

AN ASSESSMENT OF CUSTOMER SATISFACTION WITH KALDI'S COFFEE

A THESIS SUBMITTED TO THE SCHOOL OF
GRADUATE STUDIES,
ADDIS ABABA UNIVERSITY

IN PARTIAL FULLFILMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF ARTS IN MARKETING MANAGEMENT
EDUCATION

BY:

ANTENEH GEZAHGNE



ADVISOR:

Dr. RAKSHIT NEGI

MAY 2011

Acknowledgments

First of all, I would like to thank my God and his Mother St. Mary, who have been highly and real aid throughout all my life.

Afterwards, I would like to thank my advisor Dr. Rakshit Negi for his continual advice and supervision throughout the research. I own him a lot for what he taught me during those years.

Special thanks go to my Mother Mrs. Nunu Seyoum, who supported me a lot in completing this study. Her continuous encouragement and support will never be forgotten. Also, I would like to thank my Father Mr. Gezahgne Fanta for his valuable support and suggestions.

Finally, for her valuable support and encouragement during my study, I would like to thank my friend Ms. Hirut Endale. I also thank all my friends for their encouragement, contributed to this study directly or indirectly. Without all of them, this study would have never been accomplished to its present stage.

Anteneh Gezahgne

Table of Contents

	Page
Acknowledgements-----	I
Table of Contents-----	II
List of Tables -----	V
List of Figures -----	VI
Abstract -----	VII
Chapter One: Introduction	
1.1 Background of the Study -----	1
1.2 Statement of the Problem -----	3
1.3 Objectives of the Study -----	5
1.4 Significance of the Study -----	5
1.5 Scope of the Study -----	6
1.6 Limitations of the Study -----	6
1.7 Organization of the Study -----	6
Chapter Two: Literature Review	
2.1 Customer -----	7
2.1.1 Recognition of Customers -----	7
2.1.2 Customer's Needs -----	8
2.1.3 Customer Satisfaction -----	9
2.1.4 Definition of Customers Satisfaction -----	9
2.1.5 Customer Satisfaction and its Measurement -----	10
2.1.6 Customer Expectations, Perceptions, and Disconfirmation -----	12
2.1.6.1 Definition of Customer Expectations -----	12
2.1.6.2 Factors Influencing Customer Expectations -----	13
2.1.7 Disconfirmation Theory -----	14
2.1.8 Consumer Satisfaction Process -----	16
2.1.9 Consequences of Customer Satisfaction and Dissatisfaction -----	17

2.1.10 Performance Factors for the Customer Satisfaction -----	17
2.1.11 Customer Loyalty -----	17
2.2 Services -----	19
2.2.1 Definition of services -----	19
2.2.2 Specification of Services -----	19
2.3 Service Quality -----	20
2.3.1 The SERVQUAL Approach -----	20
2.3.2 SERVQUAL Dimensions -----	21
2.3.3 Expectations and Perceptions of Service Quality -----	23
2.3.4 Service Quality and Customer Satisfaction -----	24
2.4 The Coffee Café Industry -----	25
2.5 Growth of Café Industry -----	26

Chapter Three: Research Methodology

3.1 Research Process and Design -----	27
3.2 Types of Research -----	28
3.2.1 Exploratory Research -----	28
3.2.2 Descriptive Research -----	28
3.2.3 Causal Research -----	29
3.3 Study Population and Sampling -----	29
3.3.1 Sample Size -----	29
3.3.2 Sampling Techniques -----	30
3.4 Data Sources and Collection Methods -----	30
3.4.1 Data Sources -----	30
3.4.2 Data Collection Tools -----	31
3.5 Methods of Data Analysis -----	33

Chapter Four: Data Analysis, Findings and Discussion

4.1 Data Analysis -----	34
4.1.1 Reliability Analysis -----	36
4.1.2 Demographic Profile of the Respondents -----	38

4.1.3 Customers Overall Satisfaction and Service Quality -----	39
4.1.3.1 Overall Service Quality -----	42
4.1.3.2 Overall Customer Satisfaction -----	42
4.1.4 Correlation and Regression Analyses-----	43
4.1.5 Responses on Future Buying Intention-----	47
4.2 Findings and Discussion -----	48
 Chapter Five: Conclusion and Recommendations	
5.1 Conclusion -----	51
5.2 Recommendations -----	53
References -----	55
Appendix I: Questionnaire -----	60
Appendix II: Regression Analysis- Overall Customer Satisfaction -----	62

List of Tables

	Page
Table 1: Service Quality Dimensions -----	32
Table 2: Exploratory Factor Analysis -----	35
Table 3: Scale Reliability (Cronbanch Alpha) -----	37
Table 4: Personal Profile-----	38
Table 5: Descriptive Statistics -----	40
Table 6: Overall Service Quality-----	42
Table 7: Overall Customer Satisfaction -----	43
Table 8: Summery of Correlation Coefficients -----	44

List of Figures

Figure 1: Customer's Need Chain -----	8
Figure 2: Expectation-Disconfirmation Theory-----	15
Figure 3: Framework for Overall Customer Satisfaction and Service Quality-----	46

Abstract

In the present competitive world, success of every company or organization lies in the satisfaction of its customers. This is essentially applied in the restaurant sector too. This study is designed to assess and analyze the level of customer satisfaction and what determines customer satisfaction in the context of Kaldi's coffee. Additional attempt has been made to examine the level of overall service quality and its association with customer satisfaction, along with other determinants of the same. For the purpose, research methodology using questionnaire as the instrument of primary data collection was developed and administered on 250 respondents, selected randomly across 11 Kaldi's cafeterias in the Addis Ababa city. Findings reveal that strong significant correlations exist among the variables, considered to be the determinants of customer satisfaction and services quality. Multiple regression analysis examined conflict handling and need fulfillment dimensions of service quality, contributing significantly to develop satisfied customers.

Keywords: Customer Satisfaction, Service Quality, Kaldi's Coffee, Ethiopia.

Chapter One

Introduction

This chapter provides the general background of the research work, followed by statement of the problem, objectives, and scope and limitations associated with the study.

1.1 Background of the Study

For the existence of business entity, customer has to be in a position to buy goods/services on offer by the firm. This is realized under the condition when customers are satisfied with the organizational offerings. In line with this, McCoy (2005: 10) explained the importance of customer satisfaction by mentioning "...if you get the customer care completely in any business, the future sales and marketing would just about looking after them." Such a statement may clearly magnify the decisive power of customers to be the center of firm's business activities, focusing on long-term relationship to be maintained through quality of goods and services. Therefore, what a firm is offering, in terms of its overall marketing activities, is best judged by its customers. The same is applicable in the context of today's competitive market when firms are designing their key marketing strategies to keep their customers satisfied by improving the level of service delivery or matching their expectations for achieving sustainable position in the marketplace.

Marketing is an important operating arm of any business enterprise in a way that its associated activities begin even before the product or service is produced and continues after the sales are made. Under marketing there are so many activities starting from marketing research to identifying or assessing the need of market and in post production situation, and may involving pricing, promotion, sales and customer service related decisions.

When we talk about customer service and/or satisfaction, we usually consider creativity in delivering those. Creativity allows us to handle or diffuse problems at hand or later, on the process of conducting the everyday business. We talk about how, or rather what, does the organization have to do to gain not only the sale but also the loyalty of the customer. We want to know the payoff of the transaction both in the short and long term. We want to know what our customers want and whether they are satisfied. Satisfaction, of course, means that what we delivered to a customer met the customer's expectations/approval in order to make them delighted so that they will come back, again and again. As a result, many researchers have looked into the importance of customer satisfaction.

Kotler (2000) defined satisfaction as "...a person's feelings of pleasure disappointment resulting from comparing a product are perceived performance (or outcome) in relation to his or her expectations." Therefore, in order to achieve customer satisfaction, organizations must be able to satisfy their customers' needs and wants (LaBarbera and Mazursky, 1983). However, while customer needs state the felt deprivation of a customer, wants refer to the form taken by human needs as they are shaped by culture and individual personality (Kotler, 2000). Satisfied customers are most likely to share their experiences with, perhaps, other five to six people. Equally well, dissatisfied customers are more likely to tell another ten people about their unfortunate experiences with service firm or product.

With regard to coffee market in Ethiopia, Kaldi's, a legend of goat herder in Ethiopia, notices goats are friskier after eating red berries of a local shrub. He experimented with the berries himself and begins to feel happier. Perhaps, what promoted the coffee seed to be consumed through world's first coffee shop, opened in Constantinople Aaker and David (1996), Following the pattern, and by careful study the market demand for better coffee, in the city (Addis Ababa), Kaldi's coffee (a cafeteria) was established on 3rd of January, 2004, by developing its core objective to guarantee customer satisfaction by offering a quality range of services. With a starting capital of ETB 1.25 million and manpower of 30 individuals, currently Kaldi's has twelve branches (another two branches are to be opened soon), therefore, still expanding vigorously by keeping its value and quality even higher, and reached to a working capital of over ETB 11 million with 500 individuals serving

across various locations/centers, by September 2010 (www.google.com- Search engines). However, maintaining sole proprietorship until March 2008, Kaldi's coffee declared as Private Limited Company (PLC) and appeared as a chain of shops with more than one business units running under the mother PLC (including importing, coffee roasting, sweet foods manufacturing, dairy and poultry farming etc.) (www.google.com- Search engines).

1.2 Statement of the Problem

In a free market economy there are many companies that provide with the same services to their customers. As a result, there exists a high competition in the market to satisfy customers need. Satisfaction is the level of a person's feeling state resulting from comparing a product quality in relation to his/her expectations. Thus, satisfaction level is the difference between perceived performance and expectations associated with product/service.

Satisfaction is an emotional state that occurs in response to the evaluation of the buyer and seller interaction experiences (Westbyrook, 1981). As expectations may lead to a peculiar effort, to manipulate expectations some researchers (e.g. Westbyrook, 1981) asserted that service providers should understate their firms' capabilities i.e. promising less than they plan to deliver. Similarly, Pizam and Taylor (1999) suggested that it would be more beneficial to create modest or even below realist expectations. Though this is a potentially effective suggestion, whether one could or should actually try it, is a question of million dollars, being promoting low expectations from offerings by the firms may shift the crowd to those promising higher. However, customers may get satisfaction when receive reduction on the part of transaction cost and/or something that may minimize their uncertainty of future benefits.

Therefore satisfaction leads to a long term perpetuation relationship that can be a sign of commitment (Andersen and Narus, 1990), and as being suggested, user-perceived high quality image is an important variable in developing a quality relationship (Negi, 2010).

Customer evaluates the service almost in all the settings including that in Cafeterias and restaurants by using their own measurements, however, in a number of studies, customer satisfaction was defined as a post-consumption evaluative judgment concerning some product or service Yun and Hing, (1995).

Therefore, researchers have proposed two basic methods of investigating confirmation and disconfirmation of expectations i.e. analyzing satisfaction/dissatisfaction by using inferred/indirect and direct approaches. While, the indirect approach involves computing the discrepancy between expectation of performance and evaluation of outcomes, the direct approach, by contrast, requires the use of summary judgment scale to measure confirmation and disconfirmation. However, both inferred and direct methods of expectancy disconfirmation paradigm have been used by hospitality and tourism researchers in various restaurants, hotels and tourism related studies, when measuring customer satisfaction Yun and Hing, (1995).

On the other hand, there exist many factors that affect customer satisfaction, Hokason (1995), including friendliness of employees, courteous behavior of service provider, knowledge of the service function, billing accuracy, competitive pricing etc. Paying a concern, by investing, into these factors may reveal higher level of satisfaction with customers and finally to make them loyal to the service/brand.

Though there exist sufficient research works looking after corporate and private business worlds, in measuring customer satisfaction and associating it with that of service quality, limited is known about Ethiopian hospitality sector and specific to Kaldi's coffee. Therefore, concerning the rapid growth of coffee Café industry in the country, in general and Addis Ababa in particular, the study makes an attempt to examine the purpose of providing Kaldi's customers with high quality products and very friendly service environment from customer satisfaction perspective. As what has been offered by the firm, should be realized by its customers, by showing higher level of satisfaction associated with the firm's offerings.

Additionally, paying attention to the objectives of the firm (Kaldi's coffee), to make customers satisfied by offering a place for both social and business occasions, and exceeding expectations while creating life-time relationships with them (customers), the study attempts to answer the following questions:

- What determine customer satisfaction with the Kaldi's coffee (chain)?
- How do customers perceive the quality of Kaldi's coffee?
- What are the factors contributing to strong brand preference?
- What is overall level of customer satisfaction with Kaldi's coffee?

