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ADDIS ABABA UNIVERSITY

School of Commerce



SERVICE QUALITY AND CUSTOMERS' SATISFACTION OF TOUR AND TRAVEL AGENCIES IN ADDIS ABABA

*(A Thesis Submitted to the School of Graduate Studies of Addis Ababa
University in Partial Fulfillment of the Requirements for
Degree of Master of Arts in Marketing Management)*

**By
Solomon Asfaw**

**Advisor:
Rakshit Negi (PhD)**

**June, 2014
Addis Ababa**

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(GSE0826/04)

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DECLARATION

I declare that the research entitled with “**Service quality and customers’ satisfaction of tour and travel agencies in Addis Ababa.**” is my original work and has not been presented in Addis Ababa University or any other University, and that all sources of material used for the research have been duly acknowledged.

Solomon Asfaw Tememe

Signature

(The Researcher) _____

Date: _____

LETTER OF CERTIFICATION

This is to certify that Solomon Asfaw Tememe has carried out his thesis on the topic entitled "**Service quality and customers' satisfaction of tour and travel agencies in Addis Ababa**". This work is original in nature and is suitable for submission for the award of Masters of Marketing Management.

Rakshit Negi (PhD)

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ACRONYMS AND ABBREVIATIONS

CSQ:	Customer Service Questioners
E.C:	Ethiopian calendar
ETB:	World Trade Organization
IPA:	Importance Performance Analysis
MOCT:	Ministry of Culture and Tourism
NTO:	National Tourist operators
SERVQUAL:	Service Quality
SERVPERFE:	Service Performance
SPSS:	Statistical Package for Social Scientists
WB:	World Bank
WEF:	World Economic Forum
WTO:	World Trade Organization

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ABSTRACT

The purpose of this study was to measure the service quality and tourists' satisfaction. This study also aims to explore the relationship between service quality dimensions and tourist' satisfaction. To this end, the study has used the gap model of service quality with the application of SERVQUAL instrument. The five dimensions of SERVQUAL, namely responsiveness and assurance, reliability, empathy, resource and corporate image and tangibility were used to measure tourists' expectations and perceptions towards the agencies services. Total sample of 203 respondents who have prior experience were selected with a non-probabilistic (convenience) sampling technique. According to the findings of the study, all the five SERVQUAL dimensions have shown a negative gap scores, implying that tourists' perceptions of service quality performance in the agencies service fall below their expectations suggesting a low service quality which in turn notifies tourists' dissatisfaction. Findings show that reliability dimension scored high in terms of customer expectation and in determining customer's satisfaction. Finally, the study concluded that customers' expectations of service quality exceeded their perceptions, with the tangibility and reliability dimensions having the largest gap. Based on the findings recommendations were made to improve these two dimensions of service quality.

Key Words: SERVQUAL, Tourists' satisfaction, Tour and travel agencies, Perception and Expectation

CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Service quality is becoming marketers' strategic issue in today's competitive business environment. It is because of the direct and strong relationship it has with customer satisfaction. Customers' satisfaction or dissatisfaction is a function of the disconfirmation arising from discrepancy between prior expectation and actual performance (Bolten & Drew, 1991). It also is a determinant factor of firm's performance. Many studies show that, higher level of satisfaction lead to greater customer loyalty, which in turn results in better company performance (Kotler & Armstrong, 2012). At the same time if customers perceive quality as unsatisfactory, they may be quick to take their business elsewhere (Lovelock & Right, 1999). Therefore, currently as well as in the long term, the most important factor affecting business performance is the quality of goods and services offered by the organization, relative to its competitors. But producing and delivering right service with its all important quality dimensions as perceived by customers is not an easy task. Among others, it demands to assess determinant variables exhaustively and to address them properly.

According to Parasuraman et al. (1988) service quality is a form of attitude, related but not equivalent to satisfaction, which results from customers comparing expectations with their perceptions of performance. We can infer from this that customers determine service quality after a computation between two variables. These are consumers' expectation and perception. Customers' expectation is a pre- purchase experience while perception usually is an experience of customers while and after they actually consume what the supplier of the service delivers.

Among the service industries, the travel and tourism sector is appearing being the most important one. According to world economic forum report of 2013, it plays crucial role in job creation, at a time when many countries are suffering from high unemployment. The sector already accounts for 9 percent of GDP, a total of US\$6 trillion, and it provides 120 million direct jobs and another 125 million indirect jobs in related industries. The report

also uncovered the sectors promise to be a critical agent for economic development and for sustaining employment, in both advanced and developing economies. It contributes in many ways to development and the economy. It makes both direct contributions, by raising the national income and improving the balance of payments, and indirect contributions, via its multiplier effect and by providing the basis for connecting countries, through hard and soft infrastructure which are attributes that are critical for a country's more general economic competitiveness.

But this is not the case in Ethiopian context. The return from the sector, when compared with the country's huge tourist potential is so insignificant. The current travel and tourism competitiveness position of the country which is 120th in the world and 17th among sub-Saharan African countries clearly show the above truth (WEF, 2013). The researches made till this time also labeled Ethiopia as one of the poorly performing countries in terms of tourist arrival (Walle, 2010). Abdu Kedir (2013) also expressed the quality of service of operators as poor and unsatisfactory to tourists. According to him due to this and other related problems the country is found to be less competitive. In his survey, Yehualashet (2013) related the service quality problem with poor preservation of tourist attraction, hassling tourists in the streets and shops, bureaucratic visa process, inconsistent pricing in the value chain system, policy implementation problem, back ward public transport, unpredictable telecommunication and poor information dissemination for tourists via the distribution channel among other problems.

This low performance in the sector is attributed to all stake holders, especially to the travel and tour agencies which are the major players in the field. These agencies, acting as wholesalers purchase separate elements of transportation, accommodations and other services and combine them in to package to sell. The service the agencies provide includes organizing, sightseeing tours and package tours, providing travel information, serving as a middle man for accommodations and transportation bookings, issuing air tickets, and arranging car rental services. That is why some called them as the engine of tourism movement (Mohamed, 2006). Their crucial role for delivering quality service as perceived by customers and making them satisfied stems from this position they assume in the market. For these agencies, understanding the most important values which

customers are looking for and delivering accordingly should be the core of their operation. This study attempts to apply the service quality measurement instrument (SERVQUAL) in determining the existence of service quality gaps and show the relationship of these gaps in determining the overall customers' satisfaction in these operator services.

1.2 STATEMENT OF THE PROBLEM

The number of travel and tour agencies operating in Ethiopia is increasing in line with its tourism potential. This creates intense competition among them. It is also true that this sector by its nature is exposed to the competition from operators throughout the world. Mean while, customers' perceptions about the operators' service quality, which is the main competitive tool seem to have been largely ignored by the sector's operators (Mohamed, 2006). The assessment of service quality provides an important feedback for agents to evaluate and improve its service to its customers. This sounds because any service improvement programs which do not take customers' attitude on the quality of service the agents delivered in to consideration will not achieve its objectives.

To remain competitive the tour and travel agencies should assess the quality of service they are currently delivering. This is because; the sector is exhibiting intense competition among and between emerging new operators and well established ones. When the formers compute to get foot hold that enables them to step in, the later play to defend and retain their position and market share.

As far as my reading is concerned, theoretical literatures which state quality as an important determinant of customer satisfaction are abundant. But, research works made treating perceived service quality and customer satisfaction as an issue related to the travel and tour agencies in Ethiopian context is rare to find. Most treated the agencies as well as the proposed issue of study only as an element within tourism market. The situation calls for the need for focused studies which fills the gap. This research partly intended to play this role.

1.3 RESEARCH QUESTIONS

In its attempt to investigate the aforementioned problems, this study addressed the following research questions:

- How do the customers of tour and travel agencies perceive the delivered service quality?
- To what extent does customers' service perception match with their expectation?
- To what extent are customers satisfied with the service delivered by the travel and tour operators in Ethiopia?
- To what extent does customers' perceived service quality relate to their overall level of satisfaction?

1.4 OBJECTIVES OF THE STUDY

1.4.1 General objective

The general objective of the study is to assess customers' perceived service quality and satisfaction of Tour and Travel Agencies in Ethiopia.

1.4.2 Specific objectives

- To investigate the relationship between customers' expectations and perceptions of the service quality, and to examine the gap between the two attributes in Ethiopian context.
- To measure the overall level of customers' satisfaction with the performance of tour and travel agencies operating in Ethiopia.
- To examine the relationship between service quality dimensions and overall customer satisfaction.
- To identify the service quality dimensions which are more relevant to customers' satisfaction in the context of Ethiopian tour and travel agencies?

1.5 DEFINITION OF TERMS

The following definitions/terms are frequently appearing in this paper.

- **Service Quality**
The degree to which an event or experience meets individual's needs or expectations (Martin, 2013).
- **Value**
For customers it is a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situation (Martin,2013). For operators it refers to all types of returns of the tour and travel agencies in the form of current and future sales, market share and profit (Kotler & Armstrong, 2012).
- **Customer Satisfaction**
Kotler & Armstrong (2012) conceptualize customer satisfaction as the extent to which a product's perceived performance matches a buyer's expectation. Moreover, Thakur (2005) contends that customer satisfaction includes customers' perception that they are properly served. Therefore, the customer satisfaction is operationally defined here as customers' perception that their needs have been served and their rating that their expectations are met.
- **Operators/tour/**
Means an organization that coordinates or organize travel, transports for tour, and operates tour, for domestic or foreign tourists, being supported by professionals who are acquainted with touring (Yehalashet, 2013).

- Service Delivery

It refers to the act and activities of operators in making ready the services for consumers.

- Perceived Service Quality

Perceived service quality is an attitude of a consumer judgment on the overall service. It results from a comparison of consumers' expectations with their perceptions of the service actually delivered by supplier (Parasuraman, et al 1985).

1.6 SIGNIFICANCE OF THE STUDY

This study can be used to add to the existing body of knowledge both theoretically and practically. Theoretically, the study could be used as reference literature for further study in the area by other interested researchers. Since there is shortage of research resources in this specific area, it will play a role of filling the gap. Practically, it gives an insight about the expectation of travel and tour customers which is a basic input for the improvement of the quality of service they are delivering. It will pinpoint and familiarize the operators with service quality attributes which are more important for the current travelers. It also provides its own contribution to improve the gap existed in relation to service quality determinant variables. Finally stakeholders who are operating in this sector like training institutions, the Ministry of Tourism and Culture as well as tour operators association could use the findings to improve their roles which they are expected to play in the sector.

