



**ASSESSMENT OF SERVICE QUALITY AND CUSTOMER  
SATISFACTION: THE CASE OF ETHIOPIAN AIRLINES  
CARGO.**

**By**

**Merhawit Taime**

**Addis Ababa University School of Commerce  
Marketing Management Post Graduate Program**

**June 2014**

**Addis Ababa, Ethiopia**



**ASSESSMENT OF SERVICE QUALITY AND CUSTOMER  
SATISFACTION: THE CASE OF ETHIOPIAN AIRLINES  
CARGO.**

**A Thesis Submitted to Department of Marketing Management,  
the Partial Fulfillment of Master's Degree in Marketing  
Management.**

**By  
Merhawit Taime**

**Addis Ababa University School of Commerce  
Marketing Management Post Graduate Program**

**Research Advisor: Temsgen Belayeneh (PhD)**

**June 2014  
Addis Ababa, Ethiopia**

**ADDIS ABABA UNIVERSITY**

**ADDIS ABABA UNIVERSITY  
SCHOOL OF COMMERCE**

**MARKETING MANAGEMENT POST GRADUATE PROGRAM  
ASSESSMENT OF SERVICE QUALITY AND CUSTOMER  
SATISFACTION: THE CASE OF ETHIOPIAN AIRLINES CARGO  
SERVICE**

*Approved by Board of Examiners*

\_\_\_\_\_  
**Advisor**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Internal Examiner**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**External Examiner**

\_\_\_\_\_  
**Signature**

## **CERTIFICATION**

This is to certify that Merhawit Taime has completed her thesis work entitled **Assessment of Service Quality and Customer Satisfaction: (The Case of Ethiopian Airlines Cargo)**. As I have evaluated, her research is original work and appropriate to be submitted as a partial fulfillment requirement for the Award of Degree in Masters of Marketing Management.

**Thesis Advisor:** \_\_\_\_\_

**Signature and Date**

**Temsgen Belayeneh (PhD)**

## DECLARATION

I Merhawit Taime hereby declare that the thesis entitled “**service quality and customer satisfaction in Ethiopian Airlines cargo**” is my original work and submitted by me for the award of Degree of Master of Marketing Management from Addis Ababa University School of Commerce at Addis Ababa and it hasn't been presented for the award of any other Degree, Diploma, Fellowship or other similar titles of any other university or institution and that all sources of material used for the study have been appropriately acknowledged.

Merhawit Taime

Student

---

Signature

June 2014

Date

**Email [merhawittaime@gmail.com](mailto:merhawittaime@gmail.com)**

**Phone number +251910064498**

# Table of Contents

<b>Content</b>	<b>Page no</b>
Acknowledgement .....	i
Acronym and abbreviation.....	ii
List of tables.....	iii
List of figures.....	iV
Abstract .....	v
1. Introduction .....	1
1.1 Background of the study .....	1
1.2 Background of the organization .....	4
1.2.1 Ethiopian Cargo .....	4
1.3 Statement of the problem .....	6
1.3.1 Research Question .....	7
1.3.2 Hypothesis .....	8
1.4 objective of the study .....	8
1.4.1 General objective .....	8
1.4.2 Specific objective .....	8
1.5 Significance of the study .....	9
1.6 Scope of study .....	9
1.7 Limitation of the study .....	9
1.8 Organization of the Study .....	10
1.9 Definition of terms .....	10
2. Review of related Literatures .....	11
2.1 Introduction .....	11

2.2 Concept and definition .....	11
2.2.1 Definition of service quality .....	11
2.2.2 Measuring service quality .....	12
2.2.3 Service quality dimensions .....	13
2.2.4 Customer satisfaction .....	15
2.2.5 Customers expectation .....	17
2.2 Theoretical framework.....	19
2.2.1 Gronroos model.....	19
2.2.2 GAPS model of service quality .....	22
2.3 Relationship between service quality and customer satisfaction .....	22
2.4 Empirical Review on Cargo service quality.....	23
2.5 conceptual frame work.....	25
3. Research design & methodology. ....	26
3.1 Introduction .....	26
3.2 Research approach .....	26
3.3 Sampling technique & sample size determination .....	26
3.4 Method of data collection & data source .....	27
3.5 Validity &Reliability.....	27
3.6 Method of data analysis .....	28
3.7 Ethical consideration.....	28
4. Data presentation and data analysis. ....	29
4.2 Introduction .....	29
4.3 Personal profile of respondents .....	29
4.4 Service Quality dimension analysis .....	31

4.5 Correlation Analysis .....	37
4.6 Regression Analysis.....	39
4.7 Hypothesis Testing .....	41
5. Summery, Conclusion and Recommendation.....	44
5.1 Introduction .....	44
5.2 Summary of major finding .....	44
5.3 Conclusion of the study .....	46
5.4 Recommendation .....	46
Reference .....	48
Appendix .....	52

## **Acknowledgement**

My greatest thanks and praise goes to almighty God, who made all things possible for me in accomplishing this Master program and the project. I wish to express my sincere gratitude to my advisor Dr Tmesgen Belayneh for his patience, motivation, enthusiasm, and immense knowledge throughout the work. My Special thanks goes to Ato Biniyam Demessie the public relation officer of Ethiopian Airlines for his support and warm welcoming.

I would like to thank my father AtoTaime G/sadikan, my mother W/roTsege Hagos and my sister HiwotTaime for their support and encouragement from the first day. My special thanks go to MizanWondu, Biniyam, Frewenyini G/hawariya, FevenTumezgi, and all my friends that helped me while distributing the questionnaires and their support throughout the project. I would also like to thank my fellow group members for their supports and their comments.

Finally I would like to thank everyone who helped me to accomplish this thesis.

## **Acronyms and abbreviations**

SERVQUAL –service quality measurement tool

EAL- Ethiopian Airlines

## **List of tables**

Table 4.1 Respondents personal profile .....	29
Table 4.2 Cronbach's alpha test for independent variables .....	30
Table 4.3 Customer Satisfaction on Reliability Dimension.....	31
Table 4.4 Customer Satisfaction on responsiveness Dimension.....	32
Table 4.5 Customer Satisfaction on assurance Dimension.....	33
Table 4.6 Customer Satisfaction on empathy Dimension.....	33
Table 4.7 Customer Satisfaction on tangibles Dimension.....	34
Table 4.8 Customer Satisfaction on compliant handling Dimension .....	35
Table 4.9 Customer Satisfaction on compensation Dimension.....	35
Table 4.10 Expectation and Perception Gap.....	36
Table 4.11 Overall satisfaction.....	36
Table 4.12 Correlation matrix between service quality dimensions and customer satisfaction.....	38
Table 4.13 Model Summery.....	39
Table 4.14 ANOVA.....	40
Table 4.15 Regression result of service quality dimension and overall customer satisfaction.....	40

## **List of figure**

Figure 1 Gronroos Model .....	19
Figure 2 GAP Model .....	22
Figure 3 Conceptual framework of the study .....	25

## **Abstract**

Service quality has become the most important factor for the success and survival in airline industry and also to differentiate one airline from other competing airlines. In many services rendering organization service quality is major concern for organizations. Service quality is the most important structure in service marketing. Sustainable survival of an organization depends on its customers. The main purpose of this study is to assess service quality and improve customer satisfaction in Ethiopian Airlines cargo. The researcher used questioner in order to collect data about service quality in EAL cargo. In design the questioner compliant handling and compensation were added in addition to the five dimension of SERVQUAL model. The researcher used convenient sampling method in order to select the sample from the population. A total of 240 questioners were collected from customers. The data analysis was conducted through statistical techniques such as descriptive statistics, and inferential statistics using SPSS version 16. The finding indicates that service quality of the organization is poor. Based on the result of the correlation, it shows that reliability, assurance and compensations are positively and strongly correlated with customer satisfaction dimensions. The highest perceived service quality are observed in the tangibility and assurance and lest perceived quality is observed in compensation. From the study it is concluded that customer are not satisfied with the perceived service. Based on hypothesis testing there is a difference between perceived service and expected service by customers is accepted and reliability, assurance and compensation have positive relationships and significant effect on customer satisfaction so the hypothesis is accepted; however responsiveness empathy, tangibility, complaint handling has no significant effect on customer satisfaction so the hypothesis is rejected. The regression result also shows reliability has highest impact on customer satisfactions followed by Assurance and compensation

**Key word:** service quality, customer satisfaction.

# CHAPTER ONE

## 1.1 Introduction

This chapter presents general overview of the entire study. It includes background of the study, background of the organization, statement of the problem, research questions, hypotheses, objective of the study, significance of the study, scope of the study, limitation of the study, organization of the study and definition of terms.

## 1.2 Background of the study

Competition in the contemporary service business is intensifying and it is now increasingly important for service companies to understand service quality as a factor of marketing competitiveness. Service quality should be viewed as a distinctive approach to service competition. It is very important in services marketing to understand the impact of quality service on profit and escalating of business performance. Service products distributed regionally, nationally, and globally have become larger portions of company revenue streams (Landrum, Prybutok, Zhang & Peak 2009).

Service quality is an approach that helps to manage business processes in order to ensure full satisfaction of the customers which will help to increase competitiveness and effectiveness of the industry. Quality refers to something done by human beings at a very high level of excellence, oftentimes in the sense of works of perfection as being distinctive from inferior performance (Sheetal and Harsh 2004). Quality in service is very important especially for the growth and development of service sector business enterprises. Parasuraman, Zeithaml & Berry (1985) noted that the key strategy for the success and survival of any business institution is the deliverance of quality services to customers. Companies providing high service quality as perceived by their customers, tend to be the most profitable companies. On the other hand, poor service has been identified as the primary reason why customers switch to competitors. In service giving organizations all staff or employees must be customer orientated and interact with customers to satisfy their needs in order to increase customer satisfaction and there must be service commitment from employees and support from all levels of management.

Therefore, it is important for managers and employees who provide goods or services that they must constantly keep track of information about the company's wellbeing as far as meeting its customers' needs are concerned (Dayang and Francine 2010).

Organization must work more on customer relation and customer handling process and solve problems that are related to quality of service and customer satisfaction. The quality of services offered will determine customer satisfaction and customer loyalty. Service quality by its very nature is an elusive, indistinct and abstract concept. Consumer do not easily articulate their requirements, also there are difficulties in delimiting and measuring the concept. Experts like Kotler, Gronroos, Cronin, Taylor, Teas, Parasuraman, Zeithaml, and Berry have contributed to the growth of the subject and many models were developed on its measurement. The team of Parasuraman, Zeithaml and Berry had conducted several research studies to define service quality and identify the criteria that customers use while evaluating the service quality in service organizations.

Theoretically, Parasuraman have developed SERVQUAL scale and a conceptual framework called the 'GAPS' model which estimates the difference between expectations and perceptions of actual service quality performance on five parameters namely tangibility, reliability, responsiveness, assurance and empathy. SERVQUAL is an effective approach that measures the quality of service and also analyzes the gap between customer's expectations and perceptions of the service in an organization.

Customer satisfaction is a representation of the customer's reaction to the value received from a particular product or service offering and it is tied to the customer's perception and expectation of service performance (Jenet 2011). Customer satisfaction results with greater profit through higher revenues, reduced costs to acquire customers, lower customer-price sensitivity, and decreased costs to serve customers familiar with a firm's service delivery system. Suzana and Velida(2012) indicate that the costs of attracting new customers are lower for firms that have already achieved a high level of customer satisfaction, and that satisfied customers are willing to buy goods and services more frequently which result positive word of mouth. Customer satisfaction extensively influences company performance and survival. Thus customer orientation

is the most important focal point for any business to flourish in the market (Rajasekhara and Mangnale 2011).

Currently, service quality has become the most important factor for the success and survival in airline industry and also to differentiate one airline from other competing airlines. Service quality is very critical in a highly competitive environment such as that of the Ethiopian Airlines operating environment. Furthermore, delivering high quality airline services can help in meeting several requirements such as customer satisfaction, customer loyalty, market share, soliciting new customers, improved productivity, financial performance and profitability (Llosa et al., 1998 as cited in Mesay 2012). Several airline companies face challenges while delivering quality service to their customers because of the dynamic nature of service. There is big deviation in customers' expectations and perception of service and this gap will result dissatisfaction of customers and negative word of mouth.

The air cargo industry serves as a key engine of economic growth and development. It supports trade and investment, promotes connectivity and improves efficiency and competitiveness. Air freight is the fastest and most expensive way of transporting goods. Therefore, it is mainly used for high-valued or perishable goods which require fast delivery. The demand for air cargo transportation has increased significantly over the last few years because product life cycles have shorted and the demand for rapid delivery has increased (Thijs 2013). The air cargo industry incorporates an industrial supply chain, which includes airlines, customs, ground services, air cargo forwarders, brokers, domestic transportation, air cargo terminals, distribution centers and integrated international express services (Chih and Shuo 2006).