1.3 Objectives of the Study

The study addresses both general and specific objectives. While the general objective was to assess the level of customer satisfaction with Kaldi's coffee, specific objectives include:

- ❖ To identify the factors determining customer satisfaction with Kaldi's coffee
- ❖ To examine the overall quality of service delivery at Kaldi's coffee
- ❖ To see the role of service quality in determining customer satisfaction

1.4 Significance of the Study

The study focuses on exploring the level of customer satisfaction in the context of Kaldi's coffee. Primarily, the study will be helpful in understanding the consumer ratings of service quality at Kaldi's coffee, by the organizational management, and its connection with customer satisfaction will guide them to see the quality as one of the mechanisms to develop satisfied customers. The importance of service delivery and impact on improving satisfaction and retention of customers, improving sales and market share and good image, are the main focal areas where this study is expected to contribute in reminding the company about its purpose to provide customers with high quality products and friendly service environment.

Moreover, the identification of the level of customer satisfaction will let the organization know as to how satisfied customers may show their loyalty, and promise continuous profits back to the firm. Finally, the findings of the study may expect to add to the present literature body, related to service quality and customer satisfaction in restaurant business.

1.5 Scope of the Study

This study maintains its focus on Kaldi's coffee (across all of the branches), and did not include other café customers while examining the service quality and customer satisfaction. Moreover, customer satisfaction was viewed as a function of service quality.

1.6 Limitations of the Study

The probable limitations of the study include small sample size (231) as a representative of the population. This is caused by limited time and cost aspects to accomplish the stated research objectives. As a result, findings of this study cannot be generalized in the context of other cafeterias.

1.7 Organization of the Study

The thesis consists of 5 chapters. While the first chapter contains background of the study, objective of the study, statement of the problem along with scope and limitations, second chapter looks into the review of related literature. Following this, the third chapter provides the research methodology used in carrying out the study, by highlighting research design, data collection process and instrument along with approach to data analysis, fourth chapter deals in detailed data analysis and findings revealed. Finally, chapter five presented with conclusion drawn from the research study and forwards some recommendations along with certain directions for future research works.

Chapter Two

Literature Review

This chapter makes an attempt to review the literature associated with the study area. As a result, the chapter develops itself with the introduction to customer, disconfirmation theory of customer satisfaction, customer satisfaction process, service quality and its measurement, and finally, tried to provide a link between service quality and customer satisfaction. Additionally, an insight is provided on Cafeteria (coffee cafe) business in the Ethiopian context.

2.1 Customer

Juran (1990) stated the concept of customer as “...most people suppose that customer is the final consumer, whereas the customer falls under both the categories of intra-organizational and the extra-organizational i.e. whomsoever the products and/or services are produced to meet his/her needs.”

2.1.1 Recognition of customers

In the opinion of Schlesinger and Heskitt (1991), “...knowing that who the customers are exactly, though seems to be the most commonplace aspect of customer satisfaction measure. At the same time if ignored, it would turn to the most vulnerable customer satisfaction program.” They divide customers into two distinct groups:

1. External customers (extra-organizational): A kind of external customer that immediately comes to mind as final consumer, who consumes or uses product for his/her own production or usage. But, there are other groups of external customers recognized, who are available in product distribution channel between organization and final consumer. These intermediate external customers include distributors, producer’s representatives etc., and the satisfaction of other type of external customers can also be of significance for organization’s long-term success.

2. Internal customers (intra-organizational): This category of customers is the organizational staffs themselves, who use products and service made by other people or organizational units.

2.1.2 Customer's Needs

Hayes (1988) identifies the customer's needs with three levels: first level, second level and third level, as given below in the Figure 1. He further suggests that for making researches on customer satisfaction, these dimensions should be applied in the form of particular examples or phrases relevant to their functions. Following him, Juran (1988) takes more care in this respect and expressed customer needs by using a hierarchy of structure and naming as "customer's need chain or pyramid." According to the model proposed by Juran (Figure 1), customer's demand for a desire of service or product is expressed in one of the three levels.

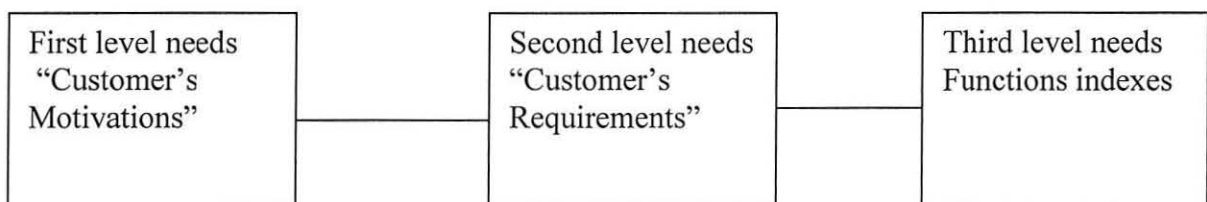


Figure 1: Customer's Need Chain

1. First level needs: indeed, are those motivations that cause customers to buy a product or service.
2. Second level needs: are the very needs of customers which, in essence, break down their general and total motivations to more realistic cases that are less theoretical and conceptual.
3. Third level needs: are measurable (functional) distinct features relevant to customer's requirements and motivation. This category is taken into account as the most fundamental (and the most common) means for the evaluation of customer satisfaction with products or service. At this level the organizations' questions about the service or product functions are asked from the customers.

2.1.3 Customer Satisfaction

Before approaching any further, it is expected that the researcher needs to have a clear understanding of what is meant by customer satisfaction.

Marketing researchers have identified a core set of attributes and actions of successful customer service organizations within the market economy. Regardless of whether these organizations provide goods or services, they recognize that satisfied customers are the key to their success. They focus on achieving 100 percent customer satisfaction and embed this priority throughout the organization from top to bottom with a solid framework of policies, practices and information. Customer satisfaction is an important topic for both researchers and managers because a higher level of it (customer satisfaction) leads to an increase in repeat patronage among current customers, and aids to customers' recruitment by enhancing organizations' reputation.

2.1.4 Definition of Customer Satisfaction

Most researchers agree that satisfaction is an attitude or evaluation that is formed by the customer comparing their pre-purchase expectations of what they would receive from the product to their subjective perceptions of the performance they actually did receive (Oliver, 1980). Kotler (2000: 36) defined the satisfaction as "...a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectation." Additionally, Yi (1990) stated that customer satisfaction is a collective outcome of perception, evaluation and psychological reactions to the consumption experience with a product/service.

In conclusion, customer satisfaction can be defined as a result of customer's evaluation to the consumption experience with the services. However, the customers have different levels of satisfaction as they have different attitudes and perceived performance from the associated product/service.

Therefore, satisfaction is an overall customer attitude towards a service provider or an emotional reaction to the difference between what customers anticipate and what they receive regarding the fulfillment of some need, goal or desire (Zineildin, 2000). Also, for most of the products or services, performance can be objectively assessed; however, customers' assessments may not objectively reflect measured performance. For example, some clients may be taken to several homes that "fit" their criteria but are unsuitable to the client's personal taste, which leads to the client's assessment of the service as being unpleasant because they did not see listings that they liked.

In essence, it is the experience and attitudes of the individuals in closest contact with customers that are most likely to affect whether or not customers are satisfied and willing to return to the company. It is also the people in direct contact with customers who determine the retention and satisfaction with the customers, and their experience determines how they treat the customers (Hansemark and Albinsson, 2004), thus having an impact on the service quality delivered.

2.1.5 Customer Satisfaction and its Measurement

To realize customer satisfaction, everyone within the organization should consider continuous improvement as something normal. As part of this strategy, it is important to define the product or service and the customer's needs, making an inventory of customer's data and complaints, and selecting processes which cause most of these complaints. Therefore, central questions in this case include; which products or service do we provide? Who are our customers? What do they want? What are their requirements? Are the requirements measurable? Which critical processes need improvement? By answering these questions continuously, customers will be better understood by the organization, and the product or service will be better tuned with their demand/requirements.

- **Which products/services do we provide?**

First of all, define the most important product or service as concretely as possible. This definition must indicate what you are really doing as a supplier. The more specific the definition, the better the customer's needs can be met.

- **Who are our customers?**

It is important to understand the entire chain of customers. This means that you should know all of your customers. The needs of each customer must be examined separately. Not only the external, but also the internal customers should be considered, in fact, if the company does not satisfy the needs of the internal customers, how will it be able to comply with the needs of the external customers? All employees determine the degree of customer satisfaction. Employees from within different department must be considered customers of each other, by bringing individual employees together as customers and suppliers, the traditional barriers between departments will be broken. Each employee delivers something to a colleague, whereby one functions as the internal supplier and the other as the internal customer.

- **What do they want/require?**

As a supplier, you should try to figure out what the customer needs and wants. Communication is hereby very important. Talk to you customers and ask them what they think of your product or service. Try to figure out how they use it and what really want. Listen especially to what they have to say indicate which customer-supplier relationship need improvements. The central questions hereby are:

- ✓ Which needs and expectations do your customers have?
- ✓ Which needs and expectations do you know?
- ✓ Which needs and expectations do you know?
- ✓ To what extent do you comply with the needs and expectation of your customers?
- ✓ If you do not satisfy their needs and expectations of your customers?

Making an inventory of customer's data, customers' complaints and benchmarking are important opportunities to improve the customer of the organization.

Information about the pinion of the customer regarding product or service is of essential important and can be obtained in several ways such as customer surveys, phone interviews. And customer panel discussions. Customer surveys are a powerful tool to get information about what the customer thinks and expects. In general, questionnaires are used with different questions, which may vary from organization.

- **Are their requirements measurable?**

To comply with the needs of the customer, it is necessary to translate these into product specifications. Quality function deployment is a practical technique to do this. Usually, it is necessary to negotiate with the customer, which results in feasible and agreed on customer's requirement, which are measurable and understood by all parties. All statement of the customer about qualitative aspects must be translated in to quantitative specifications for the supplier. Define clearly and explicitly what they are talking about.

2.1.6 Customers Expectations, Perceptions, and Disconfirmation

In this part, the definition of customers' expectation, perceptions and disconfirmation theory are revealed. In addition, the significance of customers' expectations in influencing customer satisfaction is discussed, along with how expectations are formed.

2.1.6.1 Definition of Customers Expectation

Davidow and Uttal (1989) proposed that customers' expectation is formed by many uncontrollable factors which include previous experience with other companies, and their advertising, customers, psychological condition at the time of service delivery, customer background and values and the images of the purchased product.

In addition, Zeithaml et al. (1990) stated that customer service expectation is built on complex considerations, including their own pre-purchase beliefs and other people's opinions. Similarly, Miller also stated that customers, expectation related to different levels of satisfaction. It may be based on previous product experiences, learning from advertisements and word-of-mouth communication. Santos added that expectation can be seen as a pre-consumption attitude before the next purchase, it may involve experience.

Customer's expectation is what the customers wish to receive from the services. The diversity of expectation definitions can be concluded that expectation is uncontrollable factors which including past experience, advertising, customers, perception at the time of purchase, background, attitude and products image. Furthermore, the influences of

customers, expectation are pre-purchase beliefs, word of mouth communications, individual needs, customer's experiences, and other personal attitudes.

2.1.6.2 Factors Influencing Customer Expectations

Given the central importance of expectations, it is important to understand how they are formed (Quality Accounts Commission, 1999). The key factors most commonly seen to influence expectations are:

- *Personal needs*: any customer or user of a service will have what they regard as a set of key personal needs that they expect the service to address. These will vary from service to service and from customer to customer. A clear understanding of these needs is necessary to design an appropriate service.
- *Previous experience*: many will have had service encounters before. Their previous experience will in part influence their future expectations of the service. This can include their past experience of the service in question, but also of other services – for public services, expectations will be influenced by experience of similar private services.
- *Word of mouth communications*: expectations will be shaped by communications from sources other than the service provider itself. This can include family, friends and colleagues, but more widely the media and other organizations, such as audit agencies.
- *Explicit service communications*: statements from staff or from leaflets or other publicity material can have a direct impact on expectations. Good examples are customer charters as we will present in part 4 of this publication.
- *Implicit service communication*: this includes factors such as the physical appearance of buildings e.g. renovation may lead the customer to expect other service aspects to be of higher quality.

The impact of brand image or service reputation (covered by word of mouth communications above) on expectations is seen as central in a number of public and private sector. Different customers have different expectation based on the customer's knowledge of a product or service.