1.7 DELIMITATION/SCOPE OF THE STUDY

The study focused only on tourists and the tour operation aspect of the operators. This is mainly because the travel business even though it is related to tour operation it has its own distinctive nature not to be treated together. Tourists' satisfaction is affected by many factors. But, this study focused only service quality as determinant of satisfaction. Based on the nature of their specific need as travelers, tourists also can be grouped and separately studied. This study considered all tourists together, particularly focusing on those who consumed the services of tour and travel agencies.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

2.1 General Overview

Quality as an issue is not the concern of manufacturing companies only; it is also equally important and critical for service companies. This is clear and evident from the coverage most service literatures gave about service quality (Hagy, 2001; Martin, 2013; Lam, 2000; Gaydos, 2008). Most treated and measured service quality in terms of consumer expectations and perceptions of delivered services. The travel and tour service sector demands operators to understand the wants, needs, expectations, and perceptions of customers. This sounds because the sector is exhibiting growing competition among tourism services providers. This chapter reviews the literature that provides theoretical and practical insights and guidance for understanding the travel and tour service quality.

2.1.1 Definition of Service

Defining service has been a difficult task for scholars. It was not as simple as defining manufacturing or agriculture. The problem is related with the diversity of services and the way service is created and delivered. Lovelock and Wright (1999) presented two approaches to capture the essence of the word service. In the first approach service is defined as an act or performance offered by one party to another while in the second services as economic activities that create value and provide benefits for customers at specific times and places, as a result of bringing about a desired change in or on behalf of the recipient of the service.

More over marketing well known writers Kotler and Armstrong (2012) underlining services importance in the world economy, gave a special coverage in their books. They defined service as a form of product that consists of activities, benefits, or satisfactions offered for sale that are essentially intangible and do not result in the ownership of anything. Examples include banking, hotel services, airline travel, retail, wireless communication, and home repair services.

2.1.2 Characteristics of Service

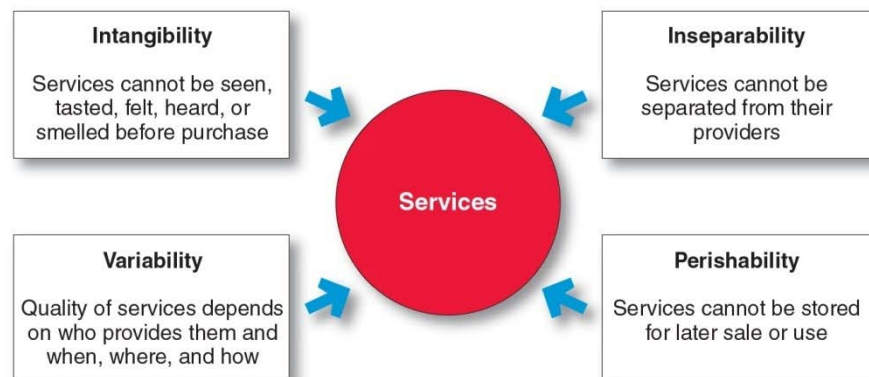
Mudie and Pirrie (2006) as well as Kotler and Armstrong (2012) have identified four distinguishing features of services. These include intangibility, inseparability, variability and perishability.

A. Intangibility

This is the most basic and often quoted difference between goods and services. Unlike tangible goods, services cannot generally be seen, tasted, felt, heard or smelled before being consumed. To help a customer picture a service prior to usage a service organization needs to provide something tangible, e.g. computerized representation of hairstyles or a university prospectus.

To reduce uncertainty, buyers look for “signals” of service quality. They draw conclusions about quality from the place, people, price, equipment, and communications that they can see. Therefore, the service provider’s task is to make the service tangible in one or more ways and send the right signals about quality. One analyst calls this evidence management in which the service organization presents its customers with organized, honest evidence of its capabilities.

Figure 1.1 Four Characteristics of Service



Source: Kotler and Armstrong (2012)

B. Inseparability (or simultaneous production and consumption)

There is a marked distinction between physical goods and services in terms of the Sequence of production and consumption. Goods are first produced, then stored and finally sold and consumed, services are first sold, then produced and consumed simultaneously. In services marketing, the service provider is the product. Service inseparability means that services cannot be separated from their providers, whether the providers are people or machines. If a service employee provides the service, then the employee becomes a part of the service. Because the customer is also present as the service is produced, provider-customer interaction is a special feature of services marketing. Both the product provider and the customer affect the quality of the service. The involvement of the customer in the production and delivery of the service means that the service provider must exercise care in what is being produced and how it is produced.

C. Variability (or heterogeneity)

An unavoidable consequence of simultaneous production and consumption is variability in performance of a service. The quality of the service may vary depending on who provides it, as well as when and how it is provided. Reducing variability involves determining the causes. It may be due to unsuitable personality traits in an employee which are very difficult to detect at the selection stage.

D. Perishability

Services cannot be stored for later sales or use. Hotel rooms not occupied, airline seats not purchased and college places not filled cannot be reclaimed. As services are performances they cannot be stored. If demand far exceeds supply it cannot be met, as in manufacturing, by taking goods from a warehouse. Equally, if capacity far exceeds demand, the revenue and/or value of that service is lost.

Middleton & Clarke (2001) summarized and presented three particular characteristics relevant to marketing travel and tourism services. These are:

- Seasonality and other variations in the pattern of demand.
- The high fixed costs of operations, allied to fixed capacity at any point in time.
- The interdependence of tourism products

2.1.3 Classification of Services

As Lam (2000) cited, based on the degree of contact between the service provider and the consumers, we can identify three types of service: (a) pure service, (b) mixed service, and (c) quasi-manufacturing service. In the pure service, customers must be present for service production (e.g., fast-food restaurant, nursing home). In the mixed service, there are both face-to-face as well as back office (i.e., non face-to-face) contact between the organizations and the customers (e.g., commercial airline). In the quasi-manufacturing service, however face-to-face contact with the customers is not necessary (e.g., credit card, long distance Telephone Company).

2.2 Service Quality Concepts

In the preceding section we have seen service in general and the characteristics that distinguish it from the other category of products. In this part the most important dimension of service which is quality will be dealt. Service quality concepts as well as well known model which enables to understand its features will be presented.

2.2.1 Service Quality Defined

As one scholar asserted the word quality is difficult to define because in different circumstances it means different things (Lam, 2000). But in general it can be expressed as the difference between how things ought to be and how things are. To put it more plainly in respect of services: What is the service supposed to do? And what does the service actually do? There will still be a degree of subjectivity in this along with disagreements between customer and service provider, senior management and service

employees (Mudie & Pirrie, 2006). Service quality as Martin (2013) cited is “the degree to which an event or experience meets individual’s needs or expectations”. Regardless of the definition of quality used, company leaders need to identify how the company’s customers define quality (Parasuraman, 1988). Currently service quality has become a major area of attention to practitioners, managers and researchers because of its own business performance, lower costs, and return of investment, customer satisfaction, customer loyalty and gaining higher profit (Shahin & Samea, 2010). Yet, service firm can differentiate it by delivering consistently higher quality than its competitors provide.

2.2.2 Dimensions of Service Quality

Love lock and Wright (1999) presented research findings about the five broad dimensions of service quality. These are:

A. Reliability

It refers to the ability to perform the promised service dependably and accurately. It is regarded as the most important determinant of perceptions of service quality. This dimension is particularly crucial for services such as railways, buses, banks, building societies, insurance companies, delivery services and trade services, e.g. plumbers, carpet fitters, car repair.

B. Responsiveness

It shows the willingness to help customers and to provide prompt service. This dimension is particularly prevalent where customers have requests, questions, complaints and problems.

C. Assurance

It refers to the employees’ knowledge and courtesy, and the ability of the service to inspire trust and confidence. This dimension may be of particular concern for customers of health, financial and legal services.

D. Empathy

It denotes the caring, individualized attention the service provides its customers. Small service companies are better placed for treating customers as individuals than their larger, invariably standardized counterparts. However, relationship marketing is designed to offer a more individualistic approach for customers of large organizations.

E. Tangibles

It refers to the appearance of physical facilities, equipment, personnel and communication materials. All of these are used in varying degrees to project an image that will find favor with consumers. Tangibles will be of particular significance where the customer's physical presence at a service facility is necessary for consumption to occur, e.g. hair salon, hotel, and night club.

2.2.3 Importance of Service Quality

Service quality is one of the many components that affect the profits of an organization. Lam (2000) presented two reasons as to why the provision of high service quality is critical to the profitability of an organization.

A. It Earns Customer Loyalty

Customer retention has an impact on profitability. It is asserted that customers who stay with the firm longer are more likely to buy additional services and refer the firm to others than customers who remain with the firm for a shorter period of time. Furthermore, it is also reported that it costs five times less for an organization to retain a customer than for it to attract a new one.

B. It Enhances Customer Satisfaction

Keeping customers satisfied has pays off. Because satisfied customers are more likely to involve frequently and in larger volume in other services from the organization, more

willing to pay for the benefits they receive and more likely to be tolerant of increases in price. In addition, high customer satisfaction means less resource devoted to handling and managing complaints. To more can also be added from Kotler (2000) to this list.

C. It Enables Retention of Good Employees

Employees appreciate working in operation that are well run and produce products. They do not enjoy receiving customer complaints. Also turnover and losses of employee moral are listed as costs of poor quality man power, when an operation has good quality it can retain good employees. And at the same time business expansion is needed, recruiting is easier and training cost is reduced.

D. Reduction of Cost

The quality cost includes internal cost, external cost and quality system costs. Internal costs are those associated with correcting problems discovered by the firm before products reached customers. External costs are related to correct the errors that the customers experience. They can be very expensive when the customers decide not to return because of service problem. Then the promotional and advertising costs or external costs are necessary to be spent to create the company in the end.

