

**Consumers' Perceptions of Quality, Satisfaction
and Repurchase Intention: The Case of Locally
Manufactured Leather Shoes**

**A Thesis Submitted to the School of Graduate Studies of
Addis Ababa University in Partial Fulfillment of the
Requirements for the Degree of Masters of Art in
Marketing Management Education**

By

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Assistant Professor, Department of Business Education



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Declaration

I hereby declare that the thesis entitled "Consumers' Perceptions of Quality, Satisfaction and Repurchase Intention: The Case of Locally Manufactured Leather Shoes" is my original work and has not been presented by any one else for any degree or diploma or at any seminar or workshop in any university or college. All the materials used for the thesis has been duly acknowledged.

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Certificate

I certify that the thesis entitled "Consumers' Perceptions of Quality, Satisfaction and Repurchase Intention: The Case of Locally Manufactured Leather Shoes" is his own work and has been done under my supervision. It is recommended that this thesis be placed before the examiner for evaluation.

Signature: _____

Name: _____

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ABBREVIATIONS

AS- Aesthetics

ASF-Aesthetics and “Fit and Finish”

DUR- Durability

ETB- Ethiopian Birr

FF-Fit and Finish

OQ- Overall Quality Perception

OSAT-Overall Satisfaction

PER-Performance

PRI-Price

PRO-Promotion

REL-Reliability

REP-Repairability

RPI-Repurchase Intention

SIG-Store Image

CS/D-Consumer Satisfaction or dissatisfaction

ABSTRACT

The aim of the study is to determine the level of Quality Perceptions, Satisfaction, and Repurchase Intentions with regard to locally manufactured leather shoes. An additional attempt was made to examine the interrelationships among user's perceived quality, satisfaction and repurchase intentions. Dimensional variables for this study are obtained from literature review and exploratory investigation of preliminary questionnaire. The variables determining perceived quality were obtained as aesthetics and "fit and finish", durability, store image, repairability, promotion, price, reliability, and performance. However, the study used some other variables such as overall perceived quality, overall satisfaction, repurchase intention and demographic variables, inline with research objectives. A total of 400 questionnaires were distributed to the consumers of locally manufactured leather shoes, however, 386 collected back (96.5 percent response rate) and properly filled were retained for further analysis. Perceived overall quality of leather shoes was found to be as above average by the respondents, while the dimensions of price, durability, repairability, performance, store image, and reliability were perceived to be with above average; promotion and aesthetics and "fit and finish" were perceived to be below average. Overall, respondents (consumers) were found to be as satisfied with the leather shoes manufactured in Ethiopia and reported with higher repurchase intentions. Additionally, there exist gender differences in quality perceptions on durability, store image, and price dimensions. A regression model, depicting the association of overall perceived product quality, satisfaction and repurchase intentions was developed. Overall satisfaction was found to be significantly predicting the repurchase intentions of the consumers, while no significant effect of overall perceived quality was obtained over consumer repurchase intention. However, perceived quality was found to be contributing in developing favorable buying intentions for locally manufactured leather shoes through consumer satisfaction. Finally, the findings of the study can be used by the producers and retailers of the leather shoes to design and implement their marketing strategies and activities, specific to product design, pricing, promotion, and while segmenting their consumers.

Keywords: *Customer Perceived Quality, Satisfaction, Repurchase Intention, Leather Shoes, Ethiopia.*

CHAPTER ONE

Introduction

This chapter draws an outline of the research work, while providing a general introduction and background of the study. Additionally, conceptual framework, statement of the problem, research objectives, significance, scope and limitations of the study, operational definitions and organization of the paper are addressed.

1.1. Background of the Study

Ethiopia is one of the leading countries in the world in terms of livestock resources. It is repeatedly stated that the country ranks first in Africa and tenth in the world in livestock with an estimated 41 million of cattle, 25 million sheep, and 23 million goats. Annually, it produces 2.7 million hides, 8.1 million sheepskins and 7.5 million goatskins that further ensure comparative advantage, in producing leather and leather products, for the nation (Mekonnen, 2009).

The leather and leather products is one of the major sources of foreign earnings for Ethiopia. Mekonnen and Gezahegn (2002) in Mekonnen (2009) indicated that the share of leather and leather products in the manufacturing sector was 7.8 percent. They additionally explained, during last two decades, leather and semi-processed hides and skins have constituted the second major foreign exchange earning items in the Ethiopian export basket (10-20% of foreign earnings), next to coffee. But in terms of manufactured products, the leather sector ranks first.