2.1.7 Disconfirmation Theory

In marketing literature, Churchill and Surprenant (1982), Oliver (1980), as well as in recent information system studies, McKinney et al. (2002) report that the disconfirmation theory emerges as the primary foundation for satisfaction models. According to this theory, satisfaction is determined by the discrepancy between perceived performance and cognitive standards such as expectation and desires (Khalifa and Liu, 2003).

Customers' expectations can be defined as customers' partial beliefs about a product (McKinney et al., 2002). Expectations are viewed as predictions made by consumers about what is likely to happen during impending transaction or exchange (Zeithmal and Berry, 1988). Perceived performance is defined as customer's perception of how product performance fulfills their needs, wants and desire (Cadotte et al., 1987). Perceived quality is the consumers' judgment about an entity's overall excellence or superiority (Zeithmal, 1988). On the other hand, disconfirmation is defined as consumer subjective judgments resulting from comparing their expectations and their perceptions of performance received (McKinney et al., 2002; Spreng et al., 1996).

Disconfirmation theory declared that satisfaction is mainly defined by the gap between perceived performance, expectations and desires, which is a promising approach to explain satisfaction. This theory proposed that satisfaction is affected by the intensity (or size) and direction (positive or negative) of the gap (disconfirmation) between expectations and perceived performance (see Figure 2).

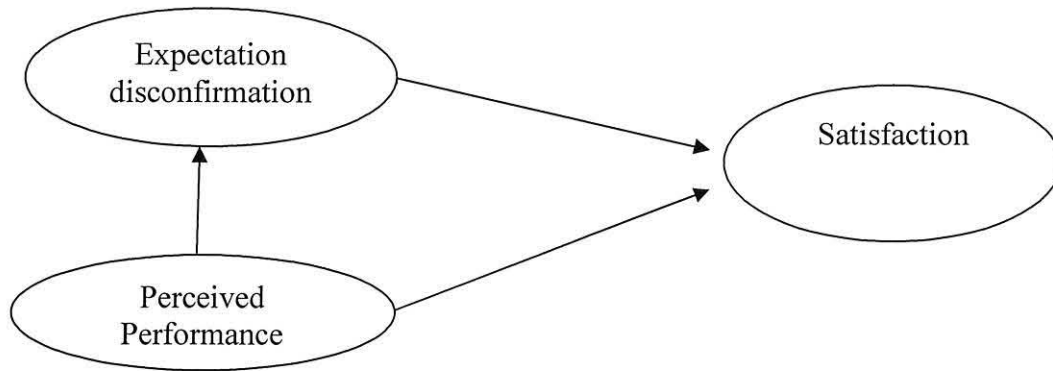


Figure 2. Expectation-Disconfirmation Theory

Source: Khalifa and Liu (2003)

Disconfirmation occurs in three forms:

- 1) Positive disconfirmation: occurs when perceived performance exceeds expectations.
- 2) Confirmation: occurs when perceived performance meets expectations.
- 3) Negative disconfirmation: occurs when perceived performance does not meet and is less than the expectations.

It is more probable for customers to be satisfied if the service performance meets (confirmation) or exceeds (positive disconfirmation) their expectations. On the contrary customers are more likely to be dissatisfied if the service performance is less than what they expected (negative disconfirmation). Khalifa and Liu (2003) discussed that taking expectation disconfirmation as the only determinant of satisfaction; this theory does not cause the fact that if high expectations are confirmed, it would much more lead to satisfaction than confirmation of low expectations. To resolve this drawback perceived performance is included as an additional determinant of satisfaction. In other words the only way to ensure satisfaction is to empirically create disconfirmation by manipulating expectations and performance.

2.1.8 Consumer Satisfaction Process

The paramount goal of marketing is to understand the consumer and to influence buying behavior. One of the main perspectives of the consumer behavior research analyses buying behavior from the so-called 'information processing perspective' (Holbrook and Hirschman, 1982). According to the model, customer decision-making process comprises a need satisfying behavior and a wide range of motivating and influencing factors. The process can be depicted in the following steps (Engel et al., 1995):

- **Need recognition** - realization of the difference between desired situation and the current situation that serves as a trigger for the entire consumption process.
- **Search for information** - search for data relevant for the purchasing decision, both from internal sources (one's memory) and/or external sources.
- **Pre-purchase alternative evaluation** - assessment of available choices that can fulfill the realized need by evaluating benefits they may deliver and reduction of the number of options to the one (or several) preferred.
- **Purchase** - acquirement of the chosen option of product or service
- **Consumption** - utilization of the procured option.
- **Post-purchase alternative re-evaluation** - assessment of whether or not and to what degree the consumption of the alternative produced satisfaction.
- **Divestment** - disposal of the unconsumed product or its remnants.

Besides the information processing perspective, marketing analyses consumer behavior by employing a psychologically grounded concept of attitudes (Balderjahn, 1988; Ronis et al., 1989; Luzar and Cosse, 1998). It is consumer *attitudes* that are usually named as the major factor in shaping consumer behavior and a wealth of studies is available on the topic of how attitudes can predict behavior.

2.1.9 Consequences of Customer Satisfaction and Dissatisfaction

The consequences of not satisfying customers can be severe. According to Hoyer and MacInnis (2001), dissatisfied consumers can decide to: -

- Discontinue purchasing the good or service,
- Complain to the company or to a third party and perhaps return the item,
- Engage in negative word-of-mouth communication.

According to La Barbera and Mazursky (1983), "...customer satisfaction influences repurchase intentions whereas dissatisfaction has been seen as a primary reason for customer defection or discontinuation of purchase."

2.1.10 Performance factors for the customer satisfaction

Based on some studies, researchers found that customer satisfaction is related to the customer's internal and external expectation factors (Knutson, 2000; Nicolau, 2002; Pagliarini *et al.*, 2005).

2.1.11 Customer loyalty

A lot of studies on the topic of loyalty have been measured by behavioral aspect of brand loyalty, such as repeat purchase without considering cognitive aspects of brand loyalty (Choong, 1998). For instance, Fader and Schmittlein (1993) conducted a research investigating the advantage of high share brands in brand loyalty, suggesting that high share brands have significantly higher brand loyalty than low share brands. Newman and Werbel (1973) also described loyal customer as those who repurchase a brand considered only that brand and did not brand related information seeking. However, all of them suffer from a problem that is they measured brand loyalty only by the behavioral aspect of repeat purchase.

Another conceptual definition of brand loyalty as provided by Jacoby and Chestnut (1978) states "brand loyalty is (1) biased (i.e., non-random), (2) behavioral response (i.e., purchase), (3) expressed over time, (4) by some decision-making unit, (5) with respect to one or more brands out of a set of such brands, and is a function of psychological (decision-

making, evaluative) processes.” In their definition of brand loyalty they identified three kinds of categories, which can be placed into behavioral, attitudinal, and composite (both attitudinal and behavioral).

Based on the behavioral element of brand loyalty, Sheth (1968) provides an operational definition of brand loyalty that is brand loyalty is a function of a brand’s relative frequency of purchase in both time-independent and time dependent situation. An operational definition of brand loyalty based on the attitudinal element was provided by Reynolds et al. (1974), while suggested it as the tendency for a person to continue over time to show similar attitude in situation similar to those he/she previously encountered.

Dick and Basu (1994) proposed that loyalty should be evaluated with both attitudinal and behavioral criteria (composite brand loyalty). Later, Oliver comes out with his operational definition of loyalty, which is more comprehensive or re-patronize a preferred product of service consistently in the future, thereby causing repetitive of same brand or same brand set purchasing despite situational influences and marketing efforts having the potential to cause switching behavior. From the conceptual and operational definition of brand loyalty, we can get the two most important elements of brand loyalty: attitude and behavior. On the other hand, customer loyalty consists of brand loyalty (Dick and Basu, 1994), which has been described as a behavioral response and a function of psychological processes (Jacoby and Chestnut, 1978). There are two dimensions to customer loyalty: behavioral and attitudinal (Baldinger and Rubinson, 1996).

The behavioral dimension refers to a customer’s behavior on repeat purchase, indicating a preference for a brand or service consistently over time (Oliver, 1997). While attitudinal dimensions refers to favorable customer intention to repurchase and recommend, which are good indicator of a loyal customer (James and Sasser, 1995; Dick and Basu, 1994). A customer who has the intention to repurchase and recommend is very likely you remain with the company. For a customer to remain loyal he or she must believe that the firm’s service continues to serve the best choice alternative. Furthermore, he/she will be less sensitive to the price of the service.

2.2 Services

2.2.1 Definition of services

Many definitions have been proposed for services, but all have, common aspects as intangibility and immediate consumption. Here are some definitions for services as follows:

- Services are attitudes, processes and functions. (Zethaml and Bitner, 1996, p. 50).
- Service is an act or activity, necessary immovable and intangible, suggested by one transaction party to another one that would lead to the ownership of no external object. Service production may attach to physical goods or nor (Kotler and Armstrong, 1990).
- Service includes recognizable and necessarily immovable activities which meet a need and its attachment to good sale or other services is not of necessity (Stsnton, 1986).

2.2.2 Specification of Services

Four main features distinguish service form goods which are as follows (Fitzsimons, 2001);

1. **Simultaneity:** the fact that the services are consumed at the same time when they are generated and that the services con not be store is a fundamental feature in service management. A product can be inspected before delivery, but a service should be evaluated in other ways to be assured of its quality.
2. **Perishability:** A service is a perishable object or goods an airplane seat or unoccupied rooms in hospital or hotel or a leisure hour of a density are examples for useless opportunities since a service cannot be stores, it would be annihilate forever and could not be used. Full application of service capacity would transform to a management challenge, because customer's demand continuously changes and one cannot respond to these demands through making inventory.
3. **Intangibility:** Services are beliefs/concepts and goods are objects. Therefore, one can not maintain moral ownership right for innovation in services and patent and registry rights for innovator when buying a product, the customer can see it touch it and test its

function before purchasing. But in case of a service, the customer should rely on and satisfy with service delivering company's fame and credit.

4. Heterogeneity : integrating the intangibility nature of service on one hand participates with the customer as a person available in service delivery system and on the other hand makes difference in service form one customer to another, in service, working activity generally Focuses on staff rather than objects.

But, there are exceptions especially in information processing services e.g. communications.

2.3 Service Quality

Service quality is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Gronroos, 1984; Parasuraman et al., 1985, 1988). A number of experts define service quality differently. Parasuraman et al. (1985) define it as the differences between customers, expectation of services and their perceived service. If the expectation is greater than the service performance, perceived quality is less than satisfactory and hence, customer dissatisfaction occurs. Lewis and Mitchell (1990), Dotchin and Oakland (1994), and Asubonteng et al. (1996) define service quality as the extent to which a service meets customers, need and expectation.

2.3.1 The SERVQUAL approach

The SERVQUAL approach has been applied in service and retailing organizations (Parasuraman et al., 1988, 1991). Service quality is a function of pre purchase customers, expectation, perceived process quality, and perceived output quality. Parasuraman et al. (1988) define service quality as the gap between customers, expectation of service and their perception of the service experience.

Based on Parasuraman et al. (1988) conceptualization of service quality, the original SERVQUAL instrument included 22 items. The data on the 22 attributes were grouped into five dimensions: tangibles, reliability, responsiveness, assurance, and empathy. Numerous

studies have attempted to apply the SERVQUAL. This is because it has a generic service application and is a practical approach to the area. This instrument has been made to measure service quality in a variety of services such as hospitals (Babakus and Glynn, 1992), hotels (Saleh and Rylan, 1991), travel and tourism (Fick and Ritchie, 1991), and telephone, insurance companies and banks (Parasuraman et al., 1991). In this study, the researcher uses SERVQUAL approach as an instrument to explore customer's satisfactions'

2.3.2 SERVQUAL dimensions

Previously, Parasuraman et al. (1985) identify ten determinants for measuring service quality which are tangibility, reliability, responsiveness, communication, access, competence, courtesy, credibility, security, and understanding/ knowledge of customers.

Later these ten dimensions were further purified and developed into five dimensions i.e. tangibility, reliability, responsiveness, assurance and empathy to measure service quality, SERVQUAL (Parasuraman et al., 1988). These five dimensions identified as follows:

- (1) **Tangibility:** The physical evidence of customer satisfaction in Kaldi's coffee is including a personality and appearance of personnel, tools, and equipment used to provide the service.
- (2) **Reliability:** The ability involves performing the promised service dependably and accurately. It includes .Doing it right the first time, which is one of the most important service components for customers. Reliability also extends to provide services when promised and maintain error-free records.
- (3) **Responsiveness:** The staffs are willing to help customers and provide on time service to customers such as quick service, professionalism in handling and recovering from mistakes. It has been said that .Today luxury is time. Consequently, a service provider, ability to provide services in a timely manner is a critical component of service quality for many guests.
- (4) **Assurance:** Assurance refers to the knowledge and courtesy of employees and their ability to convey trust and confidence including competence, courtesy, credibility and security.