2.2.4 Perceived Service Quality and Customers Perception

Perceived quality and objective quality are different concepts according to Zeithaml (1988). Objective quality in the marketing literature refers to the measured technical superiority of a product whereas perceived quality reflects a consumer's subjective evaluation of the product's superiority. In her review of perceived quality, price and value, she suggested that the perceived quality of a product was,

- a higher level abstraction rather than an attribute,
- a global assessment similar to attitude and,
- a judgment made within consumers' evoked set

Whereas perception is the process by which an individual selects, organizes and interprets stimuli into a meaningful and coherent picture of the world. It is the process by which incoming stimuli activate our sensory receptors.

2.3 Measurement of Service Quality

Efforts in defining and measuring service quality have come largely from the goods sector (Zeithaml *et al.*, 1990). But since service is a distinct product with its own unique characteristics, these knowledges are insufficient to understand and measure service quality. Moreover, the authors also uncovered the difficulty of measuring service quality than that of goods. When purchasing goods, the consumer employs many tangible cues to judge quality: style, hardness, color, label, feel, package etc but when purchasing services fewer tangible cues exist to measure. In most cases tangible evidence is limited to the service providers' physical facilities, equipment and personnel. Due to this specific nature of services, these researchers presented measurement of service quality in terms of expectation and performance.

2.3.1 Service Quality Models

In an attempt to determine customers' service quality, researchers come up with several conceptual models. It is envisaged that conceptual models in service quality enable management to identify quality problems and thus help in planning for the launch of a quality improvement program, thereby improving the efficiency, profitability and overall performance (Shahin & Samea, 2010). The two main research instruments that have been developed over the years to analyze the concepts of quality and consumer satisfaction in the service industry are Importance-Performance Analysis (IPA) and SERVQUAL (Miller *et al.* 2004).

2.3.2 Importance-Performance Analysis (IPA)

IPA is a technique that helps service providers determine the relative importance of various attributes of their performance. It provides practical insights for marketing and management implications for better decision making. The major benefit of using IPA is

the determination of areas for service quality improvements. Applying this technique starts with identifying the different attributes of the service encounter, after which customers are asked to evaluate services through two main questions regarding each service attribute: These are how important is the attribute? And how well did you find the performance?

Using these two questions, importance and performance are measured separately. The data are then displayed graphically on a two-dimensional grid, and the results can be interpreted easily using a simple matrix. Decision makers can identify areas in which attributes or steps in their service blueprint are importance for their customers and what attribute performance needs to be improved.

2.3.3 The Gaps Models and Conceptual Framework of the Study

Parasuraman et al. (1985) introduced and published a conceptual model of service quality. This model was known as the Gaps model, and it illustrated that quality is a function of the difference between a customer's perceptions and expectations of a service. This gap between a customer's expectation of service quality and their perception of what is actually delivered is measured in the construct. The intent of the model is to minimize the gap in service in order to maximize the level of customer satisfaction.

The model's key features are:

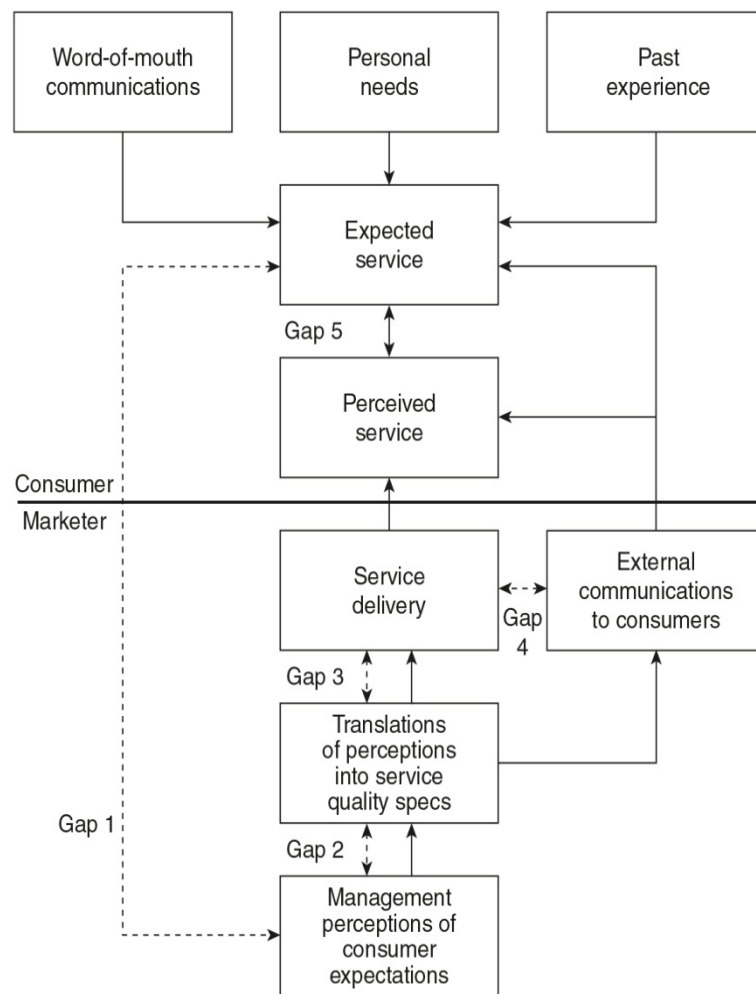
- The identification of key attributes of service quality from a management and consumer perspective
- Highlighting the gaps between consumers and service providers with particular reference to perceptions and expectations.
- Understanding the implications for service management of closing the gaps.

According to the model, the gaps include:

Gap 1: Customer expectation-management gap

This gap addresses the difference between consumers' expectations and management's perceptions of service quality. It states that many service organizations simply do not understand what customers expect and what really matters to them. This gap can only be bridged through customer research and, more particularly, knowledge from front-line employees.

Figure 2.1 Service quality models



Source: Parasuraman et al. (1985)

Gap 2: Management perception-service quality specifications gap

This gap addresses the difference between management's perceptions of consumer's expectations and service quality specifications, i.e. improper service-quality standards. Even where customer expectations- Management may believe that customer expectations are unreasonable or unrealistic. A test for this remains elusive.

Gap 3: Service quality specification-service delivery gap

This gap addresses the difference between service quality specifications and service actually delivered, i.e. the service performance gap. Even when formal standards or specifications for maintaining service quality are in existence, the delivery of a quality service is by no means certain. This is caused by poor, inadequately deployed resources in terms of people, systems and technology. The implications for the human resource or personnel management function should be obvious.

Gap 4: Service delivery-external communication gap

This gap addresses the difference between service delivery and the communications to consumers about service delivery, i.e. whether promises match delivery. Advertising and other forms of communication by a service organization can affect consumer expectations. The danger is that promises made are not kept. Many service organizations use the brochure or prospectus (some very glossy) for communicating with potential customers. It should be a statement of what the customer will receive, not an attractive set of promises that cannot be delivered.

Gap 5: Expected service-perceived service gap

This gap addresses the difference between consumer's expectations and perceived service this gap represents the key challenge. To ensure good quality the provider must meet or exceed customer expectations. Perceived service quality is the result of the consumer's comparison of expected service with perceived service delivery.

The fifth gap depends on size and direction of the four gaps associated with the delivery of service quality on the marketer's side. The gap score (G) is calculated using the formula $G=P-E$ where P stands for perception and E for expectation. Hence the greater P-E score, the greater is the perceived service quality from customer point of view.

This paper tries to measure and present the 5th gap from the context of travel and tour agencies service agencies. That is to determine the service qualities of these firms which are operating in Ethiopia. As it is presented above the original model identified five dimensions namely; reliability, responsiveness, assurance, tangibility and empathy. But these study uses revised dimension of service quality applied in determining service quality of travel agencies in similar works (Lam & Zhang, 1998).

2.3.4 SERVQUAL Instrument

The fifth gap in the Gaps Model of Service Quality gave rise to SERVQUAL, a self-administered questionnaire purported to be a generic measure of service quality. SERVQUAL is an instrument developed by Parasuraman et al. (1985), which focuses on the notion of perceived quality. It is based on the difference between consumers' expectations and perceptions of service. Exploratory research conducted in 1985 showed that consumers judge service quality by using the same general criteria, regardless of the type of service. Parasuraman et al. (1985) capture these criteria using a scale composed of 22 items designed to load on five dimensions reflecting service quality. The dimensions are tangibility, reliability, responsiveness, assurance and empathy.

Each item is used twice: first, to determine customer's expectations about firms in general, within the service category being investigated; second, to measure perceptions of performance of a particular firm. These evaluations are collected using a seven-point Likert scale. According to the authors, the service quality is then the difference between customer's perceptions and expectations.

Whilst SERVQUAL remains a significant contributor in the literature, a number of criticisms have been made. Mudie and Pirrie (2006) presented a brief summary of the major criticisms in the following list.

- It focuses on the functional aspects of the process (the 'how' of the service process), neglecting the outcome. Of course services are by their very nature experiences, making the functional aspect of key importance. However services can and do deliver a tangible outcome.
- Its application across the service sector has been called into question. Services can vary in many respects, revealing quite different and unique dimensions.
- Customers will evaluate a service favorably as long as their expectations are met or exceeded, regardless of whether their prior expectations were high or low, and regardless of whether the absolute goodness of the (service) performance is high or low. This unyielding prediction according to some is illogical, arguing that 'absolute' levels (e.g. the prior standards) certainly must enter into a customer's evaluation.

2.4 Customer Satisfaction

In the service industry customer satisfaction is the key to any successful business. If customers are not satisfied with the services provided to them, they can simply switch service providers and previous provider will lose its business. For Kotler and Armstrong (2012) customer satisfaction depends on the product's perceived performance relative to a buyer's expectations. This is in line with scholars thought which tied customer satisfaction to an evaluation process and which entails a comparison of product performance and some sort of a standard in relation to this performance (Duman, 2002).

The current thought suggests that consumers develop expectations and use them as standards to compare with perceived product performance. Expectation is the service that the customer anticipates. Expectation can be seen as a pre-consumption attitude before the next purchase: it may involve experience, but need not. That customers' expectations are formed by many uncontrollable factors these include previous experience with other companies and their advertising, customers' psychological condition at the time of service delivery, customer background and values and the image of the purchased

product. The result of this comparison is termed as disconfirmation that can be both positive and negative based on this comparison. Bolton and Drew (1991) shown both customer satisfaction/ dissatisfaction and perceived service quality are postulated to be influenced by the gap between expectations and perceptions of performance (i.e., disconfirmation).

