therefore implies that consumers are not satisfied with services offered in the bank. This customer satisfaction which comes as a result of the interaction between the customer and service provider and from our results, it shows that customers are not satisfied meaning this could be because of poor interaction between the customer and service provider and also because the customer is becoming more and more demanding and does not tolerate any shortfalls in the quality of services offered by bank.

In summary, from result and discussion obtained, it is seen that customers perceive service quality as poor in all dimensions meaning their expectations fall short of their experience in Addis International Bank. In this regard, customers are not satisfied with any dimension of service quality. All the dimensions show a gap between expected service and perceived service and this therefore means that the bank needs to make improvements in all dimensions in order to close gaps that could lead to increased customer satisfaction.

CHAPTER FIVE

5. Summary, Conclusions and Recommendations

This chapter deals with the Summary of the finding, conclusions that have been made from this research, as well as recommending on areas worth of further research.

5.1. Summary

The study was conducted to find out the influence of logistic management practice towards quality service effectiveness and customer satisfaction, a case of Addis International Bank.

This research found that in total Addis international bank are composed of a group of people who are adults and below fifty years of age. Only a few people work in Addis international bank for a long time, most of them work for not less than 3 years.

According to the results researcher found from the analyzed data there have been good inventory Management, warehouse management, information management, material management transportation management and procurement logistic management.

A 1% increase in information management and inventory management will lead to 7.20% and 4.80% decrease in the bank service quality. This could mean the bank may not treat information management and inventory management as an important measurement for service quality effectiveness. The bank must focus on other variables that influence the service quality.

The finding from the regression analysis shows that warehouse management and material management have a significant relationship at 0.05 on service quality. Procurement management and transport management has a positive statistical relationship with the bank service quality at 0.01 but the strength of their relationship with service quality is weak.

The overall perceived service quality is low as expectations exceed perceptions meaning consumers desired more than what was offered to them. As a result of this gap, it is clear that consumers are not satisfied.

Evaluating the perceptions and expectations of consumers, it can be seen that no dimension of service quality brings customer satisfaction to Addis International Bank Customers.

5.2. Conclusions

- ✓ The evidence from this study indicates that Addis international bank has a problem of Service quality and customer satisfaction. The main reason behind this poor performance was not related to the logistics management practice as it evidenced form the research finding the extent of the bank logistic management shows a positive result that the bank have good logistic management practices, therefore the bank should make further research regarding to the factors of customer satisfaction and service quality, in order to fulfill the need and satisfaction of its customers. Since the independent variables (warehouse management, material management, transport management and procurement management) have positive correlation with the dependent variables (quality service), they have the potential to affect the service quality of the bank even if the strength of the influence is week. This means, the higher the logistics management practice, the higher the bank can improve their service quality and customer satisfaction.
- ✓ The results of this study seem to indicate that logistic management practice of warehouse management, material management, transporter management and procurement logistic management processes have a positive impact on the bank service quality effectiveness. Therefore, Addis international bank should take an active role in managing all facets of their logistic management. In today's increasingly competitive global markets, organizations that do not practice sound logistic and supply chain management techniques may find themselves unable to compete with their business competitors.
- ✓ From the gap score analysis carried out, it was found that, the overall service quality is low as perceived by consumers in Addis International Bank and hence no customer satisfaction. Consumers have higher expectations than what they actually receive from the bank even though The overall perceived service quality is low as expectations exceed perceptions meaning consumers desired more than what was offered to them. As a result of this gap, it is clear that consumers are not satisfied.

5.3. Recommendations

- ✓ As per the research finding there is a significant statistical relationship between the logistics management practices and the bank's service quality effectiveness so that it is very important for the bank to make further research in the area of logistic management practices with incorporating more variables in the study and the scope be expanded to include other financial institutions and state agencies.
- ✓ This study general finds that Addis international bank has not satisfying its customer need so that a continuous improvements are recommended to maintain a competitive edge.
- ✓ Addis international Bank should pay extra attention to customer needs. Customer satisfaction is improved when the service provided surpasses the perceived value of customers. An exchange of information is essential to understand changing customer needs and behaviors so that bank can customize products for individuals.
- ✓ Addis international bank need to consider recruitment and human resources programs in order to satisfied the customer expectation, for instance to increase the responsiveness of the bank : First, banks should ensure that employees are able to provide professional services. Staffs are assets of an organization and the key to building bridges with customers. Cook (2008) notes that training and development help organizations to be more flexible, proactive and customer-focused in the face of fierce competition and serve as a prime motivational tool. A strong infrastructure of providing professional services including knowledge, skills and attitudes can be adopted to encourage employees to become empowered, so that they can truly read customers' needs and gain work satisfaction by providing correlated services.
- ✓ The researcher recommends further research in the area of service quality and customer satisfaction with incorporating more variables and with expanded scope

5.4. Limitation of the Study

The potential limitations of the study were that due to time and monetary constraints, the study population was restricted to one single company and its branches that are located in Addis Ababa. If the study includes more companies and branches that were out of Addis Ababa the conclusion of the study might change and while determining the sample size, a margin error of 10% was allowed in this study, which was lower than the suggested standard. Lack of local prior research studies on the topic was the other limitation of the study.