A. Competence means possession of the required skills and knowledge to perform the services. It involves knowledge and skill of the contact personnel, knowledge and skill of operational support personnel, research capability of the organization.

B. Courtesy involves politeness, respect, consideration, and friendliness of contact personnel.

C. Credibility involves trust worthiness, believability, honesty; it involves having the customer best interest at heart. Contributing to credibility is company reputation, personal characteristics of the contact personnel. The degree of hard sell involved in interaction with the customer.

D. Security refers to the freedom from danger, risk or doubt. It involves physical safety, financial security and confidentiality.

(5) Empathy: Empathy refers to the provision of caring and individualized attention to customers including access, communication and understanding the customers.

a. Access involves approach, ability and ease of contact. It means the service is easily accessible by telephone, waiting time to receive service is not extensive, hours of operation are convenient and location of service facility is convenient.

b. Communication means keeping customers informed in language they can understand. It means listening to customers, adjusting its language for different consumers and speaking simply and plainly with a novice. It also involves explaining the service itself, explaining how much the service will cost, and assuring the customer that a problem will be handled.

c. Understanding the customers means making the effort to understand the customers need. It includes learning the customer specific requirements, providing individualized attention, recognizing the regular customers.

It is clear from the above that customers like to be given enough individualized attention and treated with care. It thus allows the customers to easily approach and spell out their needs regarding the service being provided. The importance of empathy may be the root of the statement, if one looks at who is winning; it tends to be companies that see the guest as

an individual. Due to guests, desires that staff see things from their point of view, the Kaldi's staff are piloting an empathy training program intended to help employees relate to their guests in a more empathic manner.

In conclusion, SERVQUAL instrument is an invaluable tool for organizations to better understand what customer's value and how well their current organizations are meeting the needs and expectations of customers. SERVQUAL provides a benchmark based on customer opinions of an excellent company, on your company, on the importance ranking of key attributes, and on a comparison to what your employees believe customers feel. The SERVQUAL instrument can also be applied to the all staff in Kaldi's coffee.

2.3.3 Expectations and Perceptions of Service Quality

Several conceptual models have been developed to help define the service quality, and enter into consumer's perceptions of service quality (Mangold and Emin, 1991). Driver and Johnston (2001) ascertain that there is a general agreement that a service comprises a complex bundle of explicit and implicit attributes. The relative importance of different attributes is likely to differ from service to service and from person to person (Cronin and Taylor, 1994; Parasuraman et al., 1994), which is particularly relevant to the real estate industry where no two clients have the same requirements/expectations.

Mangold and Emin (1991) focus on "front-stage" and "back-stage" perspectives, where by both the customer and the employees observe different perspectives of activities and problems that accompany the service delivery process. This approach is particularly relevant to a service environment because the "front stage" perspectives of the two groups may result in a lack of agreement about the level of service that should be provided (Mangold and Emin, 1991).

Some authors have suggested that perceptions are more dominantly drive by experiences (i.e. the service performance) rather those expectations. Attentively, quality has been defined as the customer's overall impression of the relative inferiority or superiority of the organization and its services (Zeithaml et al., 1983).

Measure perceptions of service quality have subsequently produced various models of measurement. The SERVQUAL model of Parasraman et al. (1988) proposed a five-dimensional construct of perceived service quality; tangibles, reliability, responsiveness, assurance, and empathy- with items reflecting both expectations and perceived performance.

2.3.4 Service Quality and Customer Satisfaction

The main a hospitality organization's members must perform is the delivery of quality service to its customers. Service quality has been defined as how well a customer's needs are met, and how well the service delivered meets the customer's expectation.

Gronoos (1984) indicated that the perceived quality of service is dependent on comparison between expected and perceived service and is thus the outcome of a comparative evaluation process. Parasuraman et al. (1985) defined service quality as the degree and direction of discrepancy between a customer's perceptions whereas "perceived service quality" is the gap between a customer's expectation and perceptions as a measurement of quality. The smaller the gap, better the quality of service, and higher the customer satisfaction. Barsky (1996) suggests that the costumers may be excellent source of information for management on how the organization proved quiet service .through surveys and focus group, customers can help management to determine which service areas are most in need of improvement.

Gunderson et al. (1996) defined customer satisfaction as guest's post-consumption judgment of product or service that can in turn be measured by assessing guest's evaluation of performance on specific attributes. Therefore, providing service which costumers prefer is obviously a starting point for providing customers satisfaction. A relatively easy way to determine what services customers prefer is simply to ask from them (Greathous et al., 1996). However, from marketing perspective, customer satisfaction is achieved when the customer's needs and wants are fulfilled (Lam and Zhang, 1999).

Additionally, Lam and Zhang (1999) conducted a study to assess customers and their perception of service quality, and identified a gap between the two. They also explored the impact of quality factors on overall customer satisfaction. Their findings revealed that reliability, responsiveness, and assurance are the most significant factors in predicting customer satisfaction. In addition, these factors had the largest differential scores, indicating that the customers' perceptions fell well short of their expectations. The purpose of measuring customer satisfaction is to assess the quality of the existing management practices and identify directions for improvement the aim of managing satisfaction is to obtain a higher rate of customer retention and improve a company's market share and profits. Many researchers propose that customer satisfaction influences customer loyalty, which in turn affects profitability.

2.4 The Coffee Café Industry

The Coffee Café industry is currently one of the biggest and fastest growing sectors in service business. The industry consists of a mix of individual cafés, hotel cafés and retail café chains (Toshowe and Stanley, (2005).

The main bulk of revenue is earned by small, individual cafés, run mostly by families and friends. It is a relatively unorganized sector. There are millions of such cafés around the world, and they provide customers with a homely, casual experience. The bulk of these cafés are mainly in Europe, where every little town or village has local cafés, where people gather together for a conversation over coffee, or just alone with their thoughts.

- **Individual Cafés**

These cafés have been the birthplace and sanctuary for various creative minds, revolutionaries and thinkers of our time. The most recent example is the author J.K. Rowling, who has written most of the Harry Potter series of books, sitting at her local café. These cafés set themselves apart from retail chain cafés and hotel cafés because they provide customers with a homely, classic appeal, which cannot be emulated (Toshowe and Stanley, 2005).

- **Hotel Cafés**

Ever since the popularization of coffee, hotels all over the world started opening 24-hour coffee shops, where visitors to the hotel could walk-in for a cup of coffee and some food at any time. But in our country many cafes did not start 24 hours operating time. According to Toshowe and Stanley (2005), coffee houses are extremely important, because they provide international visitors to the hotel with a universal drink- coffee and other services. Any customer can walk into any major hotel in the world, and enter the coffeehouse, and know what to expect. These cafés are not really major players in the coffee café industry, but rather provide supplementary services to the hotel industry.

2.5 Growth of Café Industry

Aaker and David (1996) report that the birth of Coffee took place in Ethiopia with the discovery of coffee berries. Legend of goat herder, Kaldi's of Ethiopia, notices goats were friskier after eating red barriers of a local shrub, and he experimented with the berries himself and began to feel happier.

Later on, several marketers all over the country started opening coffee-shops that catered to high-end customers. This showed the popularization of coffee cafés, to all sections of society. The café industry has now become more of a concept than hotel and other similar type of service. In Ethiopia too, the last 10 to 15 years witnessed the fastest growth of café and restaurants, more specifically in the capital city (Addis Ababa).

Therefore, the concept of a café today is not merely about selling coffee, but about developing a national, regional or local brand like Kaldi's. As a result, retail cafés now form a multi-core industry in the country, and have huge potential for growth locally and nationally. These cafés form the main focus of this project.

Chapter Three

Research Methodology

This chapter explores the methodology used in carrying out the research study by describing the research process, research design, population and sampling, data collection approaches and instrument, and finally, approach to data analysis.

Selection of research methods depends on the research objectives, nature of the subject and implementing facilities. The purpose of the selection of research methodology is to identify an approach to find out the answers to the research questions more exactly and easily.

The research methodology used in this study is aimed at identifying and describing the current level of service quality of Kaldi's coffee and the associated customer satisfaction, in the eyes of targeted population/sample respondents. In other words, the study is aimed at conducting systematic investigation on the quality of Kaldi's' coffee service in association with customer satisfaction, while understanding the relationship between the two.

3.1 Research Process and Design

Almost every research project is different in terms of associated objectives, thus use different types of research designs. There are many different ways to conduct a research. However, all research has one thing in common i.e. involve a sequence of activities, highly interrelated and that together constitute the research process. In other words, all the activities in the research process follow some common pattern (Zikmuned, 2000), and the process appeared to be cyclical, as the conclusions of the study often shed light on new problems and ideas that need to be further investigated.

On the other hand, research design is the framework for conducting (marketing) research (Malhotra, 1996). Consequently, it is a basic plan that guides the data collection analysis phase of the research. It specifies information and the type of data to be collected, the

sources of the data, and the data collection procedure. A good research design will ensure that the information collected will be consistent with the purpose of the study and that the procedures regarding data collection is accurate and efficient (Kinneer and Taylor, 1996).

3.2 Types of research

Fundamentally, there exist three research types: exploratory, descriptive and causal (Zikmund, 2000) to be selected by the researcher based on the objectives. The three categories are briefly described below.

3.2.1 Exploratory research

Exploratory research is conducted to clarify and define the nature of a problem, where the purpose is to provide insights and understanding, not to provide conclusive evidence. Usually, exploratory research is conducted with the expectation that subsequent research will proceed. Exploratory research is characterized by flexibility regarding the methods applied. Instead of following formal procedure, the researcher has to be open to new ideas and insights which may redirect the exploration in a new direction. Consequently, the focus of the research may swift as the work proceed and new knowledge is obtained (Malhotra, 1996).

3.2.2 Descriptive Research

The major objective with a descriptive research is to describe something, such as a population or a phenomenon. It seeks to answer who, what, where, and how types of questions. Consequently, a descriptive research does not provide answer to why type of questions i.e. does not explain the cause of the findings. However, when solving business problems is often enough with the information obtained from describing a situation, it is not required to know why things are the way they are (Zikmund, 2000). However, in order to perform descriptive research, the researcher must have prior knowledge about the problem situation and the information needed is clearly defined in fact, this is the major difference between exploratory and descriptive research. Descriptive research must be structured and the methods for selecting sources of information and collecting data are pre-planned and formal (Malhotra, 1996).

3.2.3 Causal Research

The purpose to deploy a causal research is to identify cause-and-effect relationship between variables. In order to perform a causal research, the researcher must be knowledgeable about the subject and have an expectation of the relationship to be investigated. Normally exploratory and descriptive research is executed first and then the causal research attempt to show that when one thing is done, another thing will follow (Zikmund, 2000). Like descriptive research, casual research requires a planned and structured design (Malhotra, 1996).

Based on the above, the approach in this study can be considered of using, somehow, all the three formats. Initially, exploratory research was performed since little knowledge about the problem area exists. In order to increase the knowledge about customer satisfaction and its relationship with service quality an extensive amount of literature associated with the problem area was reviewed.

Thereby, descriptive research was used when asking questions about the customer satisfaction and service quality at Kaldi's coffee houses, and causal approach was used in finding out the relationship between the two.

3.3 Study Population and Sampling

Population means all elements and people who share one or more common quality in a special geographical scale. The target population of this research includes all customers that use the service of Kaldi's coffee in Addis Ababa city.

3.3.1 Sample Size

Since population, as stated above, is of enormous geographical size and cannot be referred by the researcher in completion, the approach adopted was to draw a sample representing population characteristics. This would be helpful in generalizing the relevant results to the entire population under study. However, a sample means some members of society, with

particulars similar to the society and is homogenous with other members. Since participation of the whole population was considered to be unmanageable and costly in the context of present research, data were collected from 250 customers approached at 11 different branches of Kaldi's coffee in the city. From all the branches, sample was selected randomly, to take part in the study.

3.3.2 Sampling Techniques

To select sampling techniques the researcher has to consider related theoretical and practical issues. These include considering the capture of the study objective, time and budget available. The sample for the study was drawn from all the 11 Kaldi's coffee houses presented at that time (another 3 were opened later). Random sampling approach was followed in order to select the respondents from these cafeterias, however, the number of responses obtained from each geographic location varied, and assumed to be representing the customer population at Kaldi's coffee.