There are five key factors that influence a customer's expectations: previous experience; personal recommendation; personal needs; marketing communications; and the level of involvement in the purchase (Mudie and Pirrie, 2006). Research suggests that the most important of these factors in shaping expectations are the consumer's past experience of the service and what other people say about it. Prior to using a service, consumers may have in mind four different scenarios of the service that they might experience: The ideal, the anticipated, the deserved and the minimum tolerable. The consumer can expect any of these. As it is already stated expectations shape satisfaction. If the 'minimum tolerable' is expected then this or anything better may lead to satisfaction. Equally, anyone expecting the 'ideal' will be dissatisfied with anything less.

Customer satisfaction comes from the quality of service delivery that is expected by the customers during the act of purchase and while being served. Customer satisfaction of a product is often measured with specific attributes that describe the product features. In general, the response to a satisfactory experience will contain both emotional and behavioral elements. So customer satisfaction will result in positive emotional states. These, in turn, mediate the response between customer satisfaction and behavioral responses – positive word of mouth, no complaint behavior and repeat purchase.

For customer centered companies, customer satisfaction is both a goal and a major factor in company success. These and other companies realize that highly satisfied customers produce several benefits for the company. They are less price sensitive, and they remain customers for a longer period. They buy additional products over time as the company introduces related products or improvements and they talk favorably to others about the company and its products (Kotler , 2005).

2.4.1 Customer Satisfaction and Service Quality

In service quality and consumer satisfaction literature, some confusion remains in particular regarding the nature of the connecting direction of the relationship between service quality and consumer satisfaction (Darfoon, 2013). It means the relationship between customer satisfaction and service quality seems to have arguable elements. But there is a general agreement among scholars on the existence of relationship between them. Parasuraman et al., (1991) acknowledging the two constructs are different and he presented service quality as one component of customer satisfaction. He also showed service quality as an antecedent of customer satisfaction and affirmed the presence of a positive and significant relationship between service quality and customer satisfaction.

Lovelock & Wirtz (2004) also believed that perceived service quality is only one component of customer satisfaction. For them Satisfaction and quality have things in common but certain underlying causes are different. Satisfaction is a broader concept where as service quality has specified aspects of service. Hence, perceived service quality is an element of customer satisfaction. Service quality is a reflection of the customer's perception of reliability, assurance, responsiveness, empathy and tangibles. Whereas customer satisfaction is more general term and influenced by perceptions of service quality, product quality, price, situational and personal factors.

2.5 The Tour and Travel agencies

This section particularly deals on the subjects of the study. Different issues related with tour and travel agencies specifically their business, unique natures of service quality and customer satisfactions as well as the agencies operation in Ethiopia are in focus.

2.5.1 The Tour and Travel Agencies and Their Business

Different groups having their own objectives are currently involving in the tourism industry. Of these actors the travel and tour agencies are found to be key player in the field. They took an intermediary place in the tourism production and distribution. There

are three different types of intermediaries, i.e. outgoing travel agencies (retailers), tour operators (wholesalers) and incoming travel agencies based at destinations (handling). In particular, an outgoing travel agency serves as sales channel for tourist specific activities and wholesalers generally transport tickets, accommodations and packages from tour operators. Tour operators buy individual tourist services (e.g. transport and accommodation) from their suppliers (e.g. carriers and hotels) and assemble them into holiday packages. Finally, incoming travel agencies plan tour packages on a destination level and act as intermediary between tour operator and specific tourist activities, but also sell to individual tourists that do not travel through a tour operator.

To put in a nut shell the tour and travel agencies services include providing travel information, organizing tour packages, serving as middlemen for hotel bookings, issuing air tickets, and arranging car rental services for their customers. However, it seems that these agencies have faced difficult times in recent years because of increasing customer demands, and internal competition in the industry (Lam & Zhang, 1998). The internal competition is created due to the attractiveness of the sector in making money. The service requires relatively small set up cost. Yet, it can be easily managed at family level. These along with the dramatic development of the tourism market have increased competition among travel agencies (Li, 2011).

Moreover, in the tour-operating sector, customer research is still naive, with most tour operators relying upon traditional methods of customer feedback such as customer service questionnaires (CSQs) at the end of the holiday (Miller et al. 2004). Although such methods are important as they provide information about the customer's actual experience, they are unable to provide a measure of their original expectations about their stay.

The tour and travel agency is a kind of service provider with continuous operation and highly fluctuating demands and the quality of service is greatly determined by environmental variables (Li, 2011). Mean while the nature of the industry in which the agents operate is sensitive in terms the quality of service the agents deliver. As the same

time customer satisfaction is found to be an important measure of service quality in travel agents. But customers' perceptions about agents seem to have been largely ignored by agent management in developing countries. Yet, the assessment of service quality provides an important feedback for agents to assess and improve (Filiz, 2009).

2.5.2 Tour and Travel Agencies in Ethiopia

Currently within the tourism sector there are two business groups in Ethiopia which gives overlapping service. These are tour agencies which their business is entirely related with tourist and the travel and tour agencies which add ticketing as the other wing of their operation. In doing so the travel and tour agencies business includes local customers. According to the strategy document prepared by World Bank for Ethiopian government WB (2006) The historical aspect of tour operators of Ethiopia dictates Private tour operators in Ethiopia have only been permitted since the end of the Dreg Regime prior to which the National Tour Operator was the government-owned monopoly in the sector. Based on the 9th tourism statistics bulletin of ministry of culture and tourism (2010) this government owned tour operator started operation in the year 1990. Till the above World Bank strategy report is prepared 75 tour operators were in the market (of which about 15-20 handle most of the international business and a further 20 or so are active in the domestic market), all but NTO are privately owned.

The current available data from Ministry of culture and tourism shows the existence of 306 tour and travel agencies in the country. This of course did not include new entrants of in the year 2004 EC on. This number shows an increase of these agencies by 231 from the time were the 2006 World Bank report is released. This agencies having total investment of 90,057,256 ETB secured an income of 47783237.7 ETB in the year 2004 business operation only. The numbers of tourist who got service through these agencies and visited the country were 30675 in the above stated year.

Most of the operators offer a very similar range of tours, including the one-day Addis tours, the one-day excursions from Addis, and a range of two-to-thirteen day tours to the historic sites and national parks. However, a number of tour operators are beginning to

diversify and other unique tours that exploit the full diversity of Ethiopia (including hiking tours, bird-watching, hunting) are emerging.

The strategy prepared presented Tour operators as critical link in the tourism supply chain. Tour operators actually create the product that ends up being sold to consumers and as such they are the innovators and originators of extra value-added at the destination level. In an emerging destinations county like Ethiopia, tour operators based in source markets are the major driver of business. The relationship between international tour operators and domestic tour operators which the writers termed ground handlers becomes subject of the strategy. Foreign investment in the sector is not permitted and so all are Ethiopian companies. This feature has put ownership of the tourism product very much in the hands of international tour operators because they have the resources to market effectively in source markets.

In neighboring countries domestic tour operators are the primary distribution platform for tourism products but in Ethiopia the scenario is different. According to WB here tour operators provide about 55% of the business to the main hotels around the historic route, but in turn almost 80% of their business comes from international tour operators. This is a key difference is that foreign tour operators are allowed to operate in these countries. Because of the competitive environment, these foreign tour operators play an important role in constantly modifying and diversifying the product base, and, marketing the destination.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 RESEARCH DESIGN

The purpose of study was to determine customer's service quality and its impact on satisfaction. Therefore the research employed is descriptive research design type. This research design is part of quantitative approach and used to describe the variables. More over it is a well known research design when the purpose of the study is to describe the characteristics of a certain group (Shukla, 2008). The study determined and measured the service quality gaps between customer expectation and perception of tour and travel agencies operating in Ethiopia. To enable this SERVQUAL method which measure service quality based on the five fundamental service quality attributes is used. The study further empirically examined the relationship between perceived service quality and customer satisfaction.

To collect relevant data from respondents, this study applied the five service quality dimensions questionnaire which were developed and used by Lam & Zhang (1998) for similar studies in Hong-Kong. The survey instrument was then pilot tested with tourist randomly selected. This is conducted to assess the reliability of the attributes and to ensure that the wording, format, length and sequencing of questions are appropriate.

3.2 POPULATION AND SAMPLING TECHNIQUES

3.2.1 Population of the Study

The current tourists who visited Ethiopia from February to April 2004 using the services of tour and travel agencies operating in the country were the population of the study. Based on the report released from the Ministry of Culture and Tourism the number of tourists visited the country were 523,438 in the year 2011 (WTO, 2012). It is also expected this number to show an increase of 10% each year. But tourist who used the tour and travel agencies service are in small proportion compared to the above number. For instance, it is only around 36,000 tourists, who used this agencies service in the year

2004 E.C. Therefore, the population consists of those tourists who used tour and travel agencies service available in the Addis Ababa city.

3.2.2 Sampling Technique

The number of tourist visiting the country via tour and travel agencies in a year is too high to treat them all. More over the problem associated with approaching them makes this difficult. Hence it is necessary to limit the sample size with the available time and resource. Therefore, 250 respondents were selected for the purpose of primary data collection, guided by similar researches made in different countries in the same industry as well as taking the minimum recommended number by scholars for the same purpose (Mohamed, 2006; Malhotra, 2006).

Participants were selected based on convenience sampling method which is a type of non probability sampling technique. This kind of sampling enables to draw a sample from the part of population that is close to hand, readily available or convenient (Bhattacharjee, 2012). This method is selected because of the nature of respondents. They are tourist passengers which cannot be accessed easily from time and place constraints and there exact number cannot be known in advance to draw random sample. The other and obvious critical problem in this regard is the unwillingness of most agencies to allow access to their customers.

3.3 TYPES OF DATA AND TOOLS/INSTRUMENT OF DATA COLLECTION

The importance of collecting data from the right source using the right data collection methods and instruments always determine the quality of the study made in any field. To use as an input for this study, primary and secondary data source were used to get important information from the respondents. The measures employed were acquired from previous researchers study conducted in the similar industry.

To collect relevant data from sample respondents oneself administrated questionnaire was distributed in Addis Ababa to the targeted sample. The questionnaire is adopted from Lam & Zhang (1998), which they developed and used for similar studies in Hong-Kong.