On the other hand, the production of leather shoes in Ethiopia dates from late 1930s when Armenian merchants founded two shoe factories in Addis Ababa. These factories nurtured a number of shoemakers, who lately developed their own manufacturing capacities with trained workforce, within the city. Also, the experts of the industry believe that

about 1000 factories are operational in producing leather shoes in and around Addis Ababa. While most of them employ only ten workers or less, a few other factories maintain hundreds of workers. Moreover, the neighborhood of “Mercato”, a huge marketplace, swarms with shoemakers, wholesale shops dealing in leather and leather shoes, soles, accessories, and shoe retail stores (Sonobe, Akoten and Otsuka, 2006). Since early 1990’s, Ethiopia has implemented liberalization policies. This resulted, among other things, in the invasion of cheap, new or second-hand clothing and footwear, especially from China and other Asian countries, making life very hard for the domestic producers being uncompetitive (Loop, 2003).

Countries that were behind, in terms of design, such as China, have now overtaken Ethiopia. The invasion of Chinese products in the country has led to adaptations among firms. For example, small-scale producers are trying to cope with the situation by increasingly imitating shoes in vogue in the market, with locally appreciated designs. Also, Ethiopia is developing a taste for the fashionable Chinese ladies shoes, while many people, especially in the countryside, prefer sturdy shoes that have a prolonged lifespan (Loop, 2003).

Berhanu and Kibre (2002) report the factors influencing Ethiopian leather and leather shoes manufacturers to be uncompetitive with foreign suppliers. According to the findings of their research, for the leather footwear firms, poor quality of domestic leather and high cost of (imported) inputs put local manufacturers on disadvantage.

Similarly, quality and customer satisfaction have long been recognized as critical drivers for organizational success and survival in today’s competitive market (Fen and Lian, 2008). The leather shoes industry has certainly, not been exempted from increased competition or rising consumer expectation of quality. Since the focal point of modern

marketing strategy is consumer, knowing consumers' perceptions of product quality, satisfaction and thus purchase/repurchase intention are crucial for leather shoes manufacturers and marketers. Furthermore, companies must determine the needs and wants of specific target market and work hard to ensure higher levels of satisfaction, more than what is being promised by the competitors.

According to Shiffman and Kanuk (2000), to identify unsatisfied consumer needs, companies have to engage in extensive marketing research, through which one can discover the needs and priorities of different consumer segments, and designing new products and marketing strategies that would fulfill consumer needs. Given these important issues that need to be addressed, the main purpose of the study is to determine the consumer's level of quality perception, satisfaction, and repurchase intention of locally manufactured leather shoes.

1.2. Conceptual Framework

Researchers (Aaker, 1991; Zeithamal, 1988) present quality perceptions as consumer judgments about the superiority of a product, which the user-based approaches think is essential in describing quality. Bundle of attributes together represent a certain level of quality that further provides utility to the customer. However, the benefits are measured through a perceived level of quality (level of working superiority), a collection of attributes in comparison with the consumer expectations.

Schiffman and Kanuk (2000) stated that consumers often judge the quality of a product on the basis of a variety of informational cues, which they associate with the product. These cues can either be intrinsic or extrinsic. While, intrinsic cues are related to the physical characteristics of the product such as size, color, aesthetics fit and finish, the extrinsic cues represent elements that are put together with the actual product

like packaging, pricing, advertising etc. On the other hand, they point out that, perceived quality of products and services is central to the idea that strong brands add value to consumer's purchase evaluations.

The terms perceived quality and satisfaction have been used interchangeably, especially among practitioners. However, Rust and Oliver (1994) proposed that perceived quality and satisfaction differ in two ways: perceived quality is a more specific concept based on product and service features, whilst satisfaction can result from any dimension (e.g. loyalty, expectations).

In addition, perceived quality can be controlled to a certain degree by a company whilst satisfaction can not. Thus, it is suggested that when both perceived quality and satisfaction are regarded as overall assessments, perceived quality is understood as an antecedent of satisfaction, and therefore, precedes it (Llusar et al., 2001).