The goal of many airlines is to develop services which attract and keep customers satisfied, loyal and speak well of the airline which in turn would increase revenue, customer equity, market share and profitability. In airline industry, service quality is being increasingly viewed as a competitive marketing strategy revolving around customer focus, innovation, and creative service and striving towards service excellence. (Andotra, Neetu and Sanjana 2008).

The main focus of the study is to assess service quality and customer satisfaction in Ethiopian Airlines cargo which gives international freight service to importers, exporters, government and nongovernment organizations and individual requirements.

### **1.3 Background of the organization**

#### **Ethiopian Airlines Cargo**

Ethiopian Cargo started operation in 1946 to Nairobi. Since the early 1970s, the flourishing agricultural export products of Ethiopia have positively impacted the growth of the cargo services. Ethiopian Cargo serves to both private individuals and businesses Air Freight & Air Cargo shipping service. Currently Ethiopian operates over 40 cargo destinations spread across Africa, Europe, Asia and the Middle East via its hub – Addis Ababa and Liege.

#### **Ethiopian Cargo Network**

Dedicated Freighter Destinations (24)

**In Africa** - Abuja, Accra, Addis Ababa, Brazzaville, Bujumbura, Cairo, Dar es Salaam, Entebbe, Johannesburg, Kigali, Kinshasa, Lagos, Libreville, N'Djamena, and Pointe-Noire.

**In the Gulf, the Middle East and Asia**- Beirut, Chennai, Dubai, Hong Kong, Jeddah, Mumbai and Riyadh.

**In Europe**- Liege and Luxembourg.

#### **Ethiopian Cargo service**

Ethiopian Cargo is dedicated in maintaining fast and reliable operation for all outgoing and incoming products. The Cargo service mainly focuses on exports such as fruits, semi-processed (finished) leather, vegetables, flowers, carpets, chilled meat and frozen fish products and coffee. Imports include chemicals, machinery spares, electronics, garments,

pharmaceuticals and vehicle. <http://www.Ethiopian Airlines.Com> Viewed 01 December 2013.

### **Perishable and Valuable cargo handling**

Ethiopian Airlines cargo handle all kinds of import and export perishable shipments in a modern cold room facility in Addis Ababa with adjustable temperature ranges to suit all kinds of perishable shipments. Anticipating the future growth of perishable cargo, Ethiopian Airlines has proactively launched an expansion project to construct a new perishable cargo terminal that will be operational within the foreseeable future. Ethiopian Airlines cargo also handles valuable goods without losing any of the security that makes it so reliable.

### **Horticulture and Live Animals carriage**

Ethiopian Airlines cargo specializes in the handling of horticultural products. Customers will receive their consignment as freshly as it was delivered to them. The company also gives live animals shipments.

### **Human remnants handling**

Ethiopian Airlines cargo provides a sensitive priority service for human remains and definite collection time at the time of booking.

### **Dangerous goods handling and Mail & Courier Handling**

The organization's trained, certified and highly dedicated cargo handling team system wide ensures the highest safety standards at all stages of transporting your dangerous goods shipments, from acceptance to arrival at destination. And also it gives exclusive service caters to the need of airport to airport transportation of mail, documents and packaged boxes.

## **Warehousing Service (Physical Handling)**

Ethiopian Airlines cargo terminal provides state-of-the-art facilities for air cargo handling. With all facilities integrated by highly automated cargo handling systems. The organization offer a complete range of time-efficient Physical Handling services designed to help speed up your business process.

Ethiopian won “THE AFRICAN CARGO AIRLINE OF THE YEAR” award at the Air Cargo Africa 2011 Conference held in Nairobi Kenya on 24 February 2011. The award was organized by STAT TIMES International for excellence in Air Cargo in Africa. According to the STAT TIMES, Ethiopian Airlines Cargo has won the nominations of its readers worldwide for the “STAT TIMES International Award for Excellence in Air Cargo” in the category of AFRICAN CARGO AIRLINE OF THE YEAR <http://www.Ethiopian Airlines.com> Viewed 10 December 2013.

### **1.4Statement of the problem**

The service sector has become the major growth industry during the later part of this century. Given the rapid growth in the service industry, improving service quality has paramount importance to all organizations. To win in today's marketplace, companies must be customer centered they must deliver superior value to their target customers. Service quality depends on both the service deliverer and the quality of the delivery. kotler and Armstrong (1999) said that effective service deliverer and customer interaction is important for achieving a satisfactory service transaction. Providing excellent service quality and high customer satisfaction is important issue and challenging in contemporary service industry.

In 1985 Parasuraman, Zeithaml& Berry argued that delivering high quality in the service industry has been recognized as the most effective means of ensuring that a company's offerings are uniquely positioned in a market. Service quality has become a major area of attention to researchers because of its strong impact on business performance, lower costs, and return on investment, customer satisfaction, customer loyalty and gaining higher profit.

Now a day's customer satisfaction has become the most important indicator of the level of success for operation of any business. Customer satisfaction is measured by comparing the expectation and perception of the service delivery. To improve service quality organization need to make the best use of information they already have on quality of service and they need to regularly collect and use feedback from service users (Filipa, Sofia and Carlos 2010).

Air cargo offers clients the benefits of secure handling, speed and geographic flexibility. Air services help to improve the competitiveness of almost all aspects of companies' operations, including sales, logistics and inventory management, production and customer support. The main business for air freight companies is to deliver shipments rapidly, punctually and with the highest quality possible.

Delivering superior service quality by understanding customer expectations is a key for success and survival in very hectic and competitive environment of air cargo industry. In order to improve service quality and customer satisfaction, airlines have a responsibility to facilitate the relationships and communications between their customers and suppliers.

Even if the Ethiopian airlines won African Cargo Airlines of the year in 2011 there are many problems regarding to the service delivery. The air cargo often fails to fully deliver on its promise many customers are not satisfied with the service that they get from Ethiopian airlines cargo. People complain about the delivery process, loss of goods, delay in work and complicated procedures of the organization. Thus this study is carried out to assess service quality and satisfaction of customer based on different service quality dimension.

#### **1.4.1 Research questions**

This research is designed to give answer to the following research questions.

- Is there any difference between expected and perceived service by the customers?
- What is the relationship between the seven service quality dimensions and customer satisfaction?

- What are the dominant modified SERVQUAL dimensions that affect customer satisfaction at EAL cargo service?

## **1.4.2 Hypothesis**

- **H<sub>1</sub>**=There is significance difference between expectation and perceived service by customers.
- **H<sub>2</sub>**=Reliability is positively related and has significant impact on customer satisfaction.
- **H<sub>3</sub>**=Responsiveness is positively related and has significant impact on customer satisfaction.
- **H<sub>4</sub>**=Assurance is positively related and has significant impact on customer satisfaction.
- **H<sub>5</sub>**=Empathy is positively related and has significant impact on customer satisfaction.
- **H<sub>6</sub>**=Tangibles is positively related and has significant impact on customer satisfaction.
- **H<sub>7</sub>**=compensation is positively related and has significant impact on customer satisfaction.
- **H<sub>8</sub>**=complaint handling positively related and has significant impact on customer satisfaction.

## **1.5 Objective of the study**

### **1.5.1 General objective**

The main purpose of this study is to assess service quality and customer satisfaction in Ethiopian Airlines cargo.

### **1.5.2 Specific objective**

The specific objective of the study includes:

- ✚ To assess if there is any difference between expected and perceived service by the customers.

- ✚ To examine whether the seven dimensions of service quality have relationship and have significant impact on customer satisfaction.
- ✚ To find out the dominant modified SERVQUAL dimensions in affecting customer satisfaction at EAL cargo service.

## **1.6 Significance of the Study**

Since this study is mainly focuses on assessing the service quality and customer satisfaction in Ethiopian Airlines Cargo, the findings of this study will:-

- ⇒ Help in creating a better understanding on the service quality and customer satisfaction of EAL cargo.
- ⇒ In addition this study will help to other researchers for further study.

## **1.7 Scope of the Study**

This research is conducted to assess the Service quality and customer satisfaction in EAL cargo. This researcher was conducted form customers perceptive only. Even though there are different factors that affect service quality and customer satisfaction, in this research only seven service quality dimensions were used i.e. reliability, responsiveness, assurance, empathy, tangibility, compliant handling and compensation. Conducting the study to all importers, exporters and individual customers in EAL cargo is difficult because the population is infinite and it is hard to manage all of these customers so the study was focused only on companies or individuals that import good through Ethiopian Airlines cargo. As the method of primary data collection, only questionnaire were used to conduct the study.

## **1.8 Limitation of the Study**

As stated earlier this study is limited in scope. The outcome of the study is solely dependent on individual responses of the respondents that participate in the study thus the findings of this study may not give a general picture of the service quality in EAL cargo. Moreover, as the sample is small and is selected using non-probability sampling technique the results might not be generalizable beyond the specific population considering the total population is large.

## **1.9 Organization of the Study**

The research paper contains five chapters. The first chapter presents the introduction part, which consist background of the study, back ground of the organization, statement of the problem, hypothesis, objective of the study, significance of the study, definition of terms, scope of the study and limitation of the study. The second chapter presents review of related literature of the study which consist both theoretical and conceptual frame works. The third chapter presents research design and methodology. The fourth chapter presents the data presentation, analysis and interpretation and the last chapter presents the summary of finding, conclusion and recommendations. Finally list of reference, bibliography and appendix and other related sample are attached at the end.

## **1.10 Definition of terms**

**Service quality:** - is consumer's overall impression of the relative inferiority or superiority of the organization and its services.

**Customer satisfaction:** - is a result when customer's expectations and perceptions are equal or greater.

**Reliability:** - is ability to perform the promised service dependably and accordingly.

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

**Tangibles:** - is appearance of physical facilities, equipment, personal, and communication materials.

**Assurance:** - is knowledge and courtesy of employees and their ability to convey trust and confidence.

**Empathy:** - is carrying individualized attention the firm provides its customers.

**Compensation:** -is anything that is given as an equivalent, or to make amends for a loss, damage products.

**Complaint handling:** - any expression of dissatisfaction made to an organization and the response of the organization.

# **CHAPTER TWO**

## **Review of Related Literature**

### **2.1 Introduction**

This chapter consist review of related literature in the area of study which gives theoretical understanding of the concepts regarding to service quality and customer satisfaction. These contain concept and definition, theoretical frame work and finally conceptual frame work of the study.

### **2. 2Concept and definitions**

#### **2.2.1 Definition of service quality**

The meaning of service quality is not an easy concept to define as it may refer to many attributes such as the experience of encounters with the service, the evidence of service, image, price and so on. Nevertheless, quality refers to the notion that a company should provide goods and services that completely satisfy the needs of both internal and external customers.

In today's business environment, the role of quality cannot be underestimated or overlooked by any company. Quality is rapidly being a major factor in a customer's choice of services. Without a doubt, quality plays an important role sustaining the long-term profitability and survival of a company (Russell and Taylor, 2000 as cited in Farah, 2011). According to the American Society for Quality (ASQ), 'quality' is a subjective term for which a person has his or her own definition, and in terms of technical usage, 'quality' carries two meaning; the distinctiveness of a product or service that is able to satisfy the stated need of a customer and a product or service that is free from any deficiency. Quality can also be defined as the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs (Kotler, 2002).

In 1982 Gronroos define equality of a service, as perceived by the customer is the result of a comparison between the expectations of the customer and his real-life experiences of the service. According to Parasuraman, Zeithaml and Berry (1988) as cited in Simon, Migueland Frank (2002) perceived quality is the result of the comparison between what consumers consider the service offered by the company (i.e., their expectations) and their perceptions of the performance of the service provided. Delivering quality service means conforming to customer expectations on a consistent basis. Service quality is thus considered to be the difference between the perceptions and the expectations of consumers.

The term service quality can also be described as the delivery of excellent or superior service relative to customer expectations. Organization's must meet or exceed customer expectations. Customer expectations may be defined as the "desires and wants of consumers" i.e. what they feel a service provider should offer rather than would offer. Definitions of service quality therefore, focus on meeting the customers' needs and requirements, and how well the service delivered matches the customers' expectations of it. In recent years, greater emphasis has been placed on the need to understand the role of expectations, given the fact that consumers' expectations of quality are increasing, and people are becoming more discerning and critical of the quality of service that they experience.(George and Shirley, 1996).