It is prepared in English because the respondents are foreigners who communicate in it. The survey was conducted from February to April 2014. The questionnaire consists of four main parts. Part one dealt with the socio demographic data of the respondents. Part two concentrated on the customers' expectations of the service quality on a 7-point Likert scale, ranging from "strongly disagree" which took score 1 to "strongly agree" which took score 7. Part three was to assess the customers' perceptions of the service quality on the same 7-point Likert scale .Part four was to evaluate the customers' overall satisfactions of the service quality , on a 7- points Likert scale ranged from "highly dissatisfied" which took score 1 to "highly satisfied" which took score 7.

3.4 PROCEDURE OF DATA COLLECTION

The questionnaire was sample tested and some experts from tour operating sectors as well as marketing professors were consulted on its appropriateness in conducting the study. This was made before it is administered. Then it was distributed to the respondents from February to April 2014 through volunteer independent tour guides, tour and travel agents and the researcher. The agencies mail the soft copies of the questioner for their customers who recently visited the country. They also distributed some of it from office. This actually was made towards end of tourist stay time. The tour guides, who actually have ample time with tourists, distributed using their convenient time. But they were advised to distribute the questionnaire while or after consumption of the service. The remaining questionnaire was administered at the respondents stay places like Tayetu and Hilton Addis hotels and Addis Ababa Museum.

3.5 METHODS OF DATA ANALYSIS

The data collected from respondents, was analyzed applying descriptive as well as inferential statics. SPSS version 20 soft ware package was used different output generation. Paired t-tests were conducted to assess the significance of differences between the two means of expectations and perceptions. The study has also used correlation analysis to examine the relationship between service quality dimensions and tourists satisfaction. Through multiple linear regressions analysis it is identified how

much the service quality dimensions have related to tourists satisfaction and the dominant factor came to light among the five service quality dimensions. Then, the analyzed data is presented using tables and graphs.

3.6 INSTRUMENT VALIDITY AND RELIABILITY

Each attribute was derived from relevant literature to ensure the validity of the questionnaire. The questionnaires are carefully designed and found very important in travel service sector (Lam & Zhang, 1998). The SERVQUAL scale that measures service quality gaps by calculation of the differences between consumer expectations and perceptions has been tested for validity and reliability in different industries and cultural settings.

A pilot test was used on 30 using questionnaires and through discussion with the sector professionals was made to check the fitness of the tool and it is found appropriate. Reliability was computed using Cronbach’s alpha (0.70) for the entire set of expectation and perception statements and found to be 0.942, which is much higher than the acceptable cut-off point of 0.70. Hence, the model used in the study is 94.2% reliable.

3.7 QUESTIONNAIRE RESPONSE RATE

During the period of study, a total of 250 questionnaires were distributed to tourist that used the service of tour and travel agencies in Addis Ababa. The total number of questionnaires returned was 215. Of these only 203 at 81.2% are found to be usable. Being incomplete the remaining 12 are eliminated. However based on Malhotra (2006), the total number of questionnaires returned is considered sufficient for data analysis.

Table 3.1 Response rate

Questionnaire Distributed	Questionnaire Collected	Survey Eliminated	Usable as Percentage of Population
250	215	12	81.2%

Source: Own survey (2014)

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 INTRODUCTION

The next part ahead discusses the demographic variable of the respondents and presents the reliability test results. Consequently this section presented analysis of customers' perception, expectation and gap score of the two. It also presents paired T test for measuring service quality gap along each attributes, correlation analysis used to determine the relationship between attributes and customers satisfaction and regression analysis to identify the determinant variable behind customers' satisfaction.

4.2 DEMOGRAPHIC ANALYSIS OF THE RESPONDENTS

Tourist's were classified according to their gender , age, marital status, education, continental origin, source of information, purpose of trip and average use of travel agency service. The subsequent three tables present the characteristics of sample. As table 4.1 shows the number of female customers (41.9%) was less than male customers (58.1%). Most respondents were in the age categories 44-49 (35.5%) or 30-39 (22.7%). Young age group categories (18-39) took the least place (16.3%) next to elders age category (4.4%).The majority of respondents were found to be married (51.2%) and single (35%).

Regarding continental origin the largest groups were from Europe (49.2%) and North America (25.1%) respectively. while those from South America (12.3%) and Asia (12.7%) are nearly equal. Australia took the last place in the sample (1%).This finding is line with the report released from policy planning monitoring and evaluation directorate of MOCT (WTO,2012). In the country of residence arrival of tourists section of the report, the largest percents (31.1%) is that of Europeans and the smallest belongs to that of Australians (1.1%). Concerning the educational status of the samples the dominant figure goes to those from graduate school (52.9%). Of the sample 6.4% are at high school or less in their schooling level.

Table 4.1 Demographic Characteristics of Respondents (n=203)

Variable		Frequency	Valid percent
Age			
	18-29	33	16.3
	30-39	46	22.7
	40-49	72	35.5
	50-59	43	21.2
	60+	9	4.4
Gender			
	Female	85	41.7
	Male	118	57.8
Marital Status			
	Single	71	34.8
	Widowed	19	9.3
	Married	104	51.0
	Divorced	9	4.4
School completed			
	High school or less	13	6.4
	Technical school	30	14.7
	Graduate school	108	52.9
	College graduate	52	25.5
Continental origin			
	Africa	12	5.9
	North America	51	25.0
	South America	25	12.3
	Europe	87	42.6
	Asia	26	12.7
	Australia	2	1.0

Source: Own survey (2014)

In the table 4.2 which shows tourists profile of trip, it appeared that respondents with a “pleasure” purpose for their last trip (53.2) dominated the sample, while “business” and “passing by” accounted for only 33.5% and 9.4% respectively. About 23.6% of the

respondents used travel agency services less than once a year; about 16.7% used such services once a year; 35.5% used such services twice a year; 14.8% three times a year and 6.9% used four times a year.

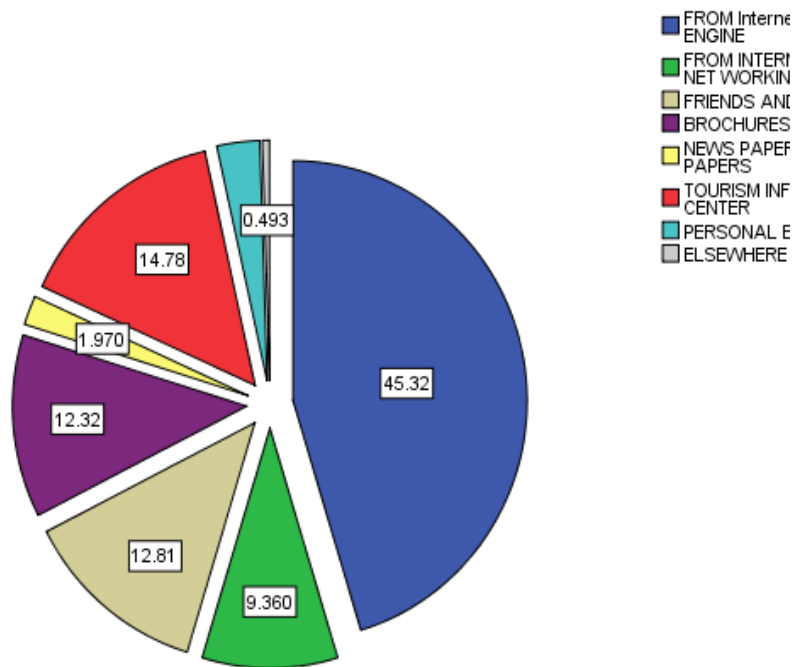
Table 4.2 Tourists Profile of Trip (n=203)

Variable		Frequency	Valid percent
Purpose of trip			
	Business	68	33.3
	Pleasure	108	52.9
	Passing by	19	9.3
	Other	7	3.4
Average use of travel agency service			
	Less than once a year	48	23.6
	Once a year	34	16.7
	Twice a year	72	35.5
	Three times a year	30	14.8
	Four times a year	14	6.9
	Five times a year	5	2.5

Source: Own survey (2014)

Majority of the respondents which are around (45.1%) find out the information about the Tour and travel agencies service from the internet search engine and (14.8 %) from tourism information center. This indicates that the agencies should give emphasis on these Medias of communication to reach their prospect customers. The next figure clearly shows personal experience and internet social networking as well as news papers contributed less in terms of being accessed by tourists as source of information. This calls for due attention to be given to these medias to identify weaknesses in relation to their appropriateness to reach potential tourist customers.

Figure 4.1 Source of Travelling Information of Tourists (203)



Source: SPSS output (2014)

4.3 RELIABILITY TEST

The reliability of a measuring instrument is defined as its ability to consistently measure the phenomenon it is designed to measure (Ho, 2006). Cronbach's alpha has been used extensively and is useful in determining the internal consistency of items in a Likert-type scale like the SERVQUAL (Martin, 2004). This is a single correlation coefficient that is an estimate of the average of all the correlation coefficients of the items within a test. If alpha is high (0.80 or higher), then this suggests that all of the items are reliable and the entire test is internally consistent. If alpha is low, then at least one of the items is unreliable, and must be identified via item analysis procedure.

In this study, Cronbach's Alpha values were used to determine the reliability of each of the five dimensions of tourist expectation and perception, the attributes of each dimension and overall statistics. As it is depicted in table 4.3, for expectation-related

items' Cronbach's Alpha value was 0.908 and for perception-related items' Cronbach's Alpha value was 0.951. Also, 5 main dimensions of service quality's Cronbach Alpha values were analyzed.

For expectations part of the questionnaire, Cronbach's Alpha was found to be 0.802 for Responsiveness and assurance, 0.855 for Reliability, 0.830 for Empathy, 0.885 for resource and corporate image and 0.895 for Tangibles.