The research findings reported by Caruana (2002) and Tsiotsou (2006) verify the preceding role of perceived quality and suggest a direct effect of perceived quality on consumer satisfaction. Thus, it is expected that the higher the perceived quality of a product, the higher the consumer satisfaction. There is no agreement however, on whether there is an interaction effect between perceived quality and satisfaction. For some researchers no interaction effect exists between the two concepts, whereas others have reported an interaction effect between satisfaction and perceived quality on purchase intentions (Llusar et al., 2001).

Additionally, Cronin and Taylor (1992) reported that service quality can be seen as one of the determinants of satisfaction, which in turn influences purchase intentions (Bloemer et al., 1998). Therefore, perceived product quality has a role to influence consumer's purchase choice or point of purchase. Some scholars support a positive direct effect of perceived quality on purchase intentions (Carman 1990;

Boulding et al., 1993; Parasuraman et al., 1996), others report only an indirect effect through satisfaction (Cronin and Taylor 1992; Sweeney et al., 1999), and yet others argue that both relationships exist (Tsiotsou, 2006).

However, it is observed that the dual effect (direct and indirect) of perceived product quality on purchase intentions has been reported for goods, while the single effect (direct or indirect) has been found within studies focused in service sectors.

Tsiotsou (2006) provides significant relationship between repurchase intention, perceived product quality and customer satisfaction. Furthermore, he explained that perceived product quality is an important issue in the development and implementation of marketing strategies aimed at brand image building and increasing market share.

Based on the review of literature on perceived quality, satisfaction and repurchase intention discussed above, the researcher developed the following theoretical research framework (Figure 1).

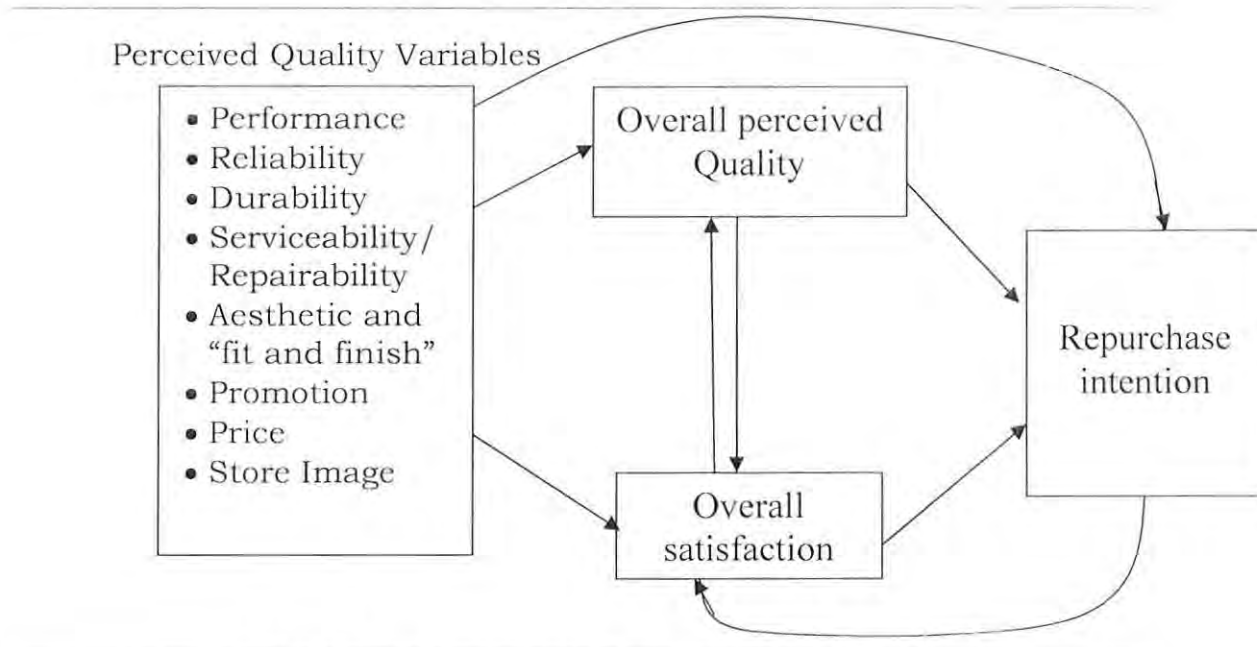


Figure 1: Theoretical Research Framework

1.3. Statement of the Problem

Leather shoe industry, in Ethiopia, is both large and competitive. Therefore, designing and implementing effective strategies targeting to market acceptance/purchase of local leather shoes is crucial to firm's success and survival. Moreover, while offering better quality, organizations in the industry may draw profitability through fetching new customers and retaining the existing ones. Thus, local leather shoe manufacturers need to first identify and then satisfy the market requirements, while ensuring better quality image, in the mind of consumers, on the part of their offerings. Such a favorable consumer perceptions of quality and overall satisfaction with previous purchase(s) may guide the consumers to repurchase the same brand of leather shoes over again.