### **2.2.2 Measuring Service Quality**

The most widely used measure for service quality has been the 'SERVQUAL' measure of Parasuraman, Zeithaml and Berry, according to which customer assessment of service quality results from a comparison of service expectations and actual performance. The SERVQUAL scale was first published in 1988. The developers of the scale acknowledge that the five service quality dimensions are general dimensions that relate to most of the services. This scale measures service quality on five service quality dimensions which are Reliability, Responsiveness, Assurance, Empathy and Tangibles. Reliability largely concerns whether the outcome of service delivery was as promised. The other four dimensions relate to the process of service delivery or how the service was delivered Suzana and Velida, 2012).

SERVQUAL model can be used for complex analysis, as it provides the basis for control of the so-called non-financial variables such as customer satisfaction, it enables monitoring of a service quality over time, identification of a service components that are particularly good or bad, benchmarking of results with competitors and the measurement of the overall customer satisfaction with a particular service (Suzana and Velida, 2012).

According to Hoo (2011) the weakness of the model as the five dimensions are not universals, and that the model fails to draw on established economic, statistical and psychological theory. Suzana and Velida (2012) also states that SERVQUAL model is focused more on the process of a service delivery rather than on the process of interaction with employees and other users of the company, such as social responsibility. In addition, it is believed that this model does not include measurement of technical quality dimensions. Despite these weaknesses, the model remains a useful instrument for service-quality research for the past 20 years.

### **2.2.3 Service quality dimensions**

The classification of the service quality dimensions is important because each one brings different approaches, which help the managers of the companies providing services to understand the importance of each dimension and their impact on customer satisfaction (Filipa, Sofia and Carlos 2010). Researchers suggest that customers do not perceive quality in a unidirectional way, but rather judge quality based on multiple factors relevant to the context. Specific dimensions of service quality have been identified though the pioneering research of Parasuraman, Zelthaml and Berry (1985).

#### **The five dimensions of service quality**

**Reliability:** is ability to perform the promised service dependably and accurately. Reliability has been consistently shown to be the most important determinant of perceptions of service quality. In its broadest sense, reliability means that the company delivers on its promises. Promises about delivery service provision problem resolution and pricing. Customers want to do business with companies that keep their promises,

particularly their promises about the service outcomes and core service attributes. All firms need to be aware of customer expectations of reliability (Jenet 2011).

**Responsiveness:** is willingness to help customers and provide prompt service. This dimension emphasizes attentiveness and promptness in dealing with customer requests, questions, complaints and problems. Responsiveness is communicated to customers by the length of time they have to wait for assistance answer to questions or attention to problems. Responsiveness also captures the notion of flexibility and ability to customize the service to customer needs.

To excel on the dimension of responsiveness, a company must be certain to view the process of service delivery and the handling of requests from the customer's point of view rather than from the company's point of view. Standards for speed and promptness that reflect the company's view of internal process requirements may be very different from the customer's requirements for speed and promptness. To distinguish company's themselves on responsiveness; companies need well- staffed customer's service departments as well as responsive front- line people in all contact positions (Jenet 2011).

**Assurance:** is defined as employee's knowledge, courtesy and ability of firm and its employees to inspire trust and confidence. The dimensions is likely to be particularly important for services that the customer perceives as involving high risk and/or about which they feel uncertain about their ability to evaluate outcomes. Assurance contains factors of credibility, security, competency and courtesy as the measurement scales

**Empathy:** is treating customers as individuals. Empathy is defined as the caring individualized attention the firm provides its customers. The essence of empathy is conveying through personalized service that customers are unique and special. Customer need to feel understood by and important to firms that provide service to them. Personal at small service firms often know customer requirement and performance. When such a small firm competent with larger firms the ability to be empathetic may give the small firm a clear advantage (Jenet 2011).

**Tangibles:** is representing the service physically. Tangibles are defined as the appearance of physical facilities, equipment, personnel, and communication materials. All of those

provide physical representations or images of service that customer particularly new customers will use to evaluate quality (Jenet 2011).

The five dimensions of service quality are not universals. In order to assess service quality of different service sector these dimensions must be modified in order to make the measurement compatible with the area of study. In this study in addition to the five service quality dimensions compliant handling and compensation were used because of their importance in the cargo industry. The nature of air cargo service is difficult to manage. There may be lost or damaged goods, so many airlines face different problem regarding to damaged or lost goods and also there are different complains regarding to the service delivery. As a result compensation and compliant handling are used as additional dimensions besides the five SERQUAL dominations in order to measure customer satisfaction.

**Complaint handling:** - any expression of dissatisfaction made to an organization, related to products or services, where a response is either provided by or on behalf of that organization at the point or after which contact is made.

**Compensation:** -is anything that is given as an equivalent, or to make amends for a loss or damage products.

#### **2.2.4 Customer satisfaction**

With ever increasing competition for market dominance, customer satisfaction has received great attention and interest among scholars and practitioners because of its contribution towards the enhancement of business strategies and goals for all business activities in today's competitive market (Aako, 2012). It is obvious that customers are important stakeholders in organizations and their satisfaction is a priority to management. Nowadays every organization has realized the importance of customer's satisfaction because it is easy to deal with the old customer and it is also less costly rather than gaining the new one. Customer satisfaction can be defined as the customer's response to the evaluation of the perceived discrepancy between prior expectation and the actual performance of the product as perceived after its consumption (Kalyan, 2012)

Customer satisfaction is a key factor in formation of customer's desires for future purchase. Customers used to buy a product or service with expectations based on previous experience. In other words, before they buy the product or service, customers already have a certain level of expectation. And then once they buy the product or service, they compare the new one with the previous product or service. At this time confirmation or disconfirmation occurs. If the customer can accept the outcome compared with his or her expectations, confirmation will occur. On the other hand, if the customer cannot accept the outcome, disconfirmation will occur. There are two kinds of disconfirmation, which are positive disconfirmation and negative disconfirmation. When the outcome of the product or service is less than the customer expects, negative disconfirmation will occur. On the other hand, when the customer feels better about the outcome than the expectation, positive disconfirmation will occur. In summary, customer satisfaction occurs by confirmation or positive disconfirmation of consumer expectations, and dissatisfaction occurs by negative disconfirmation of consumer expectations Oliver (1980) as cited in Jinsoo, 2010.

Satisfaction could be the pleasure derived by someone from the consumption of goods or services offered by another person or group of people or it can be the state of being happy with a situation (Jenet, 2011). Satisfaction further leads to customer retention which leads to repeat purchase and increased the extent for relationship building and positive word of mouth (Farah, 2011).

Customer satisfaction is critical and strategic decision that every organization should be aware of in order to maximize and to stay in the competitive business. Customer satisfaction helps the companies to develop the long term relationship with their customers as the satisfied customers want to receive the service from the same organization. Customer satisfaction is the most dependable feedback taking into account the fact that it provides an effective, direct, meaningful and impartial approach to customers' preferences and expectations. In this way, it supports the perspective that customer satisfaction is considered as the standard of performance and a standard of excellence for any business organization (Kossmann, 2006 as cited in Aako, 2012).

Focusing exclusively on acquiring new customers is risky, since the acquisition of new customer's costs more than retaining the existing ones. Only a customer who is satisfied with the quality of a received service will repeat purchase and will be loyal to the company. Customer satisfaction is the foundation for building loyalty, trust, and long term relationships with customers'. Ensuring customer satisfaction and their long term retention is one of the most important tasks of the service company management. Customer satisfaction is a very important aim and instrument for managing a modern company that is faced with new challenges in contemporary environment (Suzana and Velida, 2012).

Customer satisfaction will occur only through conscious efforts to alter the way we approach our service delivery process. Service companies must not only change their attitudes towards market but also change their way in providing services with market expected parameters like quality, reliability, tangible evidences, responsiveness, assurance, empathy, price, availability, accessibility etc. Therefore, organizations in general service firms in particular must rethink how they do business.

### **2.2.5 Customer's expectations**

Consumers form judgments about the value of marketing offers and make their buying decisions based upon these judgments. Customer satisfaction with a purchase depends upon the product's performance relative to a buyer's expectations. Marketers must be careful to set the right level of expectations. If they set expectations too low, they may satisfy those who buy, but fail to attract enough buyers. In contrast, if they raise expectations too high, buyers are likely to be disappointed.

As expectations are dynamic customer expectation may differ among people from different countries and cultural background where service treatment standards may differ a lot. service expectation also derive from many other sources such as personal needs, perceived service alternatives, customer self- perceived service role, service promises, word of mouth communication, past experience and situational factors beyond the control of the service provider (Parasurman, Zeithaml, & Berry 1985). Given the importance of understanding customer expectations in order to deliver service quality it is also clearly

important to understand how such expectations might be formed. Customer expectations will be formed or influenced as a result of many factors.

## **Factors that affect customer expectation**

### **Personal needs**

Any customer will have what they regard as a set of key personal needs which they expect the service to address. Clearly these will vary from service to service and importantly from customer to customer. An inadequate understanding by the service of these personal needs will make it difficult to design an appropriate service (Wisniewski, 1999).

### **Previous experience**

Some customers many for some services will be 'repeat' customers in the sense that they have used this service before. Their previous experience as a customer will in part influence their expectations of future service. One customer for example may have low expectations because of previous poor service. Another may have high expectations because the service quality last time was high. However customers may also use their previous experience of other organizations in this context (Wisniewski, 1999).

### **Word of mouth communications**

Customers will have their expectations shaped in part by word-of-mouth communications about the service and the service provider. Effectively this relates to communication from sources other than the service provider itself. Friends, family, colleagues etc. are obvious sources in this context. Equally, the media may be a source of such communication (Wisniewski, 1999).

### **Explicit service communications**

Explicit service communications relate to statements about the service made by the service itself. Such statements may come from service staff or from the service in the form of leaflets, publicity and marketing material (Wisniewski, 1999).

### **Implicit service communication**

Implicit service communication may lead the customer to make inferences about service quality. From a service management perspective, it is clearly important to understand what the key influences on your customers' expectations are. Equally, it is important to

identify how the service might influence customer expectations of service through its formal and informal communications (Wisniewski, 1999).

## 2.3 Theoretical Frame work

### 2.3.1 Gronroos Model

This model suggests that the quality of a service as it is perceived by customers has two dimensions namely, a technical or outcome dimension i.e. what the customers get and a functional or process related dimension i.e. how the process and service encounter are perceived. These two have been termed as ‘technical quality’ and ‘functional quality’. Technical quality refers to what the service provider delivers during the service provision while functional quality is how the service employee provides the service. Gronroos postulated that as long as the outcome or the technical quality is acceptable the process dimension or functional quality, frequently may be more critical to consumer’s overall quality perception. The quality perception process includes much more than just the two dimensions of service quality. Good perceived quality is obtained when the experienced quality meets or exceeds the expectations of the customer that is the expected quality. This means that even if the experienced quality is good, the total perceived quality may still be low, if the expectations of the customers are very high or unrealistic. Conversely, the total perceived quality may be high even if experienced quality is not very good, if the customer has very low expectation.(Suzana&Velida, 2012)

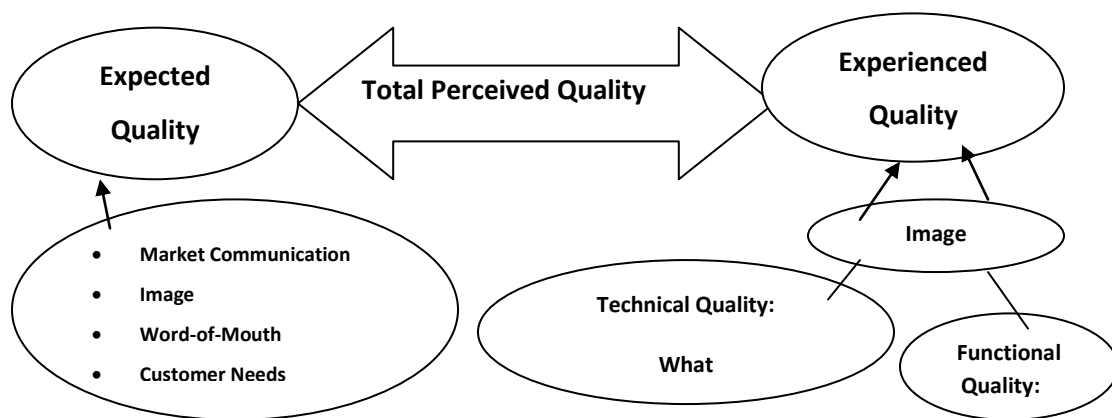


Figure 1 Source: Gronroos, (1988:12)

In addition the image of the company doesn't only have an impact on the expected quality but also on perception of the quality experienced. The model suggests that the total perceived quality is not determined by the level of the technical and functional quality dimensions only, but rather by the gap between the expected and experienced quality. The expected quality depends on a number of factors like market communication, image, word of mouth communication, corporate image and customer needs, few of which are directly under firm's control and others only indirectly controlled.