Table 4.3 Reliability Statistics of Dimensions of Expectation and Perception (n=203)

Dimension	No of attributes	Cronbach's Alpha	
		Expectation	Perception
Responsiveness and assurance	6	0.802	0.908
Reliability	5	0.855	0.844
Empathy	4	0.830	0.881
Resource and corporate image	5	0.885	0.830
Tangibility	3	0.895	0.802
Perception/Expectation	23	0.908	0.951
Over all reliability statistics	46	0.942	

Source: Own survey (2014)

For perceptions part of the questionnaire Cronbach's Alpha was found to be 0.908 for Responsiveness and assurance, 0.844 for Reliability, 0.881 for Empathy, 0.830 for resource and corporate image and 0.802 for Tangibles. The result shows the internal consistency of both expectation and perception was satisfactorily.

4.4 TOURISTS EXPECTATIONS, PERCEPTIONS AND GAP SCORES

Compressed Table 4.4 presents the results of "expectations", "perceptions", and "gap" means scores for the mentioned five dimensions. Regarding to expectation among the dimensions reliability has got the highest mean scores of 6.26 and ranked first. This finding does match with results found in similar studies made by Lam and Zhang (1999) and Mohamed (2004) in Hong Kong and Egypt respectively. This basically indicates how

important and crucial attributes under reliability are for tourists in relation to service they are looking from tour and travel agencies. Whenever tourists make transaction with these agencies, they are very much interested in exact service as promised along with information ahead as to when services are performed. They also demand service to be right the first time and immediate solutions for any problem they might encounter.

Table 4.4 Comparison of consumer's perceptions and expectations of travel agency service (n = 203)

Dimension	Perception			Expectation			Gap	
	Mean	SD	Rank	Mean	SD	Rank	Mean	Rank
Responsiveness and Assurance	4.95	1.03	1	6.05	.68	3	-1.10	5
Reliability	4.34	.83	4	6.26	.63	1	-1.91	2
Empathy	4.52	1.01	3	6.04	.61	4	-1.52	3
Resource and corporate image	4.55	.81	2	5.81	.78	5	-1.25	4
Tangibility	4.18	1.08	5	6.20	.50	2	-2.00	1
Aggregate mean	4.508			6.072			-1.564	

Source: Own survey (2014)

The remaining four attributes tangibility, responsiveness and assurance, empathy and resource and corporate image rank 2nd, 3rd, 4th and 5th respectively. The lowest expectation finding which goes to resource and corporate image are not in line with the results of the studies made in Egypt and Hong Kong. This may be the result of poor country's image in terms of resources in rest world.

The perception column of table 4.6 shows the actual service experience of the agencies customers. This is a post purchase experience and a critical factor in determining satisfaction of customers. In this regard responsiveness and assurance scored the highest mean score of 4.95 and stood 1st as compared to the remaining four attributes. The finding ranked resource and corporate image, empathy, reliability and tangibility 2nd, 3rd, 4th, and 5th respectively.

The maximum gap in this study is recorded in tangibility dimension (appealing office decor, advanced reservation technology and neat employees). This result is different from Mohammed (2004) study's which identified the highest gap in resource and corporate image and Lam and Zhang (1999) of reliability. Advanced reservation technology contributed a lot for the gap score of the tangibility dimension. This is true from the criticality of modern communication technologies for tourists and internet and mobile phone service failure of the country.

4.5 PAIRED SAMPLE T-TEST

Paired t-test was employed to test the significant difference between the two means of expectation and perception. This test is used when there are two experimental conditions where participants were assigned to each condition (Field, 2006). Table 4.5 shows the respective perception means, expectation means, gap means and *t* values regarding the service quality received by users of tour and travel agents. Gap scores were calculated by subtracting the expectation score from that of perception. Since service quality is the difference between customer expectation and perception of service, this is made to determine the service quality of tour and travel agencies.

Overall expectation values exceed perception values in the total 23 attributes. The results showed that there were significant differences between perceptions and expectations of all attributes. The negative gap means indicated that the perceived service quality provided by tour and travel agencies did not meet customers' expectations. The largest gap scores were found for telling when service to be completed (3.03) and advanced reservation technology (2.36).

Table 4.5 Gap analysis for each service quality attributes

No	Attributes	Perception		Expectation		Mean Gap	T-value
		Mean	SD	Mean	SD		
	Responsiveness and assurance						
1	Willing to help	5.02	1.22	5.94	1.26	-0.92	7.43
2	Prompt service	5.02	1.22	5.86	1.02	-0.83	10.10
3	Employees consistent courtesy	4.98	1.14	6.16	0.77	-1.17	13.21
4	Never too busy to respond	4.78	1.30	6.43	0.64	-1.66	16.51
5	Understanding of customers need	4.92	1.41	6.05	0.89	-1.13	11.54
6	Instilling confidence in customers	4.94	1.25	5.86	1.00	-0.91	10.72
	Reliability						
7	Provision of exact service	4.88	1.20	6.33	0.75	-1.45	14.02
8	Solving customer problem	4.56	1.37	6.25	0.79	-1.70	14.95
9	Completion of promised task	4.42	1.30	6.11	0.82	-1.71	17.50
10	Provision of service right	4.57	1.05	6.26	0.86	-1.69	18.22
11	Telling when service to be performed	3.29	0.86	6.34	0.73	-3.03	37.76
	Empathy						
12	Convenient operating hours	4.42	1.27	6.46	0.70	-2.04	21.44
13	Individual attention by company	4.27	1.07	5.83	0.98	-1.56	15.54
14	Personal attention by employees	4.67	1.19	5.87	0.93	-1.20	11.43
15	Having customers best interest	4.72	1.19	6.02	0.67	-1.50	19.85
	Resource and corporate image						
16	Adequate capacity	4.53	0.96	6.03	0.67	-1.50	19.85
17	Sufficient resource	4.46	1.07	5.88	0.87	-1.42	15.46
18	Employees product knowledge	4.74	0.98	5.86	0.92	-1.11	11.95
19	Promotion strategies to project image	4.43	1.13	5.63	1.01	-1.19	13.90
20	Projection of quality service image	4.60	1.09	5.60	1.18	-1.03	10.62
	Tangibility						
21	Appealing office decor	4.38	1.18	5.97	0.70	-1.58	17.09
22	Advanced reservation technology	4.07	1.27	6.44	0.64	-2.36	24.92
23	Neat employees	4.09	1.35	6.18	0.72	-2.08	21.29

Source: Own survey (2014)

Notes:

1. A Gap mean is defined as perception mean – expectation mean
2. SD: standard deviation
3. Customers' expectations and perceptions were measured on a 7-point Likert scale, 1= strongly disagree 7= strongly agree

The results showed that customers had got high expectations of tour and travel agents and the highest mean of expectation was for the working hours are flexible and convenient (6.46) and advanced reservation technology (6.44). As shown in table 4.7, customer perception scores were not high as the highest score that reached (mean 5.02) for willing to help and most of the time I get prompt service (5.02). The rest are lower than this figure. Meanwhile, there were the lowest score of (mean=3.29) telling when service to be performed.

The negative gap along all attributes in the result which exhibit the difference between perception and expectation did not undermine the customers overall satisfaction. Of course it clearly indicates the existence service quality problem in agencies operating in Ethiopia. Such result is not new to this study only. Previous studies made specific to this area in China (Zho, 2005), northern Cyprus (Johns, Avci & Karatepe, 2004) and Egypt (Mohammed, 2004) also produced same kind of result. Unique to this case is found in the study made in Turkey (Filiz, 2009) where a positive service gap is found along all service quality service.

Among all, table 4.6 shows five attributes that have relatively shown a less negative gap score, indicating that tourist's perception is relatively in line with their expectation, even though there was still a gap. It shows areas where these tour and travel agencies are strong enough in delivering quality service. Therefore the agencies should work hard to keep and to add more values to these attributes so that sustainable competitive advantage can be secured in the future.

Three attributes from responsiveness and assurance and one attribute from each dimension of empathy and resource and corporate image have shown good quality indications. The Agencies are good in delivering prompt service by understanding and looking the best interest of customers. They are also staffed with employees having sufficient knowledge about the product and behaviors which instill confidence in their customers.

Table 4.6 Lowest Gap Score Service Attributes for Agencies Customers

No	Attributes	Dimension	Gap score
1	Most of the time I get prompt service	Responsiveness and assurance	-0.83
2	The behavior of employees instill confidence in their customers	Responsiveness and assurance	-0.91
3	The employees understand the specific need of customers	Responsiveness and assurance	-1.13
4	Employees have sufficient knowledge about the product	Resource and corporate image	-1.11
5	They look for the best interest of their customers	Empathy	-1.20

Source: Own survey (2014)

Table 4.7 illustrates the low quality service indicators of the agencies service. According to the respondents two attributes from each reliability and tangibility dimensions and one attributes from empathy dimension exhibited low quality. These should be the assignments at hand for tour and travel agencies in Ethiopia. Their competitiveness position in theses volatile current business environment, in which they are operating depends on improvements made in these attributes. Therefore the agencies should spend a great deal of time and resource for the improvement of theses weak sides.