3.4 Data Sources and Collection Methods

3.4.1 Data Sources

The study used both primary and secondary data as its source of information. Kaldi's coffee is selected for the survey because it assumes to be the part of service sector in high customer context, and where customers seek highly reliable services. Also, it is true that in this type of business, customer satisfaction and long term relationship is one of the top issues that the management needs to be aware of.

The primary data was obtained through structured questionnaire designed and distributed to the selected respondents. Secondary data was collected from various sources that include relevant books, journals and online sources, emphasizing customer satisfaction and service quality. Additionally, informal discussions were carried out with limited number of customers prior to questionnaire design.

3.4.2 Data Collection Tools

Data collection tools are those by which the researcher can collect the necessary data for the analysis of the phenomenon studied and discovering the truth. In this research, the data collection tool was questionnaire, considered to be one of the most practical and easiest tools to administer. It should be noted that the questionnaire selected in this research has been structured, and using closed type statements placed on 5-point Likert-type scale measuring the level of agreement ('1' being strongly disagree to '5' strongly agree) with each across 32 statements related to service quality and customer satisfaction (see table 1).

The questionnaires was originally developed in English and then translated to Amharic with a consideration of better understanding among respondents. The final draft of the questionnaire used three main sections, consisting items related to service quality, customer satisfaction, and demographic profile (see Annex 1).

Finally, the modified questionnaire was distributed to 250 respondents, however, only 231 (response rate of 95%) were returned back as completely filled, and retained for further analysis.

Table 1: Service Quality Dimensions

Dimension	Code	Item
Tangibles	TANG 1	The facilities/infrastructure at Kaldi's coffee are visually appealing
	TANG 2	Kaldi's coffee has up-to-date coffee machines/equipments
	TANG 3	Employees of the Kaldi's coffee are well dressed and appear neat
	TANG 4	The appearance/physical facilities is suiting to the business of Kaldi's coffee
	TANG 5	Kaldi's coffee has an attractive, well designed and comfortable sitting arrangement/environment
Reliability	RELA 1	If the Kaldi's coffee promises to do something by a certain time, it does so
	RELA 2	When the customer has problem, Kaldi's coffee shows a sincere interest in solving it
	RELA 3	Services at Kaldi's coffee are dependable
	RELA 4	Billing/receipt for the product bought at Kaldi's coffee appear to be accurate
Responsiveness & Assurance	RSAS 1	Kaldi's coffee house tells customers exactly when the services are available
	RSAS 2	Employees at Kaldi's coffee provides prompt service to customers
	RSAS 3	Kaldi's coffee shop employees are always willing to help their customers
	RSAS 4	Employees of Kaldi's coffee are easily available to respond promptly to customers' orders/request for a service/product
	RSAS 5	The behavior of Kaldi's coffee employees instill confidence in customers
	RSAS 6	Kaldi's coffee customers feel assured on their service requests follow-up
	RSAS 7	Kaldi's coffee shop employees are courteous
	RSAS 8	Employees at Kaldi's coffee have knowledge to answer customers' queries
Empathy	EMPA 1	Kaldi's coffee house provides individual attention to customers
	EMPA 2	Kaldi's coffee shop respects customers' best interests at heart
Convenience	CONV 1	Kaldi's coffee shop has operating hours convenient to customers
	CONV 2	The location of Kaldi's coffee is convenient to most of the customers
	CONV 3	Kald's coffee house has adequate parking places near by
	CONV 4	Kaldi's coffee maintains/promises safe environment for recreation
Net Work Chain	NETW 1	Kaldi's coffee has a large network of service chains/restaurants
	NETW 2	Kaldi's coffee houses maintain consistent quality on the part of their offerings across the network /chain
	NETW 3	Kaldi's has sufficient coffee houses in different geographical areas in the city (Addis Ababa)
Conflict Handling & Need Fulfillment	CHNF 1	Kaldi's coffee maintains appropriate channel/process to communicate/respond back in the case of customer dissatisfaction
	CHNF 2	Kaldi's coffee maintains short and direct procedures of consumer conflict handling
	CHNF 3	Customers get the service at the time they need at Kaldi's coffee
	CHNF 4	The variety of foods and beverage services at Kaldi's coffee met my need

3.5 Methods of Data Analysis

After the data have been collected, it was accompanied by proper ways of analysis in order to interpret and draw conclusion. The research applies a variety of techniques, beginning with simple percentage analysis to descriptive statistics measures (mean and standard deviation) to complex multivariate techniques, as recommended by Hair et al. (2003).

In this study, the collected data were analyzed using a computerized statistical analysis program, SPSS version 17.0. Appropriate descriptive and inferential analyses techniques were used in order to determine the factors that influence the customer satisfaction of Kaldi's coffee services in Addis Ababa city.

- **Descriptive analysis-** to summarize the means and standard deviation of perceptions, service quality and customer satisfaction.
- **Correlation analysis-** it examines the strength of the identified associations between variable (Sekaren, 2003: 421). As indicated by statisticians, Pearson's correlation matrix indicates the direction, strength and significance of the bivariate relationship between the variables used in the study. Inter correlation among the seven perceived service quality dimensions, overall customer satisfaction and overall service quality was analyzed.
- **Regression analysis** - it is a statistical method used to estimate the strength of relationship between one or more dependant variables and one or more independent variables. It assumes that the relationship between the dependent and independent variables is linear (Cooper and Schinder, 2003).

Chapter Four

Data Analysis, Findings and Discussion

This chapter sheds light on analysis carried out with the data collected by following the approach as presented in the previous section. Additionally, findings of the research work and discussion are presented in line with the stated research objectives.

4.1 Data Analysis

Analysis of data, as a part of scientific methodology, is required to reach to some conclusion. Therefore, in this section the researcher used different Methods of analysis to answer the specific issues related to customers' satisfaction in Kaldi's coffee services. Descriptive statistics were applied to summarize means of customer satisfaction by the service quality Demographic profile of the respondents and service quality.

Data were then factor analyzed using principal components methods of extraction (based on Eigen value >1) with oblique rotation to obtain the initial solution. Factor analysis in data reduction technique that allow grouping of variables under a component them or dimension (unidimensionality) from this results final rotated solution , all the product and services were founded in to seven factors, explained 65.63 % of the cumulative variance.

The seven factors identified were named as 'Tangibles', 'Reliability', 'Responsiveness and Assurance', 'Empathy', 'Convenience', 'Network Chain', and 'Conflict Handling and Need Fulfillment'.

Table 2: Exploratory Factor Analysis

Item	Tangibles (TANG)	Reliability (RELA)	Responsiveness & Assurance (RSAS)	Empathy (EMPA)	Convenience (CONV)	Network Chain (NETW)	Conflict Handling & Need Fulfillment (CHNF)
TANG 1	.524						
TANG 2	.542						
TANG 3	.820						
TANG 4	.730						
TANG 5	.709						
RELA 1		.585					
RELA 2		.523					
RELA 3		.886					
RELA 4		.620					
RSAS 1			.723				
RSAS 2			.525				
RSAS 3			.770				
RSAS 4			.755				
RSAS 5			.719				
RSAS 6			.794				
RSAS 7			.538				
RSAS 8			.666				
EMPA 1				.671			
EMPA 2				.530			
CONV 1					.820		
CONV 2					.710		
CONV 3					.765		
CONV 4					.569		
NETW 1						.842	
NETW 2						.626	
NETW 3						.737	
CHNF 1							.469
CHNF 2							.595
CHNF 3							.605
CHNF 4							.742

All items were reported to be loaded with a value of 0.5 and above and considered to be the determinants of customer satisfaction in the context of Kaldi's coffee, and retained for further analysis. In this respect, 30 out of 31 items were found to be fit within seven dimensions, considered to be the determinants of customer satisfaction in Kaldi's coffee

business settings. All the loaded items were retained for testing scale reliability using Cronbach coefficient (alpha) to determine the internal consistency of the modified scale items.

4.1.1 Reliability Analysis

Reliability of the scale items was assessed using Cronbach (alpha) coefficients, per dimension appeared on the part of exploratory factor analysis. The result of the same is presented below in Table 3.

The third column of the table presents the value of Cronbach coefficients, and as reported by Hair et al. (1998), a value over 0.6 is considered to be showing higher level of reliability in terms of internal consistency among dimensional items. Along with that the overall scale reliability appeared to be much higher than the required standard, as stated above. Therefore, to review the internal consistency of the modified scale item Cronbach coefficients were computed and found to be ranging between as high as 0.898 and as low as 0.523 for the dimensions mentioned in the table.

Therefore, it was considered to continue the analysis with all the 7 identified dimensions, by ignoring lower values scored by the two dimensions of Network Chain (0.523) and Empathy (0.557), as approaching closer to the benchmark, and by attributing this to various other factors associated with data gathering and time constraints, and paying more attention to overall scale reliability (0.898).

Table 3: Scale Reliability (Cronbanch Alpha)

Dimension	Item	Alpha Coefficient for Dimension
Tangibles	TANG 1	0.761
	TANG 2	
	TANG 3	
	TANG 4	
	TANG 5	
Reliability	RELA 1	0.611
	RELA 2	
	RELA 3	
	RELA 4	
Responsiveness & Assurance	RSAS 1	0.826
	RSAS 2	
	RSAS 3	
	RSAS 4	
	RSAS 5	
	RSAS 6	
	RSAS 7	
	RSAS 8	
Empathy	EMPA 1	0.557
	EMPA 2	
Convenience	CONV 1	
	CONV 2	
	CONV 3	
	CONV 4	
Net Work Chain	NETW 1	0.523
	NETW 2	
	NETW 3	
Conflict Handling & Need Fulfillment	CHNF 1	0.730
	CHNF 2	
	CHNF 3	
	CHNF 4	
Reliability of Total Scale		0.898

Reliability estimates (Cronbanch alpha) for the stated dimensions were computed and found to be as follows: tangibility (0.761), Reliability (0.611), responsiveness and Assurance (0.826), empathy (0.557), convenience (0.581), Network chain (0.523), and conflict handling and need recognition (0.730).

4.1.2 Demographic profile of the respondents

Given below is the table (4) representing the demographic profile of the respondents' customers of Kaldi's coffee? Regarding the gender, over half (55.4%) of the respondents were reported to be male and the rest (44.6%) as female.

Table 4: Respondents' Demographic Profile

Item	General Profile	Percentage
1	Sex	
	A. Male	55.4
	B. Female	44.6
2	Age	
	<25	46.8
	26-35	40.2
	36-45	10
	Above 45	3
3	Occupation	
	Gov't employee	22
	Private sector employee	29.4
	Businessmen/women	25.5
	Student	16.5
	Others	6.5
4	Income	
	<1500	38.5
	1501-2500	26.4
	2501-5000	16
	Above 5001	19

According to age differences, as being appeared in the table, less than half (46.5%) of the respondents are under the age of 25 years, followed by 40.2 % (in the range 26-35 years), and remaining 13% (over 36 years). That is, most of the respondents are matured enough and they are in position to supply information required on customer satisfaction with in Kaldi's coffee service product convenient quality, Brand loyalty, Brand preference, network chain overall customer satisfaction and future buying intention of the customer.

The table also indicates the occupation of the respondents, 29.4% and 25.5% were reported to be private sector employee and business professionals respectively, and 22% as government employees, following 16.5% as students and others (6.5%). From this, one

may conclude that the majority of the respondents are private sector employees and belonging to business as their profession.

Finally, with regard to their income level, over one-fourth (26.4%) of the respondents claimed to be having an income in the range ETB 1501 - 2500, following 16% (2501-5000), 38.5% (below 1500), and 19% (above 5001). This indicates that majority of the respondent capable to use Kaldi's coffee supported by their income levels. Additionally, when asked them about their period of association with Kaldi's coffee in receiving services, majority of the respondents were found to be reported as over two years, and appeared to be loyal to the firm.

4.1.3 Customers Overall Satisfaction and Service Quality

The higher the mean score for perception (more than the average value of 3) implies the higher the respondent's agreement with the stated items (concerning 5 being strongly agree to 1 being strongly disagree). Thus, the score below 3 for the item/dimensions can be interpreted as below average quality or dissatisfaction with the customers about service quality. While a score of 3 represents a neutral behavior of the individual respondents upon the issue of service quality and customer satisfaction.