### **2.3.2 Gaps Model of Service Quality**

Parasuraman, Zeithaml and Berry (1985) have done extensive work in the area of service quality. According to them Perceived Service Quality can be defined as 'the extent of discrepancy between customers' expectations or desires and their perceptions.

**GAP 1 Consumer expectation-management perception gap** – This gap is the difference between customer expectations of service and company understanding of these expectations. Many of the executive perceptions about what consumers expect in a quality service are congruent with the consumer expectations revealed. However the discrepancy between executive perceptions and consumer expectations exists. In essence, service firm's executives may not always understand what features connote high quality to consumers' needs and what levels of performance on those features are needed to deliver high quality service. This lack of understanding may affect quality perceptions of consumers (Parasuraman, Zeithaml and Berry 1985).

**GAP 2 Management perception- service quality specification gap** – A company might correctly perceive the customers' needs but may not set a specified performance standard. This may occur because management sometimes believes that customer expectations are unreasonable or because of resource and market constraints. Another reason for the gap between expectations and the actual set of specifications established for a service is the absence of total management commitment to service quality. In short a variety of factors resource constraints, market conditions, and/or management in-difference may result in a discrepancy between management perceptions of consumer expectations and the actual specifications established for a service. This discrepancy affects quality perceptions of consumers (Parasuraman, Zeithaml and Berry 1985).

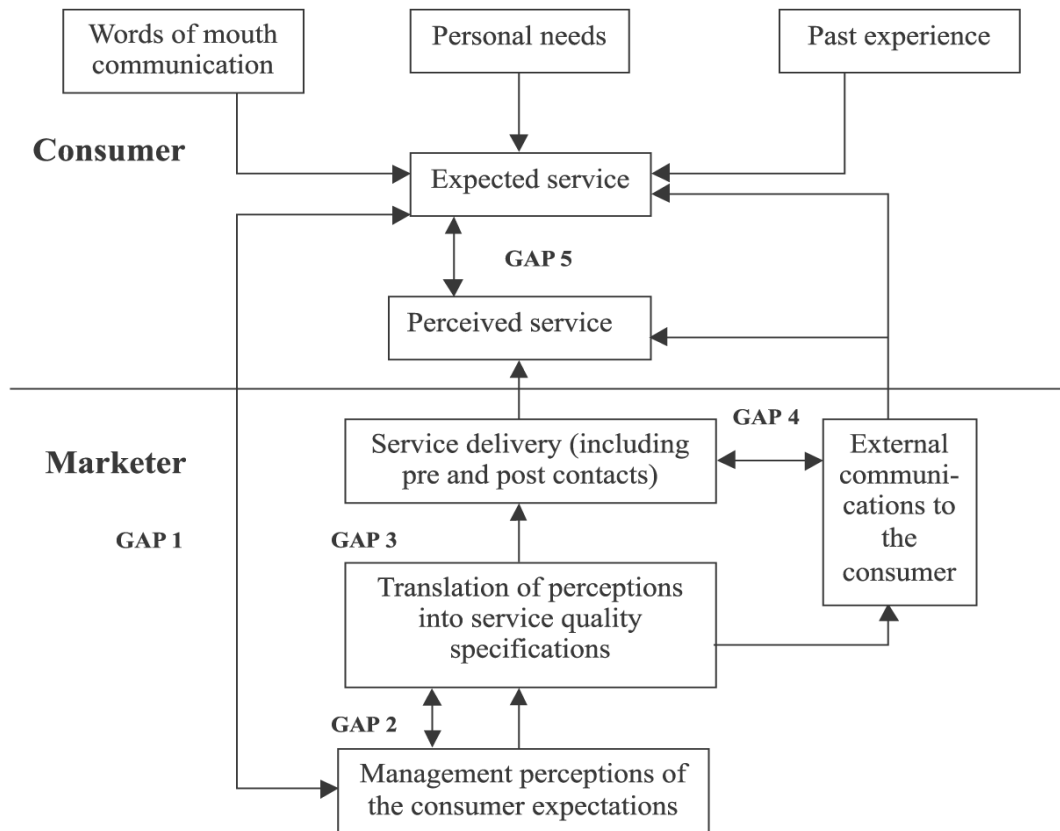
**GAP 3 Service quality specifications –service delivery gap** –This is the gap between service quality specifications and actual service delivery. Even when guidelines exist for performing services well and treating consumers correctly, high quality service performance may not be a certainty. Managers recognize that a service firm’s employees exert a strong influence on the service quality perceived by consumers and that employee performance cannot always be standardized (Parasuraman, Zeithaml and Berry 1985).

**GAP 4 Service delivery- external communications gap**–This is essentially a gap between what you deliver and your external communication. Media advertising and other Communications by a firm can affect consumer expectations. If expectations play a major role in consumer perceptions of service quality the firm must be certain not to promise more in communication than it can deliver in reality. Promising more than can be delivered will raise initial expectations but lower perceptions of quality when the promising is not fulfilled (Parasuraman, Zeithaml and Berry 1985).

**GAP 5 Expected services – perceived service gap-** the quality that a consumer perceives a service is a function of the magnitude and direction of the gap between expected service and perceived service. The key to ensure good service quality is meeting or exceeding what consumers expects from the service. Judgment of high and low service quality depends on how consumers perceive the actual service performance in the context of what they expected (Parasuraman, Zeithaml and Berry 1985).

Information on levels of customer expectations can help managers understand what customers actually expect of a particular service. Similarly, information on service quality gaps can help managers identify where performance improvement can best be targeted. Clearly, the concept of gap scores is a useful one for a service manager since these provide information on customer expectations, perceptions of service received and any gaps between the two. The use of such service quality dimensions allows managers and other stakeholders to develop an understanding of the relative performance of the service across these dimensions (Mik, 1999). In general information on service quality gaps can help managers to diagnose where performance improvement can best be targeted. Identifying the largest negative gaps, combined with assessment of where expectations are highest, facilitates prioritization of performance improvement.

**Figure 2 GAP Model**



Source: Parasuraman *et al.* (1985)

## 2.4 Relationship between service quality and customer satisfaction

In a fiercely competitive business environment, service rendering organizations are serious and taking huge efforts on knowing the relationship and interdependence of customer satisfaction and service quality. These two concepts, service quality and customer satisfaction, are the focus of attention of organizations because they want to quantify (measure) them. The reason for the focus on quality of service and customer satisfaction is the belief that organizations can differentiate themselves by means of providing better service quality and overall customer satisfaction. (Jant, 2011)

Quality and satisfaction has been widely discussed in various literatures from long back, especially in service industry it is found that there is good amount of interest is shown by managers having a strong sentiment that profit is derived by customer satisfaction and improvement in quality would lead to satisfaction which results in retention of customer

with enhanced profits. It is widely observed that there seems to be a relationship between service quality and customer satisfaction as increased quality improves customer satisfaction and contributes to success of the organization. This adds to the image component of the organization and improves profitability through repeat business, loyalty and positive word of mouth. It also attracts new customers to the firm and increased reputation for quality experience (Borka& Sameer, 2014).

Interdependence between the service quality and satisfaction could be found in difference between service qualities as service providers concern whereas satisfaction is a concern of consumer. Borka& Sameer has suggested that quality is part of firms' sphere of influence and satisfaction is evaluative reaction of customer. Management would take special efforts on improving service quality, especially the aspects under its control and implement the measures of customer satisfaction derived through well conceived market research. In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas service quality focuses specifically on dimensions of service (Wilson et al., 2008 as cited in Mukarramah & Sulaimon, 2014).

## **2.5 Empirical Review on Cargo service quality**

Firms involved in international logistics must develop a system of service attributes that give them a way to be profitable and to satisfy customers' needs at the same time. Increasingly over past decades, there has been recognition from transport operators that improvement in transport service quality is critical in achieving a differential advantage over competition. Different scholars evaluate service quality in transportation sectors especially in maritime and cargo service and suggest their own dimensions.

According to Thai (2008) quality of maritime transport services is a construct comprising six dimensions which are **Resources-related dimension** (Equipment and facilities availability, financial stability, Shipment tracing capability, Physical infrastructure). **Outcomes-related dimension** (Speed of service performance, reliability of service performance timeliness of shipment pick-up and delivery, providing service in a consistent manner, shipment safety and security or loss and damage, reliability of

documentation or error free processes, competitive price of service). **Process related dimension** (Staff's attitude and behavior in meeting customers' requirements, Quick response to customers inquiries, Knowledge of customers' needs and requirements. **Management-related dimension** (Application of IT in operations, Efficiency in operations and management, Knowledge and skills of management and operators, Understanding customers' needs and requirements, Feedback from customers, Continuous improvement of customer-oriented operation processes). Image/reputation-related dimension (Company's reputation for reliability in the market). Social responsibility-related dimension (Socially responsible behavior and concerns for human safety, Environmentally safe operations). Thai found that quality factors related to the process of service provision such as employee's knowledge and behavior in meeting customer's requirement, to management quality such as efficiency, and to service outcomes such as reliability and safety/security profile are highly ranked. Findings also revealed that factors involving the outcomes and process of service provision, as well as the management factors, which all focus on satisfying the customers, received high ranking.

Chalermkiat and Thananya (2008) also conduct analysis of selected cases in Cambodia, Thailand and Vietnam they reveal that the "Service Quality Gap Model" is useful to assess service quality but it ought to be used with care. Nevertheless their research has already proposed measurement indices for shipping industry in particular to avoid non-related universal index to shipping industry. Their result reveals that service quality is perceived differently by the frontline staff and customer in each country. This is because different determinants dominate the expectation of people in each country although service provided by companies are standardized. Moreover, tangibility features of service quality do not have much importance to the customer in determining service quality of shipping company.

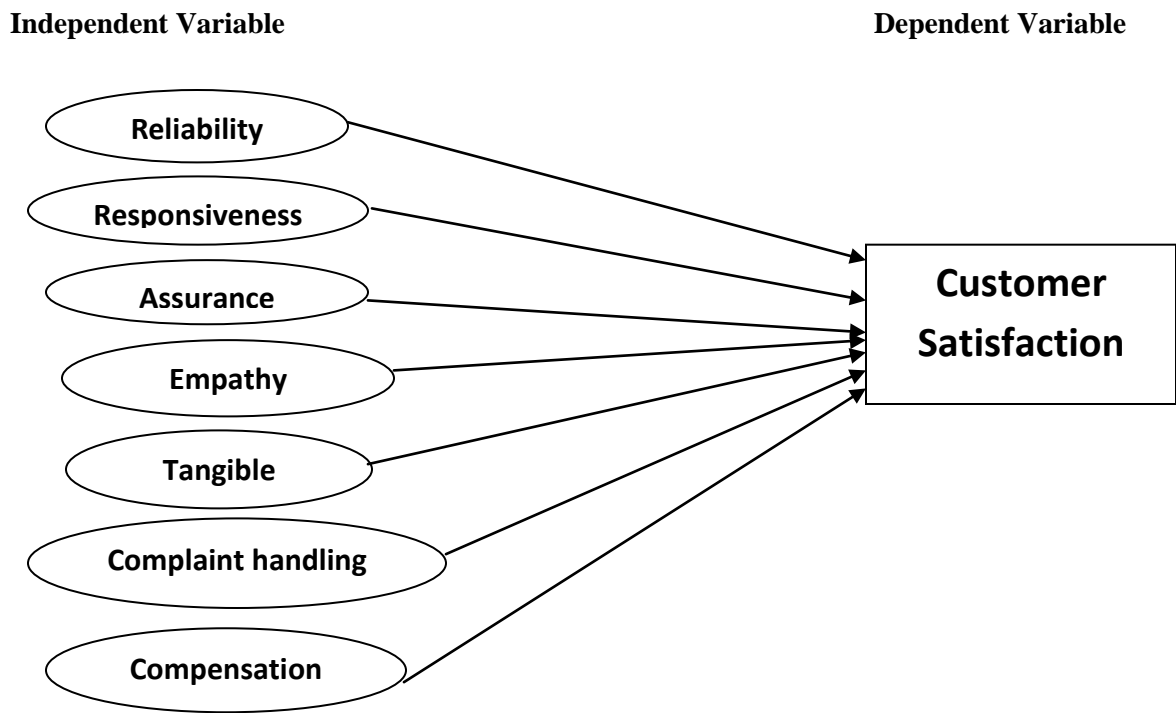
Kang in 2009 proposed scale of shipping service quality as **Service Outcome Quality** it contains Reliability of Delivery, Quality of Transported Product, Savings of Shipping Cost and Contribution to Lead Time. **Service Delivery Quality** It contains 'Transportation Claims Handling, Product Visibility, Communication with the Shipper, and Order Convenience. **Service Capability Quality** It contains Cargo Handling

Competency, IT System Competency, Organization Professional, and Organization Stability.