However, there seems little research being done on consumer behavior in Ethiopian leather shoes industry. Ameha (2004) reported customer satisfaction with locally manufacture leather shoes, and considered to be helpful in bridging the gap between quality perceptions and repurchase intention in the current perspective. Therefore, the study is an attempt to see the relationship of quality perceptions, satisfaction, and repurchase intentions of the consumers of locally manufactured leather shoes.

Specifically, the study focuses on answering the following research questions:

1. What perceived quality variable determines the quality of locally manufactured leather shoes as perceived by Ethiopian the consumers?
2. Do male and female consumers of locally manufactured leather shoes differ on the part of their quality perceptions and satisfaction level?

3. Is there any significant relationship between perceived quality and consumer satisfaction with locally manufactured leather shoes?
4. How does overall perceived quality and satisfaction affect the repurchase intention of consumers buying locally manufactured leather shoes?

1.4. Objectives of the Study

The objectives of the study are manifold. However, the basic purpose of the study is to determine the quality perceptions of locally manufactured leather shoes, consumer satisfaction, and repurchase intention. Specific objectives include:

1. To identify the factors affecting consumers' perceived quality of leather shoes manufactured in Ethiopia.
2. To know the differences of quality perceptions of locally manufactured leather shoes and satisfaction levels between male and female consumers.
3. To understand the role of perceived quality variables determining leather shoe quality in perceiving overall quality (of locally manufactured leather shoes).
4. To study the relationship between consumers perceived quality of locally manufactured leather shoes and overall satisfaction.
5. To examine the role of overall perceived quality and satisfaction in estimating repurchase intention of the consumers of locally manufactured leather shoes.

1.5. Significance of the Study

The fundamental concerns of this research paper were to determine consumers' level of quality perception, satisfaction, and repurchase intention and their relationship with regard to locally manufactured leather shoes.

The study is useful for the following reasons:

- The results of the study may help local leather shoes manufacturers (marketers, decision makers) in understanding product quality perceptions of their consumers.
- The study may provide guides to Ethiopian shoe manufacturers in framing their marketing strategies and marketing mixes.
- The study may provide an insight to consumer behavior in Ethiopian setting with respect to locally manufactured leather shoes, and draws attention to both practitioners and academicians in the area.
- The study may also be consider as a benchmark for researchers interested in exploring the areas of perceived product quality, consumer satisfaction, and repurchase intention.

1.6. Scope and Limitations of the Study

The study focuses on examining the quality perceptions of the consumers of locally manufacturer leather shoes, and highlighting the relationship of perceived product quality with consumer satisfaction and repurchase intention. However, to keep the geographic limits of the study manageable, the study was confined to Addis Ababa (the capital city).

In most cases it is difficult for customers to identify domestic shoes with their brands; rather shoes are generally identified as locally made and imported. Thus, the study is conducted on general survey basis rather than on brand basis.

The main limitation of this study is that behavioral intentions (repurchase intention) do not always equal actual consumer behaviors. Lack of sufficient literature and research findings, dealing with concepts

of perceived product quality, was another major problem the researcher faced while conducting the study.

1.7. Operational Definitions

Perceived quality: the consumer's judgment about a product's overall excellence or superiority (Zeithaml, 1988).

Customer satisfaction: the overall attitude regarding a good/ service after its acquisition and use (Mowen and Minor, 1998).

Repurchase intention: individual's judgment about buying again a designated service from the same company, taking into account his or her current situation and likely circumstances (Hellier et al., 2003).

1.8. Organization of the Paper

The research paper is organized into five chapters. Beginning with an Introduction, the report follows Literature Review, Research Methodology, Data Analysis and Findings, and finally Conclusions and Recommendations are forwarded.

CHAPTER TWO

Review of Related Literature

This section provides an understanding of marketing and behavioral issues and how these contribute to influence repeat buying or repurchases. Therefore, the section presents a theoretical review with an aim to provide a relevant insight into the related literature and findings revealed by the researchers in the subject area.