Table 4.7 Highest Gap Score Service Attributes for Agencies Customers

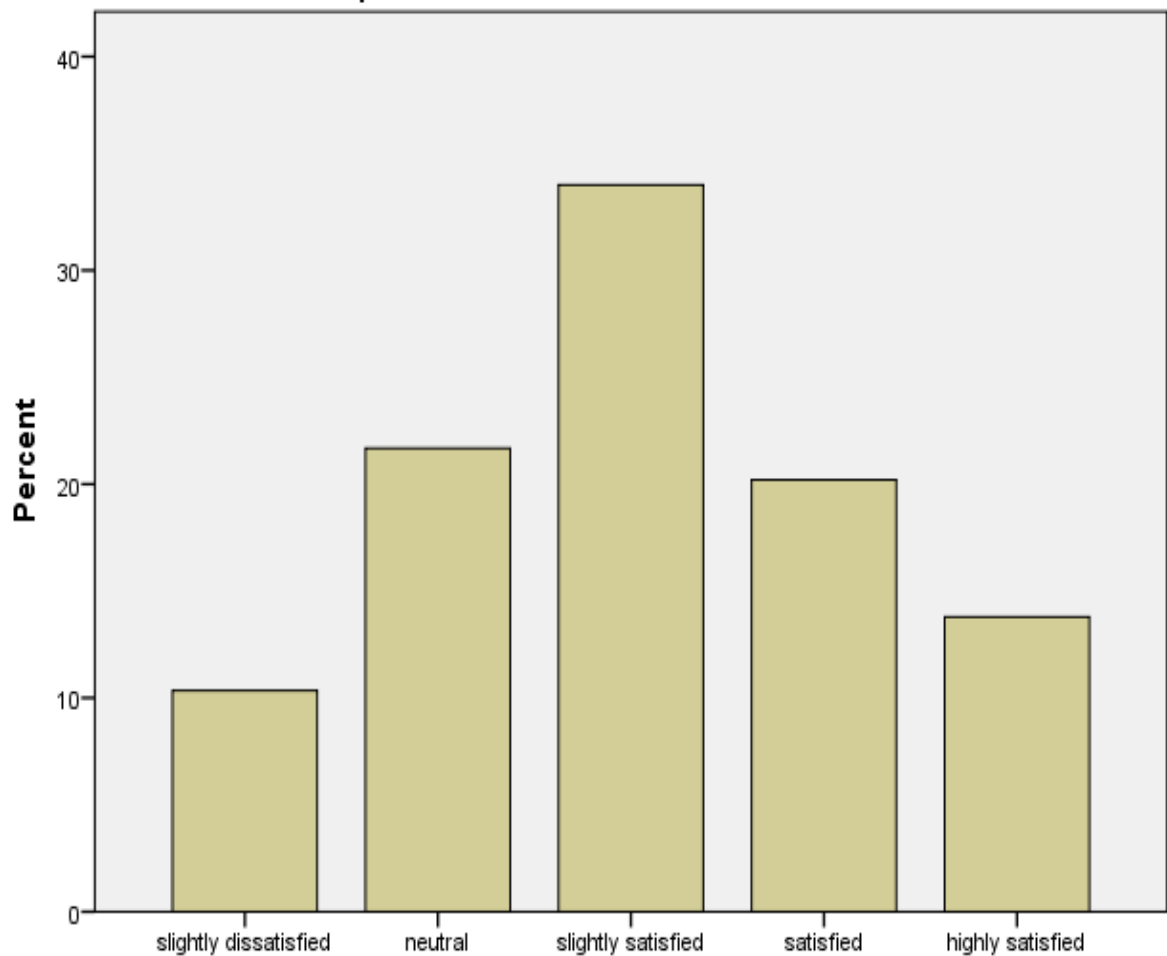
No	Attributes	Dimension	Gap score
1	Telling when service to be performed	Reliability	-3.03
2	They have modern looking equipment and new technologies	Tangibility	-2.36
3	Employees look clean and tidy	Tangibility	-2.08
4	The working hours are flexible and convenient	Empathy	-2.04
5	Completion of promised task	Reliability	-1.71

Source: Own survey (2014)

4.6 OVERALL TOURISTS' SATISFACTION LEVEL

In this study tourist satisfaction is measured using one item that captures overall satisfaction on service offered by tour and travel agencies of Ethiopia. It was measured using a seven-point likert scale. Tourists overall satisfaction was above average, slightly they were satisfied with the agencies service. It seems the negative service quality gap along all attributes did not undermine their satisfaction. Most of the time such phenomenon is encountered in SERVIQUAL studies (Jones, Avci & Karatege, 2004).

Figure 4.2 Respondents overall satisfaction



Source: Survey data (2014)

The result from figure 4.2 indicate that; 13.8% of the agencies customers are highly satisfied, 10.3% are slightly dissatisfied and 34% are satisfied with the service the agencies rendered. While the highest percentage is that of satisfied customers the least is slightly dissatisfied customers.

4.7 CORRELATION ANALYSIS

Correlation is primarily concerned with finding out whether a relationship exists and with determining its magnitude and direction (Ho, 2006). In this analysis the relationship between two variables is summarized with a single number that falls between -1 and +1. This number which is called Pearson's correlation coefficient (r) was conducted on all variables in this study. According to Gupta (1999) take as a guide line, correlation coefficient (r), 0.1-0.29 is low, 0.3-0.49 is medium and $r > 0.5$ show high relationship.

Table 4.8 shows that all the independent variables are significantly and positively correlated with tourists overall satisfaction. The most correlated dimensions were Reliability ($r=.343$) followed by empathy ($r=.311$), tangibility ($r=.284$) and finally resource and corporate image as well as responsiveness and assurance ($r=.259$).

The correlation among the five dimensions has shown statistically significant relationship. The highest correlation coefficient has been between resource and corporate image and responsiveness and assurance ($r=1.000$) showing a strong relationship them. The second highest was between responsiveness and empathy ($r=0.590$). In the third place correlation between tangibility and reliability ($r=.501$) followed by the relationship between tangibility and responsiveness ($r=.479$). Even though the least correlation is between tangibility and empathy ($r=.368$) it is still shows positive and significant relation between them.

Table 4.8 Correlation analysis between perceived service quality dimensions and over all customers' satisfaction (n=203)

Correlations							
		Res	Rel	Emp	Reso	Tan	Overall satisfaction
Res	Pc(r)	1					
	Sig. (2-tailed)						
Rel	Pc(r)	** .418	1				
	Sig. (2-tailed)	0.000					
Emp	Pc(r)	** .590	** .500	1			
	Sig. (2-tailed)	0.000	0.000				
Reso	Pc(r)	** 1.000	** .418	** .590	1		
	Sig. (2-tailed)	0.000	0.000	0.000			
Tan	Pc(r)	** .479	** .501	** .368	** .479	1	
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		
Overall satisfaction	Pc(r)	** .259	** .343	** .311	** .259	** .284	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	
Correlation is significant at the 0.01 level(2-tailed)							

Source: SPSS data analysis output (2014)

Res=responsiveness and assurance, **Rel**=reliability, **Emp**=empathy, **Res**=resource and corporate image, **Tan**=tangibility: **Pc(r)** =Pearson correlation coefficient.

4.8 MULTIPLE LINEAR REGRESSION ANALYSIS

Using correlation analysis the magnitude and direction of the relationship between the five dimensions and customers overall satisfaction is determined. To check the ability of each type of score to predict travel agents service quality a regression analysis was performed. A regression analysis focuses on using the relationship for prediction (Ho, 2006). Linear regression analysis was used these five component using travel agents satisfaction as the dependent variable. The object of this analysis is to quantify the relationship between the dependent variable and the independent variables (components).

Table 4.9 Result of multiple regression analysis of determinants of overall satisfaction with tour and travel agency (n=203)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.383	.453		3.049	.003
	Responsiveness and assurance	.166	.142	.145	1.171	.243
	Reliability	.376	.170	.264	2.213	.028
	Empathy	.072	.121	.062	.594	.553
	Resource and corporate image	.238	.148	.164	1.609	.109
	Tangibility	-.046	.111	-.042	-.411	.682
a. Dependent Variable: Respondents overall satisfaction level						

Source: SPSS data analysis output (2014)

Notes:

Multiple R = 0.531

R² = 0.282

Adjusted R² = 0.264

F = 15.461

The model exhibited an adjusted R^2 value of 0.282. It indicated that 28.2 % of the total variance occurred in overall satisfaction was explained by the mentioned five factors and 71.8% was due to other factors. All five variables were not found to be significant predictors of travel agents satisfaction, and the t -values indicated that only one component are strong predictors of travel agents satisfaction. The results of regression analysis of the five service quality factors as independent variables with overall satisfaction as the dependent variable are shown in table 4.10.

As shown on table 4.10 reliability B scores =0.264 dimension of service quality have a significant influence on an overall satisfaction of agencies customers at 95% confidence interval ($P < 0.05$). However the rest dimensions responsiveness and assurance, empathy, resource and corporate image and tangibility have no significant influence on overall satisfaction of tourists ($p > 0.05$).

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

This study entails to measure customers'-perceived service quality and satisfaction using SERVQUAL model which served as framework for the instrument of data collection. This model was adopted so that it fitted into tour and travel agents. The concept of measuring the difference between expectation and perceptions in the form of the SERVQUAL gap score proved very useful for assessing levels of service quality. Gap analysis, correlation analysis and regression analysis were used to identify service shortfalls of the agencies, the relationship between dimensions and their impact on overall satisfaction of customers. Those statistical elements helped to observe the existing customer gaps and set different strategies by the agencies on how to meet or exceed the customers.

Concerning expectation, the reliability dimension of service quality has been ranked first with a mean score of 6.24 in terms of expectation. The second highest was found to be tangibility with mean value of 6.20 followed by responsiveness and assurance with a mean value of 6.05. Empathy dimension of service quality ranked fourth with a mean score of 6.04. The least rated service quality dimension in terms of customers' expectation was the resource and corporate image attribute, scoring a mean value 5.81.

With regard to actual experiences or perceived performance, it has been obtained that responsiveness and assurance dimension was ranked first with a mean value of 4.95. This implies that majority of tourists agreed that they have perceived relatively good service quality on the attributes of responsiveness and assurance dimension. Resource and corporate image, empathy, and reliability dimensions were ranked second (m=4.55), third (m=4.52), and fourth (m=4.18) respectively. The least ranked service quality dimension was tangibility (m=4.18).

Gap analysis result indicates tourists' actual service experience was less than their expectation along all service quality dimensions. This clearly indicates the agencies service quality level is low. The aggregate mean difference was also -1.564. The wider gap is observed in tangibility dimension (appealing office decor, advanced reservation technology and neat employees) with a score of -2.00. Furthermore, such a negative gap has also been observed on the remaining service quality dimensions as follows: reliability (-1.91); empathy (-1.52); resource and corporate image (-1.25); and responsive and assurance (-1.10).

Another gap analysis considered was related to attributes of service quality dimensions. To this end, it has been obtained that of the 23 measured attributes, the five least rated gaps were reported on the following attributes: prompt service (-0.83); instilling confidence in customers (-0.91); understanding customers needs (-1.13); employees product knowledge (-1.11) and serving customers' best interest (-1.2). This denotes the strong sides of the agencies service because low scores in this sense is a sign of good quality performance. As opposed to the aforementioned attributes, the following five attributes are top rated in terms of reported gaps: telling when service to be performed (-3.03); advanced reservation technology (-2.36); neat employees (-2.08); flexibility of working hours (-2.04); and completion of promised tasks (-1.71). This indicates customers did not experience the service in line with their expectation.

In regard to tourists overall satisfaction level, the obtained mean score was 5.0542. The standard deviation obtained here was 1.12 implying that the respondents were consistent in their pattern of response. Moreover, the extreme options (both highly dissatisfied and highly satisfied) were not marked by any respondent.