## 2.6 Conceptual frameworks

Based on the above literature review the following conceptual framework is developed. The conceptual framework of service quality and customer satisfaction consist independent variable like compensation and compliant handling which is also an important factor in cargo service in addition to the five dimensions of service quality.

**Figure3. Conceptual framework of the study**



**Source: Modified Parasuraman's SERVQUAL model 2014**

## **Chapter Three**

### **Research design and Methodology**

#### **3.1 Introduction**

The aim of this section is to show up the overall methodological content of the thesis. The methodology part is divided into five sub-sections. The first section discusses the general research approach which the paper relies on and the second section covers a discussion of sampling techniques used and the justification for it and the sample size determined for the research. The third section presents validity and reliability test. The fourth section presents the method of data collection and data source. Finally, the fifth section presents the description of the data analysis method.

#### **3.2 Research Approach**

This thesis is quantitative research that studies the relationship and the impact of service quality and customer satisfaction. In order to answer the problem statement and narrate with the research objectives, the nature of the study is explanatory type. Explanatory designs seek to establish cause-and-effect relationships. The primary purpose of this research design is to determine how events occur and which ones may influence particular outcomes (Dawson& Bob 2006). The reason of using this method is to study the relationship between dependent and independent variables.

#### **3.3 Sampling Techniques and sample size determination**

The total population of the study was all companies and individual who import goods through Ethiopian Airlines cargo. The total customers that are served by the organization per day are 350-400 customers. Thus the average numbers of customers that get the cargo service for a month is 8250 customers. Even if the average number of customer for a month is known this number may vary from day to day. From the given population 268 sample respondents were taken from the total population. Yamane (1967:886) provides a simplified formula to calculate sample sizes. This formula was used to calculate the sample sizes of EAL cargo users.

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

Where N is population of the study  
e is Precision (6%)

$$n = \frac{8250}{1+8250(0.06)^2} = 268$$

n is sample of the study

The study uses non probability sampling technique which is convenience sampling technique. Convenience sampling is technique in which a sample is drawn from that part of the population that is close to hand, readily available, or convenient (Anol 2012). The reason for using convenience sampling is because the population is too large and it is impossible to include every individual and the respondents are included based on their convenient accessibility and proximity to the researcher.

### **3.4 Method of Data Collection and Data source**

This study used both primary and secondary data collection method. Primary data were collected through questionnaires that were distributed directly to selected customers. Questioners were adopted from SERVQUAL Model dimensions which are reliability, responsiveness, assurance, empathy and tangible. Compensation and complain handling were also used as an independent variable to measure customer satisfaction in addition to the five SERVQUAL dimensions. 5 Likert scales were used as a measurement in which respondents indicate their extent of agreement or disagreement in order to measure the variables. In the secondary data collection process, data were collected from books, journals, articles, Prior research works and Companies written documents that help the researcher to enlarge the knowledge in the topic under study.

### **3.5 Validity and Reliability**

#### **Reliability**

Reliability is conducted to assess data quality. A reliability test is used to assess consistency in measurement items (Cerri, 2012). Cronbach's alpha was used to measure the internal consistency of the measurement items.

## **Validity**

Validity, often called construct validity, refers to the extent to which a measure adequately represents the underlying construct that it is supposed to measure (Anol, 2012). In relation to the study two validity measurements are used. The first one is **Content validity** which is the extent to which a measuring instrument provides adequate coverage of the topic under study (Kothari, 2004). In this case this study, the researcher used SERVQUAL model which is the most appropriate tool that is used to measure service quality. The second one is **Statistical conclusion validity** which examines the extent to which conclusions derived using a statistical procedure is valid. The right statistical tools were used in order to test the hypothesis and also to conclude the study.

### **3.6 Method of Data Analysis**

The data that is gained from the questionnaires were analyzed and interpreted using statistical package for social science (SPSS) version 16. As result, descriptive and inferential analyses were conducted by employing different methods. In descriptive statistics mean values, frequencies and standard deviations of the respondent's answers were calculated. In inferential Cronbach's Alpha test takes place to assure reliability of the items. Multiple regressions and correlation analysis was also used to analyze the impact and the relationship between the dependent and independent variables

### **3.7 Ethical Consideration**

The study considers ethical issues. When collecting questionnaires form customers their permission were asked to fill the questionnaires. Name of the respondents' and companies name were not asked to write in order to increase the confidentiality of the information they give. And also the questionnaire explains that the purpose of research was for academic purpose and finally the respondents were included based on their willingness.

## Chapter Four

### Data Presentation, Analysis and Interpretation

#### 4.1 Introduction

In this chapter, the results that are obtained from the study are analyzed, presented and interpreted in detail. This chapter begins by presenting respondents' profile followed by a descriptive statistics, correlation and regression analysis respectively. A total of 268 questionnaires were distributed to Ethiopian airlines cargo customers. Among 268 questionnaires a total 240 (89.55%) questionnaires were returned and analyzed, while the remaining 28(10.45%) questionnaires were not included due to incompleteness of the questionnaire.

#### 4.2 Personal Profile of Respondents

**Table 4.1 Respondents personal profile**

The result of personal profile of the respondents' is summarized in the table below which is divided in four parts.

Item	Frequency	Percent
<b>Gender of the Respondent</b>		
Male	137	57.1
Female	103	42.9
<b>Total</b>	240	100
<b>Type of cargo service used by the customer</b>		
For business/organization	90	37.5
For individual requirements	107	44.6
For both	43	17.9
<b>Total</b>	240	100
<b>Educational Background</b>		
Primary or High School	50	20.8
Certificate	54	22.5
Degree	121	50.4
Masters	15	6.3
PhD and above	0	0
<b>Total</b>	240	100
<b>Frequency of usage</b>		

1-3	122	50.8
4-6	59	24.6
Above 6	59	24.6
<b>Total</b>	<b>240</b>	<b>100</b>

**Source: survey result (2014)**

The first item of table 4.1 shows gender of the respondents, among the total population 57.1% of the respondents are male and 42.9% of the respondents are female. Item two in the above table presents type of cargo service used by the customers, 37.5% of respondents use the cargo service for the purpose of business or organization, 44.6% of respondents use this service for individual requirements and 17.9% of the total respondents uses the cargo service for both business or for organization and for individual requirements. From the same table item three shows educational background of respondents 20.8% of respondents are primary or high school students, 22.5% of them have certificate, 50.4% of the total respondents are degree holder, among the total population 6.3% of the respondents are master's holder finally from the total population there is no PhD holder. The last item in the above table presents frequency of usage. 50.8%, 24.6% and 24.6% of respondents use the cargo service from 1-3, 4-6 and above 6 times within a year respectively. As a general the analysis of respondent's general profile shows the majority user of the service are male and its shows that the majority of the respondents use the service for individual requirements in addition, the table shows that majority of the respondents are degree holders and they use the service form 1-3 within a year.

**Table 4.2 Cronbach's alpha test for independent variables**

<b>Dimensions</b>	<b>Cronbach's Alpha</b>	<b>No of Items</b>
Reliability	0.828	6
Responsiveness	0.850	8
Assurance	0.720	3
Empathy	0.771	4
Tangibility	0.515	4
Compliant handling	0.808	4
Compensation	0.797	4
Over all scale reliability	0.936	33

**Source: survey result (2014)**

Reliability analysis was calculated to test whether the scale used in the study is internally consistent. As cited by (Hailu 2013) according to George and Mallery (2003) Cronbach's Alpha result which is greater than 0.70 is acceptable. From data analysis the Cronbach's Alpha for this study is 0.936 which is acceptable according to the standard set by George and Mallery, this indicates that there is internal consistency between the items and measures the dimension of the variables.

### 4.3 Service Quality Dimensions Analysis

In order to assess the customer-perceived quality of EAL cargo service, descriptive statistics were computed per dimension. Mean score was calculated to show the average responses of respondents for each question that was included under each dimension and to reach the grand mean of each dimension. Mean scores 4.51-5.00 excellent or very good, 3.51-4.50 good, 2.51-3.50 average or moderate, 1.51-2.50 fair and 1.00-1.50 is poor (Poonlar Btawee:1987) as cited by Hailu (2013).

**Table 4.3 Customer Satisfaction on Reliability Dimension**

Items	Mean	Std. Deviation	Grand mean of the dimension
The organization provides quality service consistently.	2.38	1.162	2.4
The organization provides the service at the time they promise to do so.	2.31	1.070	
There is speed in service performance.	2.30	1.041	
There is reliability in shipment safety & security (there is no loss & damage goods).	1.97	0.995	
There is reliability in documentations process (error free process).	2.91	1.085	
The organization is dependable in handling customer service problem.	2.57	1.130	

**Source: survey result (2014)**

Reliability refers the ability to perform the promised service dependably and accurately. According to the table 4.3, the average mean perception on reliability items ranges from 1.97 to 2.91 on a 5-point scale and the highest mean is scored from item three i.e. error free documentation process with a mean score of 2.91 followed by item five which is

dependability of the organization in handling customer service problems with a mean score of 2.57. The organization performs least on item three which is reliability in shipments safety and security with a mean score of 1.97. This shows that there are lost and damaged products. In general, the grand mean score for service reliability dimension is 2.4. Therefore, the researcher concludes that, regarding to reliability EAL cargo customers perceive that quality of service being offered by the organization is fair.

**Table 4.4 Customer Satisfaction on responsiveness Dimension**

Items	Mean	Std. Deviation	Grand mean of the dimension
Employees show consideration and respect for the customer.	2.93	1.227	2.6
Your request and inquiries are handled promptly.	2.56	1.215	
You receive prompt service from the service provider staff.	2.22	0.979	
Employees have willingness to help customers and the readiness to respond to customer's request.	2.75	1.192	
Employees keep users informed about when the service will be performed.	2.61	1.166	
You can get information about your shipment easily.	2.80	1.164	
Employees are willing to take feedback from customers.	2.59	1.193	
The employees quickly apologize to customers when service mistakes are made.	2.36	1.145	

**Source: survey result (2014)**

The responsiveness dimension involves willingness to help customers and provide prompt services. As shown in the above table, the grand mean for responsiveness dimension is 2.6. The highest mean perception of responsiveness attribute of service quality is employee's shows consideration and respect to customer with a mean score of 2.93. The second highest mean scored is item six which refers to customers can get information about their shipment easily with a mean score of 2.8. The least mean score is from item three which is receiving prompt service from service provider staffs with a

mean score 2.22. To conclude the grand mean of responsiveness dimension shows that it is moderate.

**Table 4.5 Customer Satisfaction on assurance Dimension**

Item	Mean	Std. Deviation	Grand mean of the dimension
You feel safe in all your transaction at the organization.	2.30	1.057	2.7
Employees have knowledge and skill to answer customer questions.	3.25	1.133	
The organization has strong system to understand and reassure customers problems	2.52	1.161	

**Source: survey result (2014)**

Assurance dimension refers to the knowledge and courtesy of employees and their ability to inspire trust and confidence including competence, credibility and security. The above table portrays items that measures assurance. The highest perception mean score was 3.25 which is assigned to item two that describes employees have knowledge and skill to answer customer questions. Whereas, the least perception mean was scored for the last item which explain the organization has strong system to understand and reassure customer's problems. As shown in above table the grand mean for assurance is 2.7 which indicate regarding to assurance EAL cargo customers perceive that the quality of service being offered by the organization is moderate.

**Table 4.6 Customer Satisfaction on empathy Dimension**

Item	Mean	Std. Deviation	Grand mean of the dimension
The employees are easily accessible when needed.	2.90	1.256	2.6
Employees offer to help customers at any time.	2.68	1.157	
Employees try to understand the feelings, needs and request of customers.	2.57	1.126	
Employees give customer special attentions.	2.19	1.988	

**Source: survey result (2014)**

The empathy dimension represents the provision of caring and individualized attention to customers including access or approachability and ease of contact, effective communication, and understanding the customers. As clearly seen from the table above, the highest mean for this dimension come from the first indicator that signifies customer can be easily accessible when they are needed with a mean score of 2.9 followed by employees offer to help customers at any time with a mean score of 2.68. However the least mean comes from the last item which is employees give customers special attentions with a mean score of 2.19. As a conclusion, the grand mean score of this construct based on customers view is 2.6 this shows that EAL cargo customers are not satisfied with this dimension.