2.1. Marketing

In the earlier times, marketing was given little attention as the main objective of business firms was to produce the limited goods and services. As productivity increased and production caught up with demand, more emphasis was placed on marketing activities of selling and promotion. As a result, in today's marketplace, marketing is consumer oriented e.g. planned and implemented to facilitate exchange between the buyers and sellers on the basis of identified consumer wants and needs (Dunn, 1990).

The emphasis in modern marketing is on buyer-seller exchange and consumer satisfaction. To induce consumers to engage in exchange, marketing managers are responsible for most of the activities necessary to create the customers the organizations wants. These activities include identifying customer needs, designing goods and services that meet those needs, communicating information about those goods and services to prospective buyers, making the goods or services available at times and places that meet customers' needs, pricing goods and services to reflect costs, competition, and customers ability to buy, and providing for the necessary service and follow up to ensure consumer satisfaction after the purchase.

Thus, marketers must conduct considerable research to understand and describe the various segments or groups of targeted consumers all of whom may have different needs as part of the process of developing offerings that actually meet customer needs.

2.2. Marketing Mix

Several major activities can be undertaken by an organization that is marketing oriented. These include Market-opportunity analysis, target-market selection, and marketing-mix (product, price, promotion, and distribution) determination.

2.2.1. Product

At the heart of a great brand is a great product. Product is a key element in the marketing offering. Market leaders generally offer products and services of superior quality (Kotler and Keller, 2006, p. 343). They further describe product as a bundle of physical services and symbolic particulars expected to yield satisfactions or benefits to the buyers. The buyer purchases a product only because, it serves the customer by satisfying his needs and desires and, therefore, he pays for it. Thus, a product is a bundle of potential utility because customer is more interested in the benefits he gets from the product rather than the product characteristics in a physical sense.

Additionally, Stanton (1994) described product as a complex of tangible attributes, including packing, color, price, manufactures prestige and retailer's prestige and manufactures and retailer's services which the buyer may expect as offering satisfaction of wants and needs.

It is true that all the marketing activities are done for the satisfaction of customers and the producers must know their customer and their needs. The product must contain qualities, which can satisfy the customers. Garvin (1984) identified eight dimensions of quality: performance,

feature, reliability, conformance, durability, serviceability, aesthetics, and perceived quality.

Branding, packaging, and labeling are the possible methods generally employed to differentiate several products for the same kind but from different manufacturers. The dictionary of marketing terms defines brand, package, and label in the following ways (Bennet, 1988). A *brand* is a device designed to assist in the process of creating, stimulating, strengthening or maintaining demand for his products. *Packaging* may be defined as the general group of activities in product planning which involve designing and producing the container or wrapper for a product. The *label* is that part of the product which carries verbal information about the product or the seller.

Shoes are shopping goods that are bought by consumers only after comparing quality, price, suitability and style. Selection of these goods thus becomes an ingredient of the buying motive of a customer. These products exhibit a high degree of differentiation, are durable in nature and purchased less frequently and are of high unit value. Here the brand name is also of much use. Wide distribution arrangements are not hasty in deciding what to buy.

2.2.2. Price

Price is the only element in the marketing mix that creates sales revenue; the other elements are costs (Kotler and Keller, 2006). The price of a product must be determined in such a manner as to offer a reasonable amount of profit to the manufacturer, a reasonable remuneration to middlemen and the maximum satisfaction to consumers. Pricing and price competition are the number one problems facing many marketing executives. Yet many companies do not handle pricing well. The most common mistakes are: pricing is too cost oriented, price is not revised often enough to capitalize on marketing changes; price is set

independent of the rest of the marketing mix rather than as an intrinsic element of market positioning strategy; and price is not varied enough for different product items, market segment, and purchase occasions.

Price is one type of cue in judging product quality. The use of price as a signal of quality has been substantiated repeatedly. Even so, price may have little influence on perceived quality in some situations and for some consumers. Recognize that although higher priced offerings benefit when consumers perceive a price-quality relationship, this perception is not desirable from perspective of those offerings of lower priced products. The challenge for low priced competitors, then, is to undermine consumers' use of price as an indicator of quality.

Various studies have found that when consumers do not have sufficient information about product quality, they use price as an indication of quality. Since these consumers know little about the product, they are less likely to be involved. Conversely, consumers with information about characteristics are less likely to make price-quality inferences. These consumers are more likely to be involved with product category (Assael, 1987).