As shown in the Table 5, Kaldi's coffee shop facilities/infrastructure is visually appealing (4.00), as it maintains improved/up-to-date coffee machines/ equipments and enable to say generally acceptable (3.87). Additionally, the employees of the Kaldi's are well dressed and appear neat/attractive (3.90), while available physical facilities are suiting to the market (3.62) with attractive well designed and comfortable sitting arrangement/environment to the customers (3.7).

The second above average mean (3.66) was found to be with network chain dimension, which shows that Kaldi's coffee has a large network chain of restaurant services (3.53), which maintains consistent quality on their offerings across the network chain (3.61), and sufficient coffee houses at different geographical areas in the city of Addis Ababa (3.84). Similarly, the third above average mean (3.65) was found to be with the service quality dimension of convenience, which states that the coffee house maintains its operating hours

convenient to the customers (3.56), the location of Kaldi's coffee shops is convenient (3.95), with adequate parking places nearby (3.63), and the sitting environment conducive for recreation (3.47). This shows that customers are happy on the services they received from Kaldi's coffee houses.

Table 5: Descriptive Statistic Mean of Service Quality Dimension

Service Quality Dimension	Item	Mean	Std. Deviation
Tangibles		3.82	.643
	TANG 1	4.00	.783
	TANG 2	3.87	.780
	TANG 3	3.90	.981
	TANG 4	3.62	.943
	TANG 5	3.71	.985
Reliability		3.51	.647
	RELA 1	3.42	.834
	RELA 2	3.61	.925
	RELA 3	3.16	1.207
	RELA 4	3.83	1.060
Responsiveness & Assurance		3.64	.590
	RSAS 1	3.59	.937
	RSAS 2	3.87	.758
	RSAS 3	3.92	.893
	RSAS 4	3.63	.913
	RSAS 5	3.70	.770
	RSAS 6	3.44	.877
	RSAS 7	3.37	.955
	RSAS 8	3.60	.908
Empathy		3.43	.807
	EMPA 1	3.27	1.025
	EMPA 2	3.58	.910
Convenience		3.65	.686
	CONV 1	3.56	.962
	CONV 2	3.95	1.072
	CONV 3	3.63	1.142
	CONV 4	3.47	.931
Network Chain		3.67	.737
	NETW 1	3.53	1.012
	NETW 2	3.61	.980
	NETW 3	3.84	1.098
Conflict Handling & Need Fulfillment		3.47	.702
	CHNF 1	3.12	.913
	CHNF 2	3.40	.950
	CHNF 3	3.53	1.075
	CHNF 4	3.84	.825

Additionally, the dimension of 'Responsiveness and Assurance' appeared to be with above average (3.63), which states that Kaldi's café tells its customers about exactly when the services are available (3.59), provides prompt service to the customers (3.87), helpful employees (3.92), easy availability to respond to an order (3.63), employees behavior instilling confidence in customers (3.44), courteous behavior (3.37), and knowledge to answer customers' queries (3.60). Therefore, customers are expected to be satisfied by the service and employee's responsiveness and assurance.

Another dimension of reliability scored above average too (3.50). When asked about if the Kaldi's coffee promises to do something by a certain time it does so, respondents answered positively (3.42) on it, along with the interest, coffee house shows in solving customers' problems (3.61), dependable services (3.16), and accuracy of billing/receipt (3.83). Therefore it is appropriate to say that the services of Kaldi's coffee shops are reliable.

Moreover, on the part of conflict handling and need fulfillment (3.47), Kaldi's maintains appropriate channel to communicate (3.12), Kaldi's maintains short procedures of customer conflict handling (3.40), and deliver the service to the customers at the time they need (3.53), with verity of products and services meeting their demands (3.84). This shows that the customers are getting above average services from Kaldi's which may convert them in satisfied customers.

Finally, the dimension of empathy (3.42) was also reported to be above average by the study respondents. This can be seen from the perspective of providing individual attention to the customers (3.27), and respecting/keeping customers' best interest at heart (3.58). Therefore, it can be said that Kaldi's coffee fulfills the demand of their customers almost across all the seven service quality dimensions.

From the above discussion one can infer that Kaldi's coffee shops are perceived to be above average across all stated service quality dimensions, while the highest score was maintained by the dimension of tangibility (3.82), followed by network chain (3.66), convince (3.65), responsiveness and assurance (3.63), reliability (3.50), conflict handling and need fulfillment (3.47), and empathy (3.42).

4.1.3.1 Overall Service Quality

Respondents were also asked to rate the overall service quality of Kaldi's coffee houses. The overall quality of the service on a five point Likert-type scale (5 being strongly agree and 1 being strongly disagree) was scored by the respondents while asked that overall service quality of Kaldi's coffee is high enough. While majority (67.1%) of the respondents were found to be agreed with the statement, about one-fourth (24.6%) were reported as neutral (neither agree nor disagree), with a mean score of 3.81 (Table 6).

Table 6: Overall Service Quality Mean

NO.	Selection	Percentage	Mean
1	Strongly disagree	2.2	3.81
2	Disagree	6.1	
3	Neutral	24.6	
4	Agree	42.9	
5	Strongly Agree	24.2	
Total		100	

4.1.3.2 Overall Customer Satisfaction

The overall customer satisfaction with the services of the organization is a function of all the encounter experiences of the customers with that organization at multiple levels like satisfaction with the contact person satisfaction with the core service and satisfaction with the organization as a whole (Sureshchander et al., 2002).

The satisfaction level of the customers of Kaldi's coffee shop was measured by considering the cognitive, affective and behavioral psychological elements as reported by Smith and Albaum (2007). Therefore, as shown in the table 7, respondents responses were obtained related to their degree of overall satisfaction with the service quality delivered to them by Kaldi's coffee shop. While, a great majority (72.3%) of the respondents were claimed to be satisfied with the service quality of Kaldi's coffee, little over one-fifth (21.6%) were found to be neutral.

Table 7: Overall Customer Satisfaction Mean

NO.	Selection	Percentage	Mean
1	Strongly Disagree	1.7	3.89
2	Disagree	4.3	
3	Neutral	21.6	
4	Agree	48.1	
5	Strongly Agree	24.2	

4.1.4 Correlation and Regression Analyses

Correlation Analysis, as suggested by Croft (1983), is essential to undertake before conducting regression analysis in developing a model. The size of the correlation coefficient can be used to quantitatively describe the strength of the association between two variables. Table 8 below, describes the Pearson correlation coefficients obtained between various variables (overall service quality and overall customer satisfaction) used in the study. It has been reported that strong significant ($p < 0.001$) correlations exist between all the dimensions of service quality, overall service quality and customer satisfaction.

Table 8: Summary of Correlation coefficients

Dimension/ Item	OVQ	OVS	TANG	RELA	RSAS	EMPA	CONV	NETW	CHNF
Overall Quality (OVQ)	1								
Overall customer satisfaction (OVS)	0.417*	1							
Tangibility (TANG)	0.254*	0.260*	1						
Reliability (RELA)	0.261*	0.406*	0.537*	1					
Responsiveness and assurance (RSAS)	0.408*	0.419*	0.504*	0.559*	1				
Empathy (EMPA)	0.309*	0.303*	0.374*	0.395*	0.578*	1			
Convince (CONV)	0.360*	0.083	0.255*	0.284*	0.399*	0.394*	1		
Network chain (NETW)	0.325*	0.257*	0.251*	0.222*	0.383*	0.379*	0.427*	1	
Conflict handling & need fulfillment (CHNF)	0.426*	0.495*	0.428*	0.482*	0.636*	0.621*	0.404*	0.426*	1

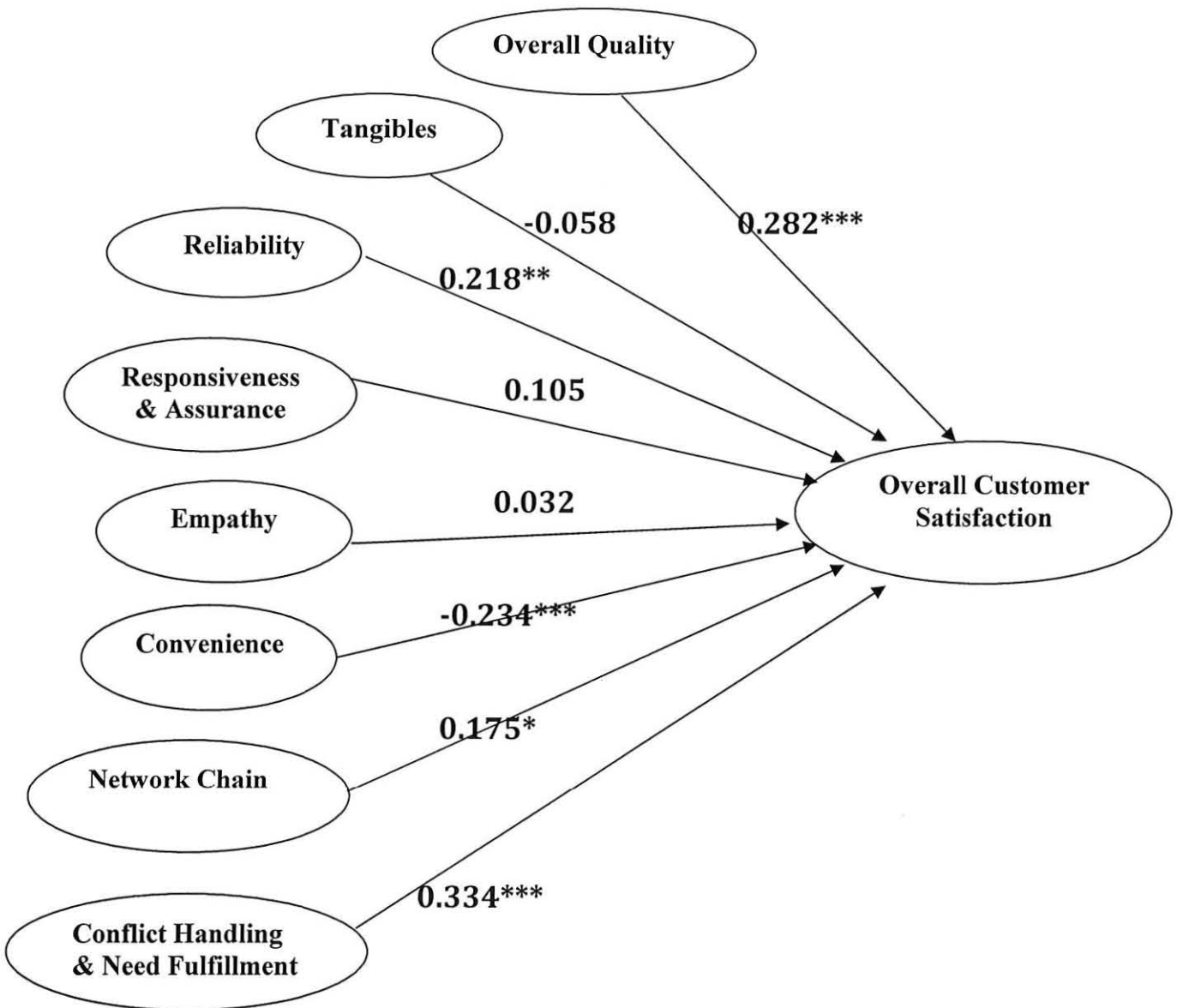
Note: *Correlation is significant at the 0.01 Level (2-tailed); Correlation is significant at the 0.05 level (2- tailed).

While strong associations ($r=0.636$) were reported between the dimensions of ‘conflict handling and need recognition’ and ‘responsiveness and assurance’, the dimension of ‘empathy’ was also reported to be strongly correlated with ‘conflict handling and need recognition’. Additionally, the dimensions of overall service quality and overall customer satisfaction were found to be maintaining significantly positive association (0.417 , $p<0.001$). Therefore, all the service quality dimensions were reported to be associating with overall service quality and customer satisfaction, except for the dimension of convenience, which was appeared to be uncorrelated with that of customer satisfaction.

Furthermore, the predictive power validity of each of the scale dimensions was checked by using regression analysis. For this purpose, the data were exposed to multiple regression analysis by using SPSS 17.0.

The computed beta value is a measure how strongly predictors variable influences the criterion variable. Thus, the higher the beta value the greater the impact of the predictor variable on the criterion variable. When you have more than one predictor variable you cannot compose the contribution of each predictor variable by simple comparing the correlation coefficients. The beta regression coefficients are computed to allow the researcher to make such comparisons and to assess the strength of the relationship between each predictor variable to the criterion variable.