**Table 4.7 Customer Satisfaction on tangibles Dimension**

Item	Mean	Std. Deviation	Grand mean of the Dimension
Physical layouts of furniture are comfortable for customer Interacting with employees.	2.54	1.149	2.94
The ware house is conducive to handle goods &visually appealing (net and clean).	2.20	1.086	
The organization provide charge free number, website or email address for handling any customer request.	2.71	1.093	
There is adequate parking space.	4.31	0.881	

**Source: survey result (2014)**

Tangibility refers to appearance of physical facilities, equipment, personnel and communication materials. According to the above table the highest mean was 4.31 for the fourth item which is adequate of parking space at the organization the least mean was score form the second item which is the ware house is conducive to handle goods and visually appealing with a mean of 2.2

As shown in the above table the grand mean for tangibility dimension is 2.94 which is the highest mean as compared to other independent variables. From the researcher concludes that customers are highly satisfied with the parking space and least satisfied regarding to the warehouse.

**Table 4.8 Customer Satisfaction on compliant handling Dimension**

<b>Item</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Grand mean of the Dimension</b>
There is clear information about how to make complains.	2.70	1.113	2.6
The organization have different mechanisms to receive complain (like e-mail, phone, face to face communication, mail or suggestion box.)	2.96	1.129	
The organization contact complaining customer as quickly as possible.	2.25	1.045	
Employees are polite to receiving complain and they are committed to resolve complain.	2.34	1.120	

**Source: survey result (2014)**

Complaint handling is any expression of dissatisfaction made to an organization, related to products or services, where a response is either provided by or on behalf of that organization at the point or after which contact is made. As seen from the above table, the highest mean score is 2.96 in the second item followed by the first item with a mean score of 2.70 which are The organization have different mechanisms to receive complain (like e-mail, phone, face to face communication, mail or suggestion box and there is clear information about how to make complains respectively. From the above analysis the researcher concludes that customers are not satisfied with the organization complaint handling practices.

**Table 4.9 Customer Satisfaction on compensation Dimension**

<b>Item</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Grand mean of the dimension</b>
The organization gives timely notice for damage and lost product.	2.13	0.980	
The organization provides compensation for	2.77	1.191	

inaccurate services (for loss and damage goods).			2.3
The value of lost or damage good and the compensation are compatible.	2.10	0.957	
The organization gives the compensation payment on time.	2.05	0.960	

**Source: survey result (2014)**

Compensation is anything that is given as an equivalent, or to make amends for a loss, damage products. Based on data analysis the above table shown us the mean scores of the organizations ability for compensation to inaccurate service. The highest mean score is 2.77 in the second item which means the organization provides compensation for inaccurate service (for lost or damaged products). The least mean is 2.05 in the third item that the organization gives the compensation payment on time. As indicated in the above table the grand mean for this dimension is 2.3 which is the least mean score compared to other independent variables. As a result the researcher can conclude that customers are not satisfied with the organization's compensations system.

**Table 4.10 Expectation and Perception Gap**

Item	Mean	Std.	Grand mean
There is a difference between perceived and expected service	3.92	0.825	3.92

**Source: survey result (2014)**

As table 4.10 shows the mean score is 3.92 which indicates that there is a high gap between customer's expectation and perceived service.

**Table 4.11 Overall satisfactions**

Item	Mean	Std. Deviation
Perceived service is greater than the expected service.	2.02	0.968

Perceived service is less than the expected service.	3.75	1.157
Perceived service equal with the expected service.	2.26	1.002

**Source: survey result (2014)**

Customer satisfaction occurs by confirmation or positive disconfirmation of consumer expectations, and dissatisfaction occurs by negative disconfirmation of consumer expectations Oliver (1980). If the customer can accept the outcome compared with his or her expectations, confirmation will occur. On the other hand, if the customer cannot accept the outcome, disconfirmation will occur. There are two kinds of disconfirmation, which are positive disconfirmation and negative disconfirmation. When the outcome of the product or service is less than the customer expects, negative disconfirmation will occur. On the other hand, when the customer feels better about the outcome than the expectation, positive disconfirmation will occur. As shown in the above table the mean score for item one which is customer's perceived service is greater than the expected service (Confirmation), is 2.02 this shows us that customers did not accept the perceived service so they are not satisfied with the service. The second item which is customer's perceived service is less than the expected services (negative disconfirmation) with a mean score of 3.75. This mean score indicates that most customers agree that they cannot get the service as they expect so they are less satisfied with the cargo service. Finally the last item is "perceived service is equal with the expected service" (positive disconfirmation), the mean score is 2.26. As stated in the above paragraph customer's satisfaction occurs by confirmation or positive disconfirmation. As shown in the above table, the mean score of overall satisfaction both results are less so the researcher can generalize that EAL cargo customers are not satisfied with the overall service.

#### **4.4 Correlation analysis**

A correlation analysis with Pearson's correlation coefficient (r) was conducted on modified SERVQUAL variables in the study to explore the relationships between service quality dimensions and customer satisfaction. Therefore, the correlation analysis illustrates the relationship between Reliability, Responsiveness, Assurance, Empathy, Tangibility, complaint handling and compensation with overall customer satisfaction. As

cited by Haile (2013) to interpret the strengths of relationships between variables, the guidelines suggested by Field (2005) were followed. His classification of the correlation coefficient (r) is as follows: 0.1– 0.29 is weak; 0.3 – 0.49 is moderate; and  $> 0.5$  is strong. The relationship between the seven service quality dimension and overall customer satisfaction is presented in table 4.12. Each variable correlates perfectly with itself, as evidenced by the coefficients of +1.00 at the intersection of a particular variables' row and column.

**Table 4.12: Correlation matrix between service quality dimensions and customer satisfaction**

	Reliability	Responsiveness	Assurance	Empathy	Tangibility	Compliant handling	Compensation	Overall satisfaction
Reliability	1							
Responsive ness	.631**	1						
Assurance	.701**	.746**	1					
Empathy	.544**	.715**	.674**	1				
Tangibility	.490**	.427**	.513**	.430**	1			
Compliant handling	.572**	.636**	.671**	.720**	.493**	1		
Compensation	.615**	.539**	.589**	.503**	.527**	.556**	1	
Overall satisfaction	.597**	.469**	.563**	.476**	.340**	.495**	.518**	1

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

**Source: survey result (2014)**

According to table 4.12 Pearson correlation matrix shows reliability has strong associations with overall customer satisfaction with a value of 0.597. As indicated in the same table the relationship between responsiveness and service quality is a positive and moderate with a value of 0.469. As per the person's correlation, the relationship between assurance and overall satisfaction is positive and strong association with a value of 0.563. As indicated in table 4.12 empathy, tangibility and compliant handling are positively and

moderately correlated with overall satisfaction with a value 0.476, 0.340 and 0.495 respectively. As shown in table 4.12 compensation is also positively and strongly related to customer satisfaction with a value of 0.518. Generally, reliability, assurance and compensation have the highest positive and strong associations (Pearson correlation coefficient value between  $\Rightarrow 0.5$  shows that variables are strongly correlated) with customer satisfaction towards the organization service quality and there is positive and moderate correlation with responsiveness, empathy, tangibility and compliant handling and overall customer satisfactions according.

#### 4.5 Regression analysis

Linear regression estimates the coefficients of the linear equation, involving one or more independent variables that best predict the value of the dependent variable. In this study, the regression analysis uses modified SERVQUAL dimensions which are reliability, responsiveness, assurance, empathy, tangibility, complaint handling and compensation as independent variables to measure overall customer satisfaction. The significance level of 0.05 was used with 95% confidence interval. The reason for using this multiple regression analysis was to examine the direct effect of these modified SERVQUAL dimension on customer satisfaction towards Ethiopian Airlines cargo service.

**Table 4.13 Model summery**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.655 <sup>a</sup>	.430	.412	.742

a. Predictors: (Constant), COMPENSATION, EMPATHY, TANGABLE, RELIABILI, RESPONSIVNESS, ASSURANCE

**Source: survey result (2014)**

As indicated in the above table the independent variables predict the dependent variable with R square =43% with adjusted R Square 41.2% the remaining 57% are other extraneous variables that can affect customer satisfaction. This result also indicates that there may be other variables that could have been neglected by the current study in predicting satisfaction.

**Table 4.14 ANOVA<sup>b</sup>**

**ANOVA<sup>b</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	96.189	7	13.741	24.956	.000 <sup>a</sup>
	Residual	127.744	232	.551		
	Total	223.933	239			

A. Predictors: (constant), compensation, empathy, tangible, reliabili, complienthandl, responsivness, assurance

b. Dependent Variable: overallsat

Source: survey result (2014)

**Table 4.15 Regression result of service quality dimension and overall customer satisfaction**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig	Colinearity statistics	
	B	Std. Error	Beta			tolerance	VIF
1 (Constant)	-.003	.228		-.015	.988		
RELIABILI	.400	.093	.382	4.312	.000	0.425	2.352
RESPONSIVNESS	-.008	.100	-.074	-.877	.381	0.346	2.889
ASSURANCE	.209	.096	.193	2.169	.031	0.309	3.235
EMPATHY	.102	.091	.092	1.119	.264	0.363	2.755
TANGABLE	-.099	.089	-.096	-1.109	.269	0.636	1.573
COMPLIENTHANDL	.101	.088	.092	1.152	.51	0.389	2.570
COMPENSATION	.217	.083	.181	2.613	.010	0.511	1.955

a. Dependent Variable: OVERALLSAT

Source: survey result (2014)

Table 4.14, the ANOVA test, it is noticed that F value of 25 is significant at 0.000 level. Therefore, from the result, it can be concluded that with 43 % of the variance (R-Square) in customer satisfaction is significant and the model appropriately measures the construct.

Table 4.15 presents the result of regression analysis; the result of regression analysis is based on seven independent variables (reliability, responsiveness, assurance, empathy,

tangibility, complaint handling and compensation). The independent variables that contribute to variance of the dependent variable are explained by the standardized Beta coefficient.

In the same table multicollinearity is computed, Multicollinearity refers to a situation in which there is an exact (or nearly exact) linear relation among two or more of the input variables,(Hawking, 1983)cited by ( Ranjit 2012).

The VIF (Variance Inflation Factor) for each term in the model measures the combined effect of the dependences among the regressors on the variance of that term. One or more large VIF indicate multicollinearity. Practical experience indicates that if any of the VIFs exceeds 5 or 10, it is an indication that the associated regression coefficients are poorly estimated because of multicollinearity (Ranjit 2012).As shown in table 4.15 VIF result of the independent variable are 2.352, 2.889, 3.235, 2.755, 1.573, 2.570 and 1.955. This shows that the results are less than five so the variables are perfectly not correlated.

The impact of, reliability, responsiveness, assurance, empathy, tangibility, complaint handling and compensation on customer satisfaction with EAL cargo service are 0.382, -0.074, 0.193, 0.092,-0.096, 0.092and0.181 respectively

Based on the above table by examining the beta weight of data analysis result, the finding shown that reliability followed by assurance and compensation were making relatively larger contribution to the prediction model. However responsiveness and tangibility has insignificant effect on the level of customer satisfaction with the value of  $\beta$ - 0.074 and - 0.096. In general customer satisfaction is primarily predicted by higher level of reliability, assurance and compensation, and to a lesser extent by compliant handling and responsiveness in EAL Cargo.

#### **4.6 Hypothesis testing**

From the above analysis, the proposed hypothesis are tested as following

**H<sub>1</sub>**=There is significance difference between expectation and perceived service by customers.

As stated in the above table 4.9 the mean score for the question that deals with the difference between customers expected and perceived service is 3.92 this indicates us that

there is a big difference between customer expectation and perception of service. As a result the hypothesis “there is significance difference between expectation and perceived service by customers” is accepted.

**H<sub>2</sub>**=Reliability is positively related and has significant impact on customer satisfaction.

Reliability deals with accuracy and appropriateness in the service provide. The correlation in table 4.12 shows that reliability is positively related with customer satisfaction with a value of 0.597. The impact is also statistically significant because  $P < 0.05$  which is indicated in table 4.14 with P value of 0.000. Therefore, the hypothesis “Reliability is positively related and has an impact on customer satisfaction.” is accepted.