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Appendix: A Time Schedule and Budget

Time Schedule

S/ N	Activities	Start Time	Proposed	
			Finished Time	Remark
1	Proposal writing	01/11/2016	01/02/2017	
2	Review of related literature	12/11/2017	15/03/2017	
3	Data collection	16/03/2017	15/04/2017	
4	Research report writing	16/04/2017	11/05/2017	
5	Submission of draft report	12/05/2017	26/05/2017	
6	Submission of the final report	26/05/2017	05/06/2017	

Budget Schedule

List of Items	Unit of Measure	Units	Cost/ Unit	Total Cost
1. Expenditure for Services:				
Printings				3,000.
Photocopy (3 copies of 200 pages)	Pages	200	1.5	300.
Internet	Pages	600	0.5	300.
Data Entry and Analysis				600.
				4,200.
2. Data Collection Expenditure				
Transportation (to the bank branches & Library)	fee			1,000.

1. Expenditure for Materials

Duplicating papers	600.
Ball point pens and writing pads	100.
Flash Disc	300.
	1,000.

Grand Total:

Expenditure for Services.....	4,200.00	
Data Collection Expenditure.....	1,000.00	
Expenditure for Materials.....	1,000.00	6,200.

Grand Total **6,200**

Appendix: B Research Questionnaire for Customers

Research Questionnaire for Customers

Introduction

This questionnaire has been designed for the sole purpose of collecting data on the influence of logistic management practice on quality service effectiveness and customer satisfaction in a case of Addis international bank share Company Ethiopia. The data collected will be treated with a very high degree of confidentiality and it is meant for academic purpose only.

Note: this information will exclusively be used for research purpose and in no case will be disclosed to anybody.

Section A: General Information

1. Gender

Male Female

2. What is your age bracket? Tick as applicable

a) Under 30 years b) 31- 40 years
c) 41-50 years d) Over 50 years

3. How long have you been using the bank?

a) Less than 1 years b) 1-3 years
c) 4-5 years d) Over 5 years

4. what Type of account you have with the bank

a) Saving d) Special Saving Account
b) Current(Demand) Account e) Cooperative Saving Account
c) Fixed Time Deposit Account f) Foreign Currency Account

5. What is your education bracket?

a) Primary b) High school/Certificate c) Diploma
c) Degree d) Masters and above

Section B: Service Quality Dimensions

Expectations: This section deals with your opinion of the bank service quality. Please, show the extent to which you think the bank ‘should’ possess the following features. We are interested in knowing your expectations from ideal bank. You should rank each statement as follows;

Put a cross (√) on your choice of answer.

Dimension	Statement	Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
Tangibility	The bank should have visually appearing physical facilities					
	The bank should have up to date technological equipment					
	The bank should distribute marketing materials that are clear and give complete information.					
	The bank ATM machines should give quality service.					
	The bank should give a clean bank statement and should deliver on time.					
Reliability	The bank should able to answer my queries.					
	The bank should provide service as promised.					
	The bank should provide quality service keeping the promised time.					
	The bank should deliver up date record.					
	The bank should handle my problem fastly.					

	The bank should have convenient operation hours.					
Responsiveness	The employees of the bank should tell me when the service will be performed.					
	Employee of the bank should gives me prompt service.					
	The bank should send timely my bank statement.					
	Employees of the bank should not be too busy to respond to my request					
	Employees' of the bank should be prompt in providing services.					
Assurance	The behaviors of the bank employees should inspire confidence in me					
	I should feel safe in transaction with bank					
	Employee of the bank should be knowledgeable about the products and services.					
	Employees of the bank should have knowledge to answer my question					
Empathy	The bank should gives me individual attention					
	The bank should make me to have best interest in my heart for the bank.					
	The bank employee should understand my needs.					
	Working hours of the bank should be convenient to me					
	The bank should knows how I feel					
Satisfaction	Generally, I should satisfy with the services of the bank.					
	I should recommend the bank to friends and family members					
	The personnel of the bank should have courteous and friendly					

	The bank should quickly solve my problems					
	I should always choose this bank over any other bank					

Perceptions: The following statements deal with the perceptions of service experienced in Addis international bank. Please, show the extent to which these statements reflect your perception of service in the Addis international bank.