The regression coefficients (beta value) for overall customer satisfaction (by taking as dependent variable and overall service quality dimensions as independent variables) were computed by using 'enter' method. This activity results in a highly significant model (see figure 3). The independent variables namely reliability ($\beta=0.218$), network chain ($\beta=0.175$), convenience ($\beta=-0.234$), conflict handling and need fulfillment ($\beta=0.334$), and overall service quality ($\beta=0.282$) were found to be significantly contributing to customer satisfaction. On the other hand, the dimensions of tangibles ($\beta=-0.058$), empathy ($\beta=0.032$), and responsiveness and assurance ($\beta=0.105$) were appeared as insignificant predictors of customer satisfaction in the context of Kaldi's coffee.



Finger 3: Framework for Overall Customer Satisfaction and Overall Quality

*Note: *** significant at 0.001 level; **significant at 0.01 level; *significant at 0.05 level*

4.1.5 Responses on Future Buying Intention

With respect to open ended questions, asking what makes them satisfied about the quality of Kaldi's coffee, following responses were scored:

- Many respondents revealed that variety of food attracted them to the Kaldi's (with better quality than those of competitors). Additionally, the respondents reported that Kaldi's way of approaching to customer with special coffee taste, ice creams and pastry items, consistency of services across all Kaldi's coffee shops, the infrastructure and the facility of the coffee shops, the employee and the shop cleanliness and fast delivery along with convenient locations are the most determinant factors to their satisfaction with the Kaldi's coffee shop.

- Further with respect to "What makes Kaldi's so special for you?" many respondents agreed with the quality and the physical environment therein. Therefore, for the customers, Kaldi's is so special as the quality of the products available and taste, different from other coffee houses, along with employee motivation to satisfy their customers, the infrastructure and up to date equipments delivering better services, make Kaldi's so special among its customers.

Finally, the study revealed that among the modified service quality dimensions, conflict handling and need fulfillment, convenience, reliability, network chain, and conflict handling and need fulfillment were found to be statistically important in determining overall customer satisfaction.

4.2 Findings and Discussion

Findings discussed the dimensions and scale to measure customer satisfaction with the products and services of Kaldi's coffee shop. Food and service quality was found to influence customer satisfaction positively. As suggested by scholars, only when the measurement tool is exhaustive and stable it could be applied for further analysis and evaluation. Following completion, the present scale can be used to evaluate cafe/coffee house service quality or assess how they satisfy their customers. Thus, this study attempted to modify the SERVQUAL dimensions to reveal customer satisfaction in the restaurant/hotel industry quality settings, and applied to Kaldi's coffee café.

By using factor analysis, the dimensional structure of Tangibility, Reliability, Responsiveness and Assurance, Empty, Convenience, Network Chain, and Conflict Handling and Need Fulfillment was revealed. While tangibility refers to the physical evidence of Kaldi's and equipments, appearance of coffee shop and employees, attractive and well designed and comfortable sitting arrangement, reliability deals with to do something being promised by the coffee houses, solving the problems or showing interest to solve the customer problems, along with willingness and knowledge to help in adverse situations by the staff.

Another dimension identified is 'Responsiveness and Assurance', whereby the service firm tells when the service is available to customers, promptness of service delivery by the employees, easy to order the product, customer assurance. However, some customers complained as to what they paid for, they were not supplied with safe environment for refreshment with proper sitting arrangements at Kaldi's coffee shops. They further reported that the facilities were almost similar at Kaldi's with that in other similar café.

The next dimension was 'Empathy' that the service provider preserve/shows by giving individual attention to customers, respect customers and keep their best interest at heart. However, some defaults may affect the individual attention across various service delivery stages. The fifth dimension of 'Convenience' which relates to suitable operating hours to

the user, location of Kaldi's coffee convenient to the customer, Kaldi's coffee maintains safe environment for recreation and adequate parking place, the majority of the customer were found to be little dissatisfied as the service provider is not maintaining its own parking place across all of its shops. Additionally, inappropriate sitting arrangement contributes negatively to the situation when customers see it from their privacy perspective.

The sixth dimension as being discovered was 'Network Chain', which refers to the large network of service chains/restaurants/coffee houses at various locations to get constant quality on the part of their offerings, in different geographical areas in the city (Addis Ababa). However, the final dimension discovered and deals with conflict handling and need fulfillment, whereby the Kaldi's coffee houses are maintaining appropriate channel/process to communicate back with customers, more specifically, in the case of customer dissatisfaction caused by any reasons. For the purpose, using short and direct procedures to solve customer conflicts and handling any inconveniences causing any dissatisfaction with the service, effectively is considered to be an aid to get back the customer, and make hem loyal to the organization.

Additionally, all the scale items were found to be loaded with high factor values, during factor analysis. This shows the validity in terms of uni-dimensionality on the part of scale items and dimensions. However, some of the factors were found to be loaded across more than one dimensions, and placed with the right dimensions based on logic. For instance, arranging price complaint boxes, preparing good parking place, and help to receive complaints also maintains a factor loading with the dimensions of conflict handling and need fulfillment dimensions. Finally, the reliability coefficients (Cronbach alphas) were computed for each identified dimension and overall scale (0.898). This revealed to be much higher than the required (0.60) as stated by Hair et al. (1998).

Further, the study suggests that service quality in terms of identified dimensions and overall service has significant implications to maintain customer satisfaction at least in the context of Kaldi's coffee.

Chapter Five

Conclusion and Recommendations

In the previous chapter the empirical data analyzed by descriptive and inferential statistics were reported, and findings revealed to develop conclusion is presented hereunder in this chapter. Additionally, this chapter provides some recommendations based on the conclusion drawn.

5.1 Conclusion

The aim of this study was to assess the customer satisfaction with Kaldi's coffee. The study was conducted by distributing questionnaires to 250 Kaldi's coffee customers, out of which 231 have been collected as completely filled and retained for analysis purpose. Explanatory factor analysis was carried out to form the service quality dimensions expected to be contributing to customer satisfaction, and Cronbach (alpha) coefficients were computed to test the reliability of the scale items/dimensions. The factor loadings for all the items were found to be greater than 0.5, while the overall scale reliability was identified as 0.898, with a higher degree of variance as explained by identifying seven dimensions of service quality to customer satisfaction. Also this study reveals the major impact that certain service quality dimensions maintain in determining overall customer satisfaction.

The personal characteristics of the respondents were categorized into five; gender, age, occupation, income, and since how long they use Kaldi's services/products (in years). Over half (55.4%) of the respondents were claimed to be male, while the remaining (44.6%) were female, young (97%) and employed (83.5%). However, with respect to since how long the respondents are using the services of kaldi's café, majority (65.36%) of the respondents reported to be over 1 year.

Satisfaction levels of customer differ across various demographic variables too. In this study, male respondents are reported to be more satisfied than female, and the young people were found to be more satisfied than the old ones. Also, the income level was

reported to be affecting the customer satisfaction, and employed people were claimed to be more satisfied than their unemployed counterparts.

The data used for the study were found to be with higher level of reliability, being computed through Cronbach alpha coefficients. Additionally, on the part of exploratory factor analysis, high communality values were identified that describes the usefulness of using scale items for the study.

The influence of service quality on customer satisfaction was measured using linear regression model. The results revealed the aspects associated with each stated objectives, as seven dimensions were found to be reporting the quality of services provided to the customers by Kaldi's café, and along with overall service quality, found to be contributing to customer satisfaction. However, reliability, responsiveness and assurance, network chain, and conflict handling and need fulfillment were reported to be significantly influencing to customer satisfaction. Though, the remaining 3 dimensions were identified as insignificant contributor to overall customer satisfaction, at least in the case of Kaldi's coffee café. More specifically, the study uses service quality dimensions to predict the level of customer satisfaction, as described by some previous studies in other industries, elsewhere.

The model of service quality dimension and overall customer satisfaction has been developed by using regression model as appropriate statistical technique. This was done because higher correlation coefficients were obtained between various service quality dimensions and customer satisfaction. The results also revealed that majority of the Kaldi's customers are satisfied and consider the service quality as high.

Finally, the management of the Kaldi's coffee houses need to hear from the customers more specifically to the issues of complaint handling, as many of them were reported to be discouraged in terms of high price, and some others who reported the Kaldi's services similar to that of other café, sitting arrangement, and employee behaviors.

Other literatures indicate that convince can be the most important factor to determine customer satisfaction, however, in the present study, the findings go other way round, as convenience was reported to be contributing negatively (-0.2340). This may be attributed to limited service outlets, in the city, of the service provider (Kaldi's). Therefore, on such aspects, the study maintains some important differences and interesting outcomes to the service provider.

5.2 Recommendations

Draw together the findings reported in this study, several recommendations could be forwarded.

- ⊕ It is argued that to be successful in any industry, organizations need to realize the key issues that affect customers' requirements and how the businesses meet or exceed those. The findings of this study also make a remarkable contribution to understanding of a number of issues concerning important service quality dimensions assessing customer satisfaction. Therefore, as identified, service quality can be used to predict associated customer satisfaction.
- ⊕ The findings associated with most of the service quality dimensions are important in analyzing the customer satisfaction trend, with the kaldi's café. However, convenience can be considered as one of the most significant determinants to customer satisfaction, additional shops are advisable too be opened.
- ⊕ Additionally, priority should be given to the operating hours convenient to the customers across various places. Arranging additional space for parking would likely to make customers happy, with associated service quality, along with better/comfortable sitting arrangement providing privacy to the individuals.
- ⊕ Though the tangible aspect was not appeared to be a significant service quality contributor to customer satisfaction, it cannot be ignored, as may have some long term implications, as found out in many previous studies, elsewhere. Along with that, proper dressing may impress the customers and bring their level of satisfaction up.

- ⊕ Empathy, on the other hand, was also reported with one of the significant contributors, individual attention to customer during service delivery can be seen from great relevance in developing satisfying customers by the service firm. Therefore, keeping customers' interest at heart should be promoted by the firm with its staff.

- ⊕ Also, this study provides the demographic profile with important insight about how the customer satisfaction varies across various personal characteristics. Therefore, something good should be carried out for those showing repeat purchases, and to attract those who are deviating, by providing higher/better experiences and products. On this part, price discounts can also be offered to attract some of the new customers, or keeping the existing with the firm.

References

- Aaker, D., *"Building Strong Brands"*, the Free Press, Printed in the United States of America, Year 1996.
- Asubonteng, P., McCleary, K.J. and Swan, J.E. (1996), "SERVQUAL revisited: a critical review of service quality", *Journal of Service Marketing*, Vol. 10 No. 6, 62-81.
- Babakus, E., Boller, G.W. (1992), An Empirical Assessment of the SERVQUAL Scale: *Journal of Business Research* 24, 253-68.
- Balderjahn, I. (1988) "Personality Variables and Environmental Attitudes as Predictors of Ecologically Responsible Consumption Patterns": *Journal of Business Research* 17(1): 51-56.
- Barsky, J, (1996) Designing service with functional analysis. *The Hospital Research Journal*, 20(1), 73-100
- Cadotte, E. R., Woodruff, R.B. & Jenkins, R.L. (1987) *Expectations and norms in models of consumer satisfaction*: *Journal of Marketing Research*. 24 (3) 305-314.
- Choong, Lyong Ha (1998) the theory of reasoned action applied to brand loyalty *Journal of Product and Brand Management* Volume: 7 , 51- 61 Fader, P & Schmittlein, D 1993, 'Excess Behavioural Loyalty for High-Share Brands: Deviations from the Dirichlet Model for Repeat Purchasing', *Journal of Marketing Research*, no. 30, vol. 4, pp. 478-493.
- Churchill, G.A. & Suprenant, C. (1992) *An Investigation into the Determinant of Customer Satisfaction*: *Journal of Marketing Research*, Vol.19, pp.491-504.
- Cooper, D.R. & Schindler, P.S. (2003). *Business research method* (8th ed.). New York: McGraw-Hill
- Davidow, W. H. & Uttal, B. (1989) Service Companies: Focus or Falter. Harvard. Business Review, July-August: 77-85.
- Dick, S. and Basu, K "Customer loyalty: Toward an integrated Conceptual framework". *Journal of the Academy of Marketing Science*, Vol.22, No.2, 99-113 (1994)
- Dotchin, J. and Oakland, J. (1994), "Total quality management in services, part 3: distinguishing perceptions in service quality", *International Journal of Quality & Reliability Management*, Vol. 11 No. 4, 6-28.