**H<sub>3</sub>**=Responsiveness is positively related and has significant impact on customer satisfaction.

Responsiveness deals with willingness to help customers and to provide prompt service. In table 4.12 the relationship between responsiveness and customer satisfaction is positive with a value of 0.469. However as indicated in table 4.14 the impact between responsiveness and customer satisfaction is not significant because the p value is 0.381 which is greater than 0.05. So the hypotheses “Responsiveness is positively related and has an impact on customer satisfaction” is rejected.

**H<sub>4</sub>**=Assurance is positively related and has significant impact on customer satisfaction.

Assurance is knowledge and courtesy of employees and their ability to convey trust and confidence. As shown in table 4.12 Assurance is positively related with customer satisfaction with a value of 0.563. As indicated in table 4.14 the impact between assurance and customer satisfaction is significant with p value of 0.031 which is less than 0.005. Therefore the hypothesis “Assurance is positively related and has an impact on customer satisfaction” is accepted.

**H<sub>5</sub>**=Empathy is positively related and has significant impact on customer satisfaction.

Empathy is carrying individualized attention the firm provides its customers. Table 4.12 shows that empathy is positively related with customer satisfaction with a value

of 0.476. As indicated in multiple regression table the P value is 0.264 which is greater than 0.05 there for the impact is not significant. As a result the hypothesis “Empathy is positively related and has an impact on customer satisfaction” is rejected.

**H<sub>6</sub>**=Tangibles is positively related and has significant impact on customer satisfaction.

Tangible is appearance of physical facilities, equipment, personal, and communication materials. The correlation in table 4.12 shows that tangibility is positively related with a value of 0.340 however the impact is not significant because it has a p value of 0.269 which is greater than 0.05. So the hypothesis “Tangibles is positively related and has an impact on customer satisfaction” is rejected.

**H<sub>7</sub>**=Complaint handling is positively related and has significant impact on customer satisfaction

Compliant handling is response of an organization to any dissatisfaction of a product or service by customers. As indicated in table 4.12 complaint handling is positively related to customer satisfaction with a value of 0.495 nevertheless the impact is not significant because as indicated in multiple regression table the p value is 0.51 which is greater than 0.05 . As a result the hypothesis” Complaint handling is positively related and has an impact on customer satisfaction” is rejected.

**H<sub>8</sub>**=Compensation is positively related and has significant impact on customer satisfaction.

Compensation is anything that is given as an equivalent, or to make amends for a loss, damage products. Table 4.12 shows there is a positive relationship between compensation and customer satisfaction and also the impact is significant because the multiple regression table shows that the p value is 0.10 which is less than 0.005. As a result the hypothesis “Compensation is positively related and has an impact on customer satisfaction” is accepted.

# CHAPTER FIVE

## Summery, Conclusion and Recommendation

### 5.1 Introduction

The objective of this thesis was to assess service quality and customer satisfaction in Ethiopian Airlines Cargo service. In order to accomplish this objective the researcher used modified SERVQUAL model which are reliability, responsiveness, assurance, empathy, tangibility, compliant handling and compensation to assess service quality and customer satisfaction.

### 5.2 Summary of major finding

Based on the data analysis the major findings are summarized as follows

- ↪ A total of 268 questionnaires were distributed but 240 questioners were filled and returned. Among the total population 57.1% of the respondents are male and 42.9% of the respondents are female. 37.5% of respondents use the cargo service for the purpose of business or organization, 44.6% of respondents use this service for individual requirements and 17.9% of the total respondents uses the cargo service for both business or for organization and for individual requirements. 20.8% of respondents are primary or high school students, 22.5% of them have certificate, 50.4% of the total respondents are degree holder, among the total population 6.3% of the respondents are master's holder and from the total population there is no PhD holder. 50.8% of respondents use the cargo service from 1-3 times within a year, 24.6% of the respondents use the service from 4-6 times and 24.6% uses the service above 6 times within a year.
- ↪ From data analysis the Cronbach's Alpha for this study is 0.936 which shows that there is internal consistency among the variables.
- ↪ The computed mean scores of modified SERVQUAL dimensions helps to measure the perceived service quality of the organization and the result shows that service quality of the organization is low in which the selected customers are not satisfied with the service the result of the data analysis shows reliability with mean score of 2.6, responsiveness 2.6, assurance 2.7, empathy 2.6, tangibles

2.94, compliant handling 2.6 and compensation 2.3. The data analysis also shows that there is a huge gap between expected and perceived service with a mean of 3.92 and also the overall satisfaction of the organization's customer is low. As a general, the result of the study shows that the selected customers did not have good attitudes towards the service quality of the organization.

- ✎ The correlation result shows that reliability, assurance and compensations are positively and strongly correlated with customer satisfaction and responsiveness, empathy, tangibility, and compliant handling moderately correlated with customer satisfaction.
- ✎ The result of regression analysis showed that reliability has the highest impact with beta value of 0.382 on the overall selected customer satisfaction. Assurance, compensation, empathy and compliant handling influences customer satisfaction with a beta value of 0.193, 0.0.181, 0.092, and 0.092 respectively. On the other hand, responsiveness and tangibility does not have significant influence on overall customer's satisfaction with beta value of -0.074 and -0.096. As a result reliability has dominant effects on customer satisfaction and tangibility has least influence towards Ethiopian Airline cargo users.
- ✎ Based on the data analysis the entire hypotheses made were tested reliability, assurance and compensation are positively related and have an impact on customer satisfaction so the hypotheses are accepted. Responsiveness, empathy tangibility and compliant handling are positively correlated with customer satisfaction but the relationship is not significant so the hypothesis is rejected. In general all the assumptions made were not accepted.
- ✎ The finding indicate that 43% of customer satisfaction is influenced by modified SERVQUAL dimensions, which means by reliability, responsiveness, assurance, empathy, tangibility , compliant handling and compensation. However, the remaining percentage is influenced by other extraneous variables that are not included in this study.

### **5.3 Conclusion of the study**

As many industry sectors mature, competitive advantage through high quality service is an increasingly important weapon in business survival. Quality and customer satisfaction have long been recognized as playing a crucial role for success and survival in today's competitive market. Increasing competition is forcing businesses to pay much more attention to satisfying customer's needs. The major objective of this study was to assess Service quality and customer satisfaction in EAL cargo.

From the selected sample, the finding indicates that service quality of the organization is poor. Based on the result of those correlation result shows that reliability, assurance and compensations are positively and strongly correlated with customer satisfaction dimensions from this highest perceived service quality are observed in the tangibility and assurance and least perceived quality is observed in compensation. From the study it is concluded that the selected respondents are not satisfied with the perceived service. The correlation result shows that reliability, assurance and compensations are positively and strongly correlated with customer satisfaction. Based on hypothesis testing there is difference between perceived service and expected service by selected customers is accepted and reliability, assurance and compensation have positive relationships and significant effect on customer satisfaction so they are accepted; however responsiveness empathy, tangibility, complaint handling has no significant effect on customer satisfaction so the hypothesis is not accepted. The regression result also shows reliability has highest impact on customer satisfactions followed by Assurance and compensation. The other problems that create poor service quality and dissatisfaction of selected respondents are poor data management system of the organization, improper appointment setting and high demurrage payment.

### **5.4 Recommendation**

Based on the results of the analysis and conclusion made the following recommendations are forwarded by the researcher.

- ↳ The organization did not perform the service at the promised time or at the right appointment time. EAL cargo should tell customers the right appointment time in which the service will be performed by managing customer's data properly.

- ↳ Even if tangibility gets the highest satisfaction from the other dimension, the organization should make the warehouse and other physical facilities conducive for customers to interact with employees. The organization must add more physical equipment like chairs, tables and build additional shelters to customer as a waiting area. And also the ware house must be neat and clean in order to be attractive to customers.
- ↳ Regarding to responsiveness, EAL cargo Employees must have willingness and readiness to help customers and to answer any inquiry regarding to their shipments. The organization must give trainings to its employees on how to handle customers inquire, problem and overall customer service. The organization must first satisfy its employees in order to increase their willingness and readiness to deliver the quality service in which satisfied employees will satisfy external customers.
- ↳ The organization must contact complaining customers as quick as possible in order to solve their problems and also the organization must notice damaged goods timely. And also the organization must give the adequate compensation for inaccurate service and give the payment on time.
- ↳ The major suggestion that customers forward in order to increase service quality is that the employees must give the right appointment time, organization must carefully manage customer's data, the organization must also work on employee's capacity building, the demurrage payment must be fair and finally many customer suggested that the organization must minimize the number of lost or damaged goods.

## Reference

- ✓ AakoTelkake (2012), “customer satisfaction with air service delivery within Kiribati”, Masters Thesis, Massey University, Turitea campus, palmerston north.
- ✓ A. Parasurman, Valarie A. Zeithaml, & Leonard L. Berry (1985), *A conceptual Model of Service Quality and Its Implications For Future Research*, Journal of Marketing, Vol.49,pp. 41-50.
- ✓ Andotra, NeetuPooja Gupta, Sanjana (2008), *Customer satisfaction*, Foundation for Organisational Research & Education Vol. 26.
- ✓ Anol Bhattacharjee (2012), *social science research: principles, methods, and practices*, 2ndpublished by Creative Commons Attribution, USA.
- ✓ Benny Mantin & Jen-Hung Edward Wang, (2012),*Determinants of profitability and recovery from system-wide shocks: The case of the airline industry*, Journal of Airline and Airport Management, Vol. 2, No. 1, pp. 1- 33.
- ✓ BorkarSuneeta and Sameer Koranne (2014), *Conceptual Study of Relationship between Service Quality and Customer Satisfaction* ,International Research Journal of Social Sciences,Vol.3, No.2, pp. 9-14.
- ✓ C.R. Kothari (2004) *Research Methodology Method and Techniques*, <sup>2ndednPublished</sup> by New Age International (P) Ltd New Delhi.
- ✓ Cerri Shpetim (2012), *Exploring the Relationships among Service Quality, Satisfaction, Trust and Store Loyalty among Retail Customers*, Journal of Competitiveness, Vol. 4., Issue 4, pp. 16-35.
- ✓ Chalermkiat Thantongpaiboon and Thananya Wasusri (2008), *Ocean Transports Service Quality Assessment*, Logistics Management Program Graduate School of Management and Innovation King Mongkut's University of Technology Thonburi, Thailand, pp. 163- 170.
- ✓ Chih- Hsien Chen and Shuo-Yan Chou (2006), *A BSC Framework for Air Cargo Terminal Design: Procedure and case study*, Journal of Industrial Technologyvol 22, No.1, pp. 2-10.
- ✓ Dawson R. Hancock & Bob Algozzine (2008), *Doing Case Study Research*, Published by Teachers College Press, New York.

- ✓ Dayang Nailul Munna Abang Abdullah, and Francine Rozario (2010), *Influence of Service and Product Quality towards Customer Satisfaction: A Case Study at the Staff Cafeteria in the Hotel Industry*, International Journal of Human and Social Sciences, pp. 454-459.
- ✓ Farah Sahul Hamid (2011), *Measuring Service Quality In The Takaful Industry*, SEGi College Penang, Malaysia, Vol. 4, No. 1, pp.118-124.
- ✓ Filipa Fonseca, Sofia Pinto & Carlos Brito (2010), *Service Quality and Customer Satisfaction in Public Transports*, International Journal for Quality research, Vol.4, No. 2, pp. 125-130.
- ✓ George Philip and Shirley-Ann Hazlett (1997), *the measurement of service quality: a new P-C-P attributes model*, International Journal of Quality & Reliability Management, Vol. 14, No. 3, pp. 260-286.
- ✓ Gi-du Kang (2009), *An Analysis of the Measurement of the Shipping Service Quality*, Asian journal of shipping and logistic, Published by The Korean Association of Shipping and Logistics, Inc. Vol. 25 No. 1, pp. 42-55.
- ✓ Hailu Demissie (2013), *ASSESSMENT OF SERVICE QUALITY AND ITS EFFECT ON CUSTOMER SATISFACTION: THE CASE OF ETHIOPIAN POSTAL SERVICE ENTERPRISE*, Master's thesis, Addis Ababa University School of Commerce
- ✓ Hollis Landrum, Victor Prybutok, Xiaoni Zhang & Daniel Peak (2009) *Measuring IS System Service Quality with SERVQUAL: Users' Perceptions of Relative Importance of the Five SERVPERF Dimensions*, the International Journal of an Emerging Trans discipline, vol 12, pp.18-35.
- ✓ Hoo Lien Yee (2011), *Measuring Customer Satisfaction in the Parcel Service Delivery: A Pilot Study in Malaysia*, School of Management, Faculty of Management and Information Technology, Vol. 1, No. 1, pp. 1-10.
- ✓ Jenet Manyi Agbor (2011), "The Relationship between Customer Satisfaction and Service Quality: a study of three Service sectors in Umeå", Master's Thesis, Umeå School of Business.