Put a cross (√) on your choice of answer

Dimension	Statement	Strongly Agree(5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
Tangibility	I am satisfied with the bank physical facilities visually appearing.					
	I am satisfied with the technological up-to-date equipments of the bank					
	I am satisfied with the marketing materials distributed by the bank. They are clear and give complete information.					
	I am satisfied with the service I receive from ATMs machine.					
	I am satisfied with the bank statement clearness and delivery time					
Reliability	The bank is always able to answer my queries.					
	I am satisfied with the services provided by the bank as promised					
	I am satisfied with the way bank provides the services at the time they promised.					
	I am satisfied with the way bank delivers up to date record.					
	I am satisfied by the service of handling a problem (speed of					

	problem solving).					
	I am satisfied with the operating hours of the bank.					
Responsive ness	The employees of this bank tell me exactly when the service will be performed?					
	Employee of this bank gives prompt service to me?					
	I am satisfied with the bank service of sending timely bank statement.					
	Employees of this bank are never too busy to respond to my request					
	I am satisfied with the employees' willingness to help					
Assurance	The behaviors of the bank employees inspire confidence in me					
	I feel safe in transaction with bank					
	Friendliness and courtesy of staff					
	Employees of the bank have knowledge to answer my question					
Empathy	The bank gives me individual attention					
	I have best interest in my heart for the bank					
	The bank employee understand my needs					
	Working hours of the bank convenient to me					
	The bank knows how I feel					
Satisfaction	Generally, I satisfied with the services of the bank.					
	I will recommend the bank to friends and family members					
	The personnel of the bank are courteous and friendly					
	The bank quickly solve my problems					
	I will always choose this bank over any other bank					

Source: Parasurman (1985)

Thank You

Use the scale of 1- strongly disagree 2- disagree 3- neutral 4- agree 5- strongly agree

S.No	Inventory Management	1	2	3	4	5
1	Proper flow of inventory					
2	Inventory accuracy has been achieved					
3	Good inventory turns/ proper space utilization					
	Warehouse Management	1	2	3	4	5
1	Good housekeeping practices have been achieved by the organization					
2	Proper receipt procedures have been undertaken by staffs					
3	Less damages to commodities due to proper storage					
4	Staff welfare has been achieved due to implementation of health and safety standards					
	Information management	1	2	3	4	5
1	Visibility between various departments in the organization					
2	Paperless operation in the organization					
3	Availability and proper flow of information in the organization					
4	My organization utilizes information technology in coordinating its activities with suppliers					
	Material Management	1	2	3	4	5
1	Quality check on the materials					
2	Adoption of modern storage infrastructure					
3	Efficiency due to use of modern material handling equipment					
4	The supplier to the organization show compliance with particular regulations such as emissions caps , hazardous material labeling ,product specification and having environment related documentation, this has enhanced quality of the product delivered					
	Transport Management	1	2	3	4	5
1	Vehicle scheduling has improved					
2	Route optimization has been achieved					
3	Fleet tracking tools have increased vehicle visibility					
	Procurement Logistic Managements	1	2	3	4	5
1	My organization practices transparent sourcing of suppliers					
2	Good supplier relations is maintained by the organization					
3	Effective information delivery is maintained with the supplier of services and provider					
4	In the assessing the potential Logistic Management services, the organization’s benchmarks to determine whether the service meets your targets					

Section C: The Influence of Logistic Management Practice on the Effectiveness of Quality Service Delivery

State the extent to which you agree with the following statement concerning your organization Service quality in relation to the logistic system practices you adapted

Scale 1- strongly disagree 2- disagree 3- neutral 4- agree 5- strongly agree

S.No	Inventory Management	1	2	3	4	5
1	Logistics system has led to reduction in lead time					
2	Logistics system has made the organization to achieve timely delivery of services to clients					
3	the Orders and deliveries are easily processed to avoid delays in delivering the service					
	Warehouse Management	1	2	3	4	5
1	The easily maintaining of Database of the supplier helps the bank service quality.					
2	All activities and processes are pulled into a central database					
3	Incoming stocks are properly recorded after receiving from suppliers and accessible for use					
4	Stock bins and other recording methods are well enhanced to					
	Information management	1	2	3	4	5
1	The organization has achieved the use of modern tool in offering its services					
2	Sharing of information improves the organizational service quality					
3	Information moves faster and this reduces lead time and improve service quality					
4	Maximum security is accorded against information proliferation					
	Material Management	1	2	3	4	5
1	adequately safeguarded of the incoming material help the bank in giving equality service					
2	The available of a database for all receivables and outgoing material is helpful to give quality service					
3	Adequacy in staffing to undertake material management help the bank in delivering quality service					
4	Material tendering and purchases done on merit help the bank in giving quality service					
	Transport Management	1	2	3	4	5
1	The easiness of Monitoring of stock movement have an impact on delivering quality service					
2	Organization the application of optimal transport system have an impact on the bank service quality					
3	Adequate logistical function is one core attribute for delivering a quality service					

	Procurement Logistic Managements	1	2	3	4	5
1	Logistics management system leads to higher quality service					
2	Logistics management system has led to sustainable quality service					
3	Logistics Management has improved service quality					
4	The organization recognizes the role of logistics in its functions, specially the impact it has on service delivery					

Thank You