- Engel, J. F., Blackwell, R. D., & Miniard, P.W. (1993), *Consumer Behavior* (7th ed.). Fort Worth, TX: Dryden Press.
- Engel, J. F., R. D. Blackwell, et al. (1995) *Consumer Behavior*: Forth Worth, Dryden Press
- Fitzsimons, J, Fitzsimons.M, (2001), *Service Management*, 3ed, New York, Free press
- Gronroos C. (1984) A service Quality Model and its Market implementation. *Eropian Journal of Marketing*, 18(4)9
- Gunderson, M.G, Heide, M, Olsson, U.H, (1996) Hotel Guest satisfaction among Business travelers. *The Cornell Hotel and Restaurant Administrative Quarterly* 37(2), 72-81
- Gunderson, M.G. Heide, M., Olsson, U. H. (1996) Hotel guest satisfaction among business travelers: *The Cornell Hotel and Restaurant Administrative Quarterly* 37(2), 72-81
- Hair, J.F., Bush, R. P., & Ortinau, D. J. (2003). *Marketing Researches: Within a challenging information environment* (2nd) New York: McGraw-Hill
- Hansemark, O., & Albinsson, M. (2004), *Customer Satisfaction and Relation: the experiences of individual employee*. *Journal of Management service Quality*, 14(1), 40-57
- Hayes.B.E., (1988), *Measuring Customer Satisfaction: Survey Design Used and Statistical Analysis Method*, Milwaukee: ASQ Quality Press.
- Hokanson, S., (January 2, 1995) *The Deeper You Analyze, the More You Satisfy Customers*, *Marketing News*, p. 16.
- Holbrook, M. B. and E. C. Hirschman (1982), "*The Experiential Aspects of Consumption: Consumer Fantasies, Feelings, and Fun.*" *Journal of Consumer Research*, (September): 132-140.
- Hoyer, W. D. & MacInnis, D. J., (2001), *Consumer Behavior* (2nd ed.) Boston, Houghton Mifflin Company.
- Jacoby, J., and R. W. Chestnut (1978). *Brand Loyalty: Measuring and Management*, New York: John Wiley.
- James, T.Q and Sasser W. Earl, Jr (1995), *why satisfied customer defect*: *Harvard Business review*, Nov/Dec, 88-99
- Juran. J.M., (1988), *On Planning For Quality*, New York, Free Press.

- Juran, J.M., (1990), *Made in USA: A Renaissance of Quality*, Harvard Business Review, (July, August)
- Khalifa M. & V.Liu, (2002) *Satisfaction with Internet-Based Service: The role of expectations and Desires*. Journal of Electronic commerce, 7(2), 31-35
- Kotler, P., 2000, *Marketing Management*. (10th ed.), New Jersey, Prentice-Hall.
- Kotler, P., *Marketing Management*, (9th ed.)", Prentice Hall, Printed in India, Year 1999.
- LaBarbera, P. A. & Mazursky, D., (1983). *A Longitudinal Assessment of Consumer Satisfaction, Dissatisfaction: the Dynamic*
- Lam, T. Zhang, H. (1999) *Service quality of travel agents: the case of travel agent in Hong Kong*: Tourism Management, 20, 341-349
- Lewis, B.R. and Mitchell, V.M. (1990), "Defining and measuring the quality of customer service." *Marketing Intelligence & Planning*, Vol. 8 No. 6, 11-17.
- Luzar, E. J. and K. J. Cosse (1998) "Willingness to Pay or Intention to Pay: The Attitude-Behavior Relationship in Contingent Valuation." *Journal of Socio-Economics* 27(3): 427-445.
- Luzar, E. J. and K. J. Cosse (1998) "*Willingness to Pay or Intention to Pay: The Attitude-Behavior Relationship in Contingent Valuation.*" *Journal of Socio-Economics* 27(3): 427-445.
- Mangoold,G, and Emiln, B. (1990) *Monitoring Service Quality*. Review of Business, 11(4), 21-27
- Mangoold,G, and Emiln, B. (1991) *Service Quality, The frontal-stage vs. the Back-stage perspective*. Journals of service Marketing, 5 (4), 59-70
- McKinney, V., Yoon, K. & Zahedi, F.M. (2002), *The Measurement of Web-Customer Satisfaction: An expectatic isconfirmation Approach*. Information System Research, Vol.13, No.3, September, pp. 296-315.
- Negi, R. (2010). "Factorial and regression analyses of relationship marketing antecedents and customer loyalty: the Ethiopian telecommunications perspective." *International Journal of Electronic Customer Relationship Management*, 4 (3): 252-263.
- Newman, W. and Werbel A. (1973) *Multivariate analysis of brand loyalty for major household appliances*: Journal of Marketing Research 10: 404-9.

- Oliver, R. L., (1980) *Satisfaction: A Behavioral Perspective on the Consumer*, New York, McGraw Hill
- Oliver, Richard L. (1997) *Satisfaction: A behavior perspective on the consumer*. New York Irwin McGraw Hill
- Parasuraman, A., Berry, L. and Zeithaml, V.A. (1991), Understanding customer expectations of service, *Sloan Management Review*, spring, 39-48.
- Parasuraman, A., Zeithaml, V. A. and Berry, L. L. (1988), SERVQUAL: A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality, *Journal of Retailing*, Vol. 6 No. 1; spring, 12-40.
- Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1985) *A Conceptual Model of Service Quality and its Implications for Future Research*: *Journal of Marketing*, **49** (Fall), 41-50.
- Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1994), "Reassessment of expectations as a comparison standard in measuring service quality: implications for further research", *Journal of Marketing*, Vol. 58 No. 1, 111-24.
- Pizam A. & Taylor E., 1999, Customer Satisfaction and its Measurement in Hospitality Enterprisers. *International Journal of Contemporary Hospitality Management* 11(7) pp 326-339
- Reynolds, F. D., Darden, W. R., and Martin, W. S. (1974-1975) "Developing an image of the store-loyal customer," *Journal of Retailing*, Vol. 50 73-84.
- Ronis, D. L., J. F. Yates, et al. (1989) Attitudes, decisions, and habits as determinants of repeated behavior: Attitude structure and function. A. R. Pratkanis, S. J. Breckler and A. G. Greenwald. Hillsdale, N.J., Lawrence Erlbaum: 213-239.
- Ronis, D. L., J. F. Yates, et al. (1989) Attitudes, decisions, and habits as determinants of repeated behavior. *Attitude structure and function*. A. R. Pratkanis, S. J. Breckler and A. G. Greenwald. Hillsdale, N.J., Lawrence Erlbaum: 213-239.
- Schesinger. L.A.,Heskitt.J.L.,(1991), *Breaking the Cycle of Failure in Service*, Sloan Management Review, pp. 17-28
- Sekara, U. (2003). *Research method for business: A skilled building approaches* (4th ed.). New York: John Willey & Son, Inc.

- Sheth, J.N.B.I. and Newman B.L Gross, B.L. (1991) .Why we buy, what we buy a Theory of Consumer Behavior: *Journal of Business Research* Vol 22. 159-170
- Toshowe, S. (2005), *The Marketing Review – Café Retail*, The India Chapter, Vol 86, No. 336 , January, page-36.
- Westbrook, R. A. and R. L. Oliver (1981) Developing better measures of customer satisfaction: some preliminary results: *Advances in Consumer Research*. K. B. Monroe. Ann Arbor, MI, Association for Consumer Research: 94-99.
- www.barista.co.in- Search engines – Case Study]
- www.cafecoffeeday.com - Search engines – Case Study
- www.google.com- Search engines
- Yi, Y. (1990) a critical review of consumer satisfaction: *Review of Marketing* 1990, American Marketing Association, and Chicago IL.
- Yun, L. L. and Hing, N. (1995) Measuring quality in restaurant operations: an application of the SERVQUAL instrument. *International Journal of Hospitality Management*, **14**(3-4), 293-310.
- Zeithaml V.A., Parasuraman A., & Berry L.L. (1990) Delivering quality service: *Balancing customer perceptions and expectations*. The Free Press, New York. NY.
- Zeithaml V.A., Parasuraman A., & Berry L.L. (1990), Delivering quality service: *Balancing customer perceptions and expectations*. The Free Press, New York. NY.
- Zeithaml, V.A, and Bitner, M.J, *Service Marketing*, New York: McGraw Hill, (1996) (50).
- Zineldin M A. (2000), Towered an ecological collaborative relationship management. *European Journal of Marketing*, 32(11/12)27

Appendix I: Questionnaire

Survey on customer satisfaction and service quality at Kaldi's Coffee

Dear Respondent,

My Name is Anteneh Gezahgne, an M.A. (Marketing) graduating student of Addis Ababa University. Following are the items pertaining to the assessment of service quality and brand satisfaction of the customers with Kaldi's coffee, over which your responses are kindly sought.

I thank you in advance.

Part I: Service Quality and Brand Loyalty.

Items/Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The facilities/infrastructure at Kaldi's coffee are visually appealing					
Kaldi's coffee has up-to-date coffee machines/equipments					
Employees of the Kaldi's coffee are well dressed and appear neat					
The appearance of the physical facilities are suiting to the business of Kaldi's coffee					
Kaldi's coffee has an attractive, well designed and comfortable sitting arrangement/environment for its customers					
If the Kaldi's coffee promises to do something by a certain time, it does so					
When the customer has problem, Kaldi's coffee shows a sincere interest in solving it					
Services at Kaldi's coffee are dependable					
Billing/receipt for the product bought at Kaldi's coffee appear to be accurate					
Kaldi's coffee house tells customers exactly when the services are available (timing)					
Employees at Kaldi's coffee provides prompt service to customers					
Kaldi's coffee shop employees are always willing to help their customers					
Employees of Kaldi's coffee are easily available to respond promptly to customers' orders/request for a service/product					
The behavior of Kaldi's coffee employees instill confidence in customers					
Kaldi's coffee customers feel assured on their service requests follow-up					
Kaldi's coffee shop employees are courteous					
Employees at Kaldi's coffee have knowledge to answer customers' queries					
Kaldi's coffee house provides individual attention to customers					
Kaldi's coffee shop respects customers' best interests at heart					
Kaldi's coffee shop has operating hours convenient to customers					
The location of Kaldi's coffee is convenient to most of the customers					
Kaldi's coffee house has adequate parking places near by					
Kaldi's coffee maintains/promises safe environment for recreation					

Kaldi's coffee has a large network of service chains/restaurants					
Kaldi's coffee houses maintain consistent quality on the part of their offerings across the network /chain					
Kaldi's has sufficient coffee houses in different geographical areas in the city (Addis Ababa)					
Kaldi's coffee maintains appropriate channel/process to communicate/respond back in the case of customer dissatisfaction					
Kaldi's coffee maintains short and direct procedures of consumer conflict handling					
Customers get the service at the time they need at Kaldi's coffee					
The variety of foods and beverage services at Kaldi's coffee met my need					
Overall, I see the quality of Kaldi's coffee very high					
Overall, I am satisfied with the quality of Kaldi's coffee					

Part II: General profile. (Kindly make a tick mark "√" to the choice that the best described you)

1. Sex: Male Female
2. Age (in years): Below 25 25-35 36-45 Over 45
3. Occupation: Government employee Private sector employee
 Businessman Student
 Others (Please Specify.....)
4. Monthly income (in ETB): Less than 1500 1501-2500 2501-5000
 above 5000
5. Since how long are you using service of Kaldi's coffee (in years)

Part III: Customer Satisfaction and Future Buying Intention.

1. What ultimately determines your satisfaction with Kaldi's coffee?

.....

2. What make Kaldi's so special for you?

.....

Appendix II: Result of regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.613 ^a	.376	.357	.708

Predictors: (Constant), conflict handling and need fulfillment, convenience, tangibility, overall quality, reliability, empathy, responsiveness and assurance.

ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	67.383	7	9.626	19.220	.000 ^a
Residual	111.690	223	.501		
Total	179.074	230			

a. Predictors: (Constant), conflict handling and need fulfillment, convenience, tangibility, overall quality, reliability, empathy, responsiveness and assurance.

a. Dependent Variable: overall satisfaction

Coefficients

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.298	.362		3.588	.000
Overall Quality	.263	.057	.282	4.638	.000
Tangibility	-.080	.090	-.058	-.883	.378
Reliability	.297	.094	.218	3.159	.002
Responsiveness and Assurance	.157	.119	.105	1.316	.189
Empathy	-.035	.078	-.032	-.453	.651
Convenience	-.301	.078	-.234	-3.845	.000
Conflict Handling and Need Fulfillment	.432	.098	.344	4.400	.000

a. Dependent Variable: overall satisfaction