- ✓ Jinsoo Hwang (2010), *Factors Influencing Customer Satisfaction or Dissatisfaction in the Restaurant Business Using Answer Tree Methodology*, Journal of Quality Assurance in Hospitality & Tourism, Vol 11, pp. 93 – 110.
- ✓ Kalyan Malla (2012), “Service Quality And Customer Satisfaction At ISS Facility Service Company (CLEANING SERVICE)” Master’s Thesis, Jyväskylän Ammattikorkeakoulu JAMK University Of Applied Sciences.
- ✓ Mesay Sata Shanka (2012), *Measuring Service Quality in Ethiopian Airlines*, Journal of Educational and Social Research , School of Management and Accounting, Hawassa University Vol.2 (9), pp 179-180.
- ✓ Mikwisniewski (1999) *using a gap approach to measure service quality*.
- ✓ Mukarramah Modupe Adeola, Sulaimon Olanrewaju Adebisi (2014), *Service Quality, Perceived Value and Customer Satisfaction as determinant of Airline choice in Nigeria*, International Letters of Social and Humanistic Sciences Vol (9), pp( 66-80).
- ✓ Philip Kotler(2002), *Marketing Management Millennium Edition*, 1<sup>0th</sup> edn, by Pearson Custom Publishing USA.
- ✓ Philip Kotler & Gray Armstrong John (1999), *Principle of Marketing*, 2nd edn, published by Prentice Hall Inc USA.
- ✓ Ranjit Kumar Paul (2012), *Multicollinearity: Causes, Effects And Remedies*, New Delhi
- ✓ Rajasekhara Mouly Potluri and V.S. Mangnale (2011), *Critical Factors of Customer Satisfaction in Ethiopian Service Sector*, Asian Journal of Business Management , vol .3 No.1, pp 1-7.
- ✓ Sheetal B.S Achdev & Harsh V. Verma (2004), *Relative importance of Service Quality Dimensions: A Multi sectoral Study*, Journal of service Research Institute for International Management and Technology, vol. 4, No.1, pp. 94-116.
- ✓ Simon Nyeck, Miguel Morales, Riadh Ladhari & Frank Pons (2002), *10 Years of Service Quality Measurement: Reviewing the Use of the SERVQUAL Instrument*, European Marketing Association vol. 7, No. 13, pp. 102-107.

- ✓ Suzana Dukić & Velida Kijevčanin (2012) *Service Quality As Determinant Of Customer Satisfaction*, FACTA UNIVERSITATIS, Vol. 9, No 3, pp. 311 – 325.
- ✓ Thai, Vinh. V (2008), *Service quality in maritime transport: conceptual model and empirical evidence*, Asia Pacific Journal of Marketing and Logistics Emerald Group Publishing Limited, vol. 20, No. 4, pp. 493-518.
- ✓ Thijs Boonekamp (2013) “Air Cargo Revenue Management” Master’s Thesis Vrije Universiteit Amsterdam.

## **Websites**

- ✓ <http://www.EthiopianAirlines.com>.

# Appendix

**Addis Ababa University**  
**School of commerce**  
**Marketing Management Post Graduate study**  
**Questioner to customers**

**Dear respondent,**

This questionnaire is developed by post graduate student of the Addis Ababa University School of Commerce in order to assess service quality and customer satisfaction in Ethiopian Airlines cargo. The data will be used only for academic purpose your response is not forwarded to other 3rd party and it is kept confidential, please answer each questionnaire with no fear of consequence. No need of writing your name.

Thank you in advance for your active participation and your cooperation.

**General profile. Please make a tick mark 'X' on the option that best describes you**

1. Gender: Female  Male
2. For what purpose do you use Ethiopian Airlines cargo  
For individual requirements   
For business/organization
3. Educational status : primary /elementary school or high school completed   
Certificate diploma  degree  Master   
PhD and above
4. How many times do you are use the service within a year?  
1-3  4-6  Above 6

**Basic information related to service quality**

Please indicate your answer with each of the following statements by putting "X" in the appropriate place that best represents your level of agreement with the statement.

No	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	<b>Reliability</b>					
1	The organization provides quality service consistently.					
2	The organization provides the service at the time they promise to do so.					
3	There is speed in service performance.					
4	There is reliability in shipment safety & security (there is no loss & damage goods).					
5	There is reliability in documentations process (error free process).					
6	The organization is dependable in handling customer service problem.					
	<b>Responsiveness</b>					
7	Employees show consideration and respect for the customer.					
8	Your request and inquires are handled promptly.					
9	You receive prompt service from the service provider staff.					
10	Employees have willingness to help customers and the readiness to respond to customer's request.					
11	Employees keep users informed about when the service will be performed.					
12	You can get information about your shipment easily.					
13	Employees are willing to take feedback from customers.					

14	The employees quickly apologize to customers when service mistakes are made.					
	<b>Assurance</b>					
15	You feel safe in all your transaction at the organization.					
16	Employees have knowledge and skill to answer customer questions.					
17	The organization has strong system to understand and reassure customers problems					
	<b>Empathy</b>					
18	The employees are easily accessible when needed.					
19	Employees offer to help the customer at any time.					
20	Employees try to understand the feelings, needs and request of customers.					
21	Employees give customer special attentions.					
	<b>Tangible</b>					
22	Physical layouts of furniture are comfortable for customer Interacting with employees.					
23	The ware house is conducive to handle goods &visually appealing (net and clean).					
24	The organization provide charge free number, website or email address for handling any customer request.					
25	There is adequate parking space.					
	<b>Complaint handling</b>					
26	There is clear information					

	about how to make complains.					
27	The organization have different mechanisms to receive complain (like e-mail, phone, face to face communication, mail or suggestion box.)					
28	The organization contact complaining customer as quickly as possible.					
29	Employees are polite to receiving complain and they are committed to resolve complain.					
	<b>Compensation</b>					
30	The organization gives timely notice for damage and lost product.					
31	The organization provides compensation for inaccurate services (for loss and damage goods).					
32	The value of lost or damage good and the compensation are compatible.					
33	The organization gives the compensation payment on time.					
	<b>Overall satisfaction</b>					
34	There is a difference between perceived and expected service.					
35	Perceived service is greater than the expected service.					
36	Perceived service is less than the expected service.					
37	Perceived service equal with					

	the expected service.					
--	-----------------------	--	--	--	--	--

In general what is your opinion about the service delivery system and what must be done in order to improve the service quality please write your comments in the space provided below?

-----  
-----  
-----  
-----  
-----



ቁጥር	የአገልግሎት ገፅ ታዎች	ጥራት	በእጅጉ አልስማምም	አልስማምም	አስተያየት የለኝም	እስማምሁ	እስማምሁሁ
1	መ/ቤቱ ተመሳሳይ እና አስተማማኝ የሆነ የደንበኞች አገልግሎት ይሰጣል						
2	መ/ቤቱ ቃል በገባው መሰረት አገልግሎቶች ያቀርባል						
3	አገልግሎት አሰጣጡ ስርዓት ላይ ፍጥነት አለ						
4	የዕቃ ጭነት አገልግሎት አሰጣጡ ጥበቃ እና ደህንነት የተሞላበት ነው (የሚጠፉና የሚጠላሽ ዕቃ የለም)						
5	ከስህተት ነፃ የሆነ የሰነድ ጉዳይ አፈጻጸም ሂደት አለ						
6	መ/ቤቱ የአገልግሎት ችግር እንዳይፈጠር በጥንቃቄ ይሰራል						
7	አገልግሎት ሰጪዎች ትኩረት እና ክብር በአግባቡ ለደንበኞች ያሳያሉ						
8	አገልግሎት ሰጪዎች የደንበኞች ጥያቄ በፍጥነት ይመለሳል						
9	መ/ቤቱ በፍጥነት ወይም ወዲያው ለደንበኞች አገልግሎት ይሰጣል						
10	ሰራተኞች ለደንበኞች ምላሽ ለመስጠት ዝግጅቶችና ፈቃደኛ ናቸው						
11	ሰራተኞች ለደንበኞች አገልግሎቱ መቼ እንደሚሰጥ መረጃ በየጊዜው ይሰጣሉ						
12	ስለ ዕቃ ጭነት						

	መረጃ በቀላሉ ማግኘት ይቻላል					
13	ሰራተኞች ከደንበኞች አስተያየት ለመቀበል ፍቃደኛ ናቸው					
14	የካርጎ አገልግሎት ስህተት በሜ.ጠርበት ጊዜ ሰራተኞቹ በፍጥነት ለደንበኞች ይቅርታ ይጠይቃሉ					
15	አገልግሎት በሙከራበት ወቅት መ/ቤቱ ደንበኞችን ደህንነት እንዲሰማቸው ያደርጋል					
16	አገልግሎት ሰጪ ሰራተኞች ለደንበኞች ምላሽ ለመስጠት በቂ የሆነ እውቀት አላቸው					
17	ደንበኞች ችግር ሲኖርባቸው ደርጅቱ ችግሩን የመረዳት እና ለችግሩ መፍትሄ የማግኘት ስርዓት አለው					
18	አገልግሎት ሰጪ ሰራተኞች በደንበኞች በተፈለጉበት ሰዓት በቀላሉ ማግኘት ይቻላል					
19	ሰራተኞች አገልግሎት ወይም እርዳታ ለደንበኞች በማንኛውም የሰራ ሰዓት ይሰጣሉ					
20	ሰራተኞች የደንበኞቻቸውን ስሜት ፍላጎት እና ጥያቄዎች የረዳሉ					
21	ሰራተኞች ለደንበኞች የተለየና በግል ደረጃ ትኩረት ይሰጣሉ					
22	የአገልግሎት መስጫ በታዎችም ሆነ መግለጫዎች ከሰራተኞች ጋር					

	ለመገናኛት ምቹ ናቸው					
23	የመ/ቤቱ መገንጠን ለዕቃ አያያዝ ንፁህ እና ለአይታ ሜኪ ነው					
24	መ/ቤቱ የደንበኞችን ጥያቄ ለመሟላት ነፃ የሆነ የስልክ መስመር፣ ደህረገፅ ወይም email አዘጋጅቷል					
25	መ/ቤቱ በቂ የሆነ የተሽከርካሪ ማቆሚያ ስፍራ አለው					
26	መ/ቤቱ ቅሬታ እንደሚቀረጠው እንደሚቻል ግልፅ የሆነ መረጃ አለው					
27	መ/ቤቱ የተለያዩ የቅሬታ አቀራረብ መንገዶች አሉት (email, ስልክ፣ በአካል፣ በገሽታ፣ በሃሳብ መስጫ ሳጥን እና የመሳሰሉት)					
28	መ/ቤቱ በአገልግሎት ቅሬታ ያላቸው ደንበኞች በፍጥነት ያነጋግራል					
29	የመ/ቤቱ ሰራተኞች የደንበኞችን ቅሬታ ለመቀበል ትሁት እና ቅሬታውን ለመፍታት ዝግጁዎች ናቸው					
30	መ/ቤቱ የጠፉና የተበላሹ ዕቃዎች በሰዓቱ ያያል					
31	መ/ቤቱ በአግባቡ ላልተሰጡ አገልግሎቶች ካሳ ይከፍላል (ለጠፉናለተበላሹ ዕቃዎች)					
32	መ/ቤቱ የሚከጠው የካሳ ክፍያ ከጠፋው					

	ወይም ከተበለሸው ዕቃ ጋር ይመጣጠናል					
33	መ/ቤቱ የካሳ ክፍያዎን በሰዓቱ ይሰጣል					
34	በአጠቃላይ የጠበኩት እና ያገኘሁት አገልግሎት ላይ ልዩነት አለ					
35	በአጠቃላይ ይያገኘሁት አገልግሎት ከጠበኩት በላይ ነው					
36	በአጠቃላይ ያገኘሁት አገልግሎት ከጠበኩት በታች ነው					
37	በአጠቃላይ ይያገኘሁት አገልግሎት ከጠበኩት ጋር እኩል ነው					

በአጠቃላይ ስለ አገልግሎት አሰጣጡ ላይ ያልዎት አስተያየት እና መሻሻል አለበት የሚል ነገር ካለ በክፍት ቦታ ላይ ይጻፉ፡፡

-----

-----

-----

-----

-----

-----

-----

-----