The other point of analysis was the relationship between service quality dimensions and/or customer satisfaction. In connection to this, the Pearson correlation result (r) indicates that all the service quality dimensions were positively correlated with overall customers' satisfaction. The independent variables, in this case service quality dimensions, are and positively correlated with tourists overall satisfaction. The most correlated dimensions

was reliability ($r=.343$) followed by empathy ($r=.311$), tangibility ($r=.284$), finally responsiveness and corporate resource ($r=.259$). Positive and significant relationship is also observed among and between dimensions.

Finally multiple linear regression analysis section depicted that all the five variables were not found to be significant predictors of travel agents satisfaction, and the t -values indicated that only one component was a strong predictor of travel agents satisfaction. Reliability service quality dimension having beta value of ($B=0.264$) of have a significant influence on an overall satisfaction of agencies customers at 95% confidence interval ($P<0.05$).

5.2 CONCLUSION

The first research question proposed for this study was about how customers' of tour and travel agencies in Ethiopia perceive the delivered service quality. To this end, it has been found out that the customers' ratings of their perception of the agencies' performance range from the highest mean score of 4.95 in responsiveness and assurance dimension to the lowest mean of 4.18 in tangibility. Therefore, it is possible to conclude that the performance of the tour and travel agencies operating in Ethiopia is fair in the eyes of the customers.

The second point of analysis was about the extent to which the customers' perception of the agencies' performance match with their expectations. It has been found out that the mean values obtained against the five service quality dimensions range from the minimum of 5.81 in resource and corporate image to the maximum of 6.24 in the reliability dimension of service quality. The result shows that there is a mismatch between customers' expectations and the agencies perceived performance. This is true both in terms of the difference in aggregate mean values and in terms of each service quality dimensions. Therefore, it is possible to conclude that the customers' expectations are not met with reference to the actual service delivered to them by the tour and travel agencies.

The third research question geared towards measuring the extent to which customers are satisfied with the service delivered to them by the travel and tour agencies in Ethiopia. The mean value obtained to this end was 5.0542. The customers' modestly rated their level of satisfaction with the overall services delivered to them. Hence, although the agencies have not performed well in terms of meeting the customers' expectations, they are doing well enough in terms of serving the bottom lines of the customers' needs.

The fourth research question was dealing with a comparison of customers' perceived service quality to their overall level of satisfaction. The Pearson correlation result (r) indicates that all the service quality dimensions were positively correlated with overall customers' satisfaction. The independent variables, in this case service quality dimensions, are positively correlated with tourists overall satisfaction. The correlated dimensions was reliability ($r=.343$) followed by empathy ($r=.311$), tangibility ($r=.284$), finally responsiveness and corporate resource ($r=.259$). Therefore, it is possible to conclude that there is a slight positive correlation between customers' perceived service quality and their overall level of satisfaction.

5.3 RECOMMENDATIONS

Looking on the findings and conclusions made to this time, the following recommendations are suggested to fill service quality gaps by taking corrective actions. This is expected to help the agencies to be competitive and to make Ethiopia the best tourist destination in the world. Moreover, these improvement schemes narrow down the gap between customer's perception and expectation. Taking this as a short term goal the agencies could work to attain positive gap among service quality attributes and keep their customers satisfied. To this end stakeholders should also take their own share.

- Agencies should give maximum attention for reliability dimension and attributes related with it. This is basically true because this dimension ranked first in customers' expectation score and rank second in service quality gap score as it is depicted in table 4.6. It is also found the only dimension behind predicting customers' satisfaction (table 4.13).
- The appropriate execution of reliability dimension is very much related with human resource elements of any business organization. It could mean that tour and travel agencies will have to implement strategies for human resources in short and long terms to recruit, train and develop qualified employees.
- Besides, tourism faculties and academic institutes must develop their educational program and courses according to market needs and requirements accomplishing quality approach regarding international levels.
- In addition, systematic monitoring and control policies appear to be important in order to improve reliability. For example, quality standards in terms of product, service, and work procedures, could be stipulated in a company's operational manual, with guidelines and explicit instructions for employees to follow.
- The next dimension which needs considerable attention as far as this study is concerned is tangibility. Foreigners especially tourists look for modern communication technologies not only as a means to facilitate their transaction with the agencies but also the for security reasons. Most of the agencies customers in this regard are from developed nations where the latest technologies are highly available. This in turn makes their expectation high. Therefore agencies need to invest on these respect in order to narrow dap the negative gap registered in there attributes.
- Equally important are the measures taken to improve the neatness and professionalism of employees. Special attention should be given for tourist guides who spent more time with customers.

Finally, the agencies should work hard to keep responsiveness and assurance dimension service quality.

5.4 LIMITATION & IMPLICATION FOR FURTHER RESEARCH

The present study was conducted to observe customer gaps (perception-expectation) of tour and travel agencies in relation to tourists without inclusion of the domestic customers; hence a future research could be done by including domestic customers along with a larger sample size for a comprehensive research result. This study has applied service quality attributes (reliability, responsiveness and assurance, empathy, resource and corporate image and tangibility) in determining customers' satisfaction. Therefore, future research shall be conducted by exploring other variables which might have a higher potential in explaining tourists satisfaction.

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APPENDIX

**ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE**

SURVEY QUESTIONNAIRE TO BE FILLED BY TOURISTS IN ETHIOPIA

Dear Tourist,

As a part of the requirements for Masters of Arts in Marketing Management from Addis Ababa University, School of Commerce I am writing a thesis entitled "***Service quality and customers' satisfaction of tour and travel agencies in Addis Ababa***". Thus, with this questionnaire your expectation and perception on the tour and travel agencies service quality will be surveyed. Through surveying your expectation for an excellent tour and travel service and your perception on your particular agency, the study entails to improve the service performance of the agencies operating in the country. Hence, I would like to ask you today for your help with that endeavor by completing this survey questionnaire. You are in no way obligated to complete the survey, but I do hope that you would consider it. I would ask that you fill out the survey completely and honestly as you feel. I can assure you that these surveys will only be used for data collection purposes for my study and will be destroyed once the data collection process is over. You do not need to put your name on the survey.

Thank you very much for your cooperation!!

PART ONE

Personal Characteristics of the respondents:

Please fill out the survey by putting "X" mark in the appropriate box to the right of each statement that most accurately reflects your rating or that most closely matches your feeling about the statement.

Age: 18-29 30-39 40-49
 50-59 60 +

Gender: Male Female

Marital status: Single Widowed Married Divorced

Highest level of schooling completed: High school or less Technical school
 Graduate school College graduate

From where you are Africa North America South America
 Europe Asia Australia

How did you find out about the service? You can choose more than ones

- From the Internet: search engine, please specify:
- From the Internet: social networking sites and discussion groups.
- Friends, acquaintances, relatives
- Brochures
- Newspapers and local papers
- TV/Radio Tourism information service
- Personal experiences
- Elsewhere, please specify:
- Others, specify _____

Purpose of the trip: Business Pleasure Passing by Other, Please specify _____

Average use of travel agency

Services

- Less than once a year once a year
- Twice a year three times a year
- Four times a year five times or more a year

PART TWO AND THREE

Expectations and perceptions of service quality

The 7 point Likert scale is designed to measure expectations and perception. It can be described as follows: 1= strongly disagree, 2=Disagree, 3=slightly disagree, 4=neutral, 5=slightly agree, 6=agree, 7=strongly agree. Please circle the number of your opinion.

No	Travel and tour service quality Attributes	Your expectation for an Excellent tour and travel agent							Your perception on your Particular agency						
1	The employees understand the specific needs of their customers	1	2	3	4	5	6	7	1	2	3	4	5	6	7
2	Most of the time I get Prompt service	1	2	3	4	5	6	7	1	2	3	4	5	6	7
3	The behavior of employees instill confidence in their customers	1	2	3	4	5	6	7	1	2	3	4	5	6	7
4	Employees are always willing to help	1	2	3	4	5	6	7	1	2	3	4	5	6	7
5	When there is a problem, there is always a quick response	1	2	3	4	5	6	7	1	2	3	4	5	6	7
6	Employees are consistently courteous with customers	1	2	3	4	5	6	7	1	2	3	4	5	6	7
7	When the customer has a problem they show a sincere interest to solve it	1	2	3	4	5	6	7	1	2	3	4	5	6	7
8	Telling when service to be completed	1	2	3	4	5	6	7	1	2	3	4	5	6	7
9	Provision of service right the first time	1	2	3	4	5	6	7	1	2	3	4	5	6	7
10	All the promised tasks well performed and perfected	1	2	3	4	5	6	7	1	2	3	4	5	6	7
11	The working hours are flexible and convenient	1	2	3	4	5	6	7	1	2	3	4	5	6	7
12	They insist on making no mistake in their documents	1	2	3	4	5	6	7	1	2	3	4	5	6	7
13	They look for the best for the interests of their customers	1	2	3	4	5	6	7	1	2	3	4	5	6	7
14	Personal attention by employees	1	2	3	4	5	6	7	1	2	3	4	5	6	7
15	Employees follow-up each customer individually	1	2	3	4	5	6	7	1	2	3	4	5	6	7
16	Adequate capacity to satisfy customer's needs	1	2	3	4	5	6	7	1	2	3	4	5	6	7
17	There is Sufficient resources to offer good service	1	2	3	4	5	6	7	1	2	3	4	5	6	7
18	Employees have sufficient knowledge about the product	1	2	3	4	5	6	7	1	2	3	4	5	6	7
19	Promotion strategies to project image	1	2	3	4	5	6	7	1	2	3	4	5	6	7
20	Projection of quality service image	1	2	3	4	5	6	7	1	2	3	4	5	6	7
21	Appealing office decor	1	2	3	4	5	6	7	1	2	3	4	5	6	7
22	They have modern looking equipment and new Technologies	1	2	3	4	5	6	7	1	2	3	4	5	6	7
23	Employees look clean and tidy	1	2	3	4	5	6	7	1	2	3	4	5	6	7

PART FOUR

What is your overall satisfaction level on the service? Please circle the number of your opinion

Highly satisfied

Highly dissatisfied

7 6 5 4 3 2 1