2.2.3. Promotion

Promotion is any communication used to inform, persuade, and/or remind people about an organizational or individual goods, services, images, ideas, community involvement, or impact on society (Evans and Berman, 1997). Promotion is important for various reasons: for new products, to inform about the items and their features; for products with some consumer awareness, the focus is on persuasion that is converting knowledge to liking; for popular products, the focus is on reminding i.e. reinforcing existing consumer beliefs.

The major concerns in promotion may be the goals and methods of communications aspects of the firm and its offerings to target consumers.

Communication occurs through brand names, packaging, company marquee and displays, personal selling, customer service, trade shows, sweepstakes and messages in mass media (such as news papers, television, radio, direct mail, billboards, magazines, and transit). It can be company sponsored or controlled by independent media.

Companies use one or more of the following four basic types of promotion.

Advertising is paid, non personal communication regarding goods, services, organizations, people, places, and ideas that is transmitted through various media by business firms, government and other nonprofit organizations, and individuals who are identified in the advertising message as the sponsor. The message is generally controlled by the sponsor.

Public relations includes any communication to transfer a favorable image for goods, services, organizations, people, places, and ideas among their publics such as consumers, investors, government, channel members, employees, and general public. It may be non personal or personal, paid or non-paid, and sponsor controlled or not controlled. *Publicity* is the form of public relations that entails non personal communication passed on via various media but not paid for by an identified sponsor. Wording and placement of publicity messages are generally media controlled.

Personal selling involves oral communications with one or more prospective buyers by paid representatives for the purpose of making sales.

Sales Promotion involves paid marketing communication activities (other than advertising, publicity, or personal selling) that are intended to stimulate consumer purchases and dealer effectiveness, included are trade shows, premiums, incentives, giveaways, demonstrations, and various other efforts not in the ordinary promotion routines (Bennet, 1988).

2.2.4. Channel Distribution

According to Kotler and Keller (2006), distribution is a set of interdependent organizations involved in the process of making a product or service available for use or consumption. They are the set of pathways a product or service follows after production, culminating in purchase and use by the final end users.

The major decisions in distribution channel includes answering to: what type of retail outlet should sell the firm's offerings, where should they be located, and how many should there be, what arrangements are needed to distributed products to retailers, to what extent is it necessary for the company to own or maintain tight control over activities of firms in the channel of distribution, and what image and clientele should the retailer seek to cultivate (Loudon and Della, 1993)

Retailing, is an important part of marketing channels, includes all the activities involved in selling products and services to ultimate, or final, consumer. A *retailer* or *retail store* is any business enterprise whose sales volume comes primarily from retailing.

Retailers, shops from whom the consumer ultimately buys, serve the consumers in many ways. These include: keeping stock of different varieties of goods, store location, store hours, store layout, demand creation, keeping customers in proper selection of goods, credit facilities, personal services (home delivery, after sale-service, liberal exchange of

goods, etc.), providing facility of return of goods, and increase of knowledge of customers about new varieties of goods.

2.3. Consumer Behavior

Consumer behavior is a broad field of study that investigates the exchange process through which individuals and groups acquire, consume, and dispose of goods, services, ideas, and experiences. The principles of consumer behavior are useful to business managers, government regulators, and nonprofit organizations, as well as to ordinary people. For marketing managers, knowledge of consumer behavior has important implications for environmental analysis, product positioning, the segmentation of the marketplace, the design of market research, and the development of the marketing mix (Mown & Minor, 1987).

The consumer behavior has a strong impact on marketing management. Modern marketing managers have embraced the “marketing concept” – the idea that understanding consumer needs and wants will facilitate the exchange processes and achieve profits for the company. They therefore see satisfying consumers as the focal point of the marketing effort.

2.3.1. Strategic Applications of Consumer Behavior

As per Asseal (1987), a marketing manager faces two important tasks: (1) identifying new opportunities in the market place and (2) evaluating the strengths and weaknesses of existing brand offerings: fulfilling these tasks requires information about the determinant of consumer behavior—consumers’ needs, perceptions, attitudes, and intentions.

Marketing management requires information on the consumer in order to: define and segment the market, plan marketing strategies, evaluate marketing strategies, and assess future consumer behavior.

2.3.2. A Model of Consumer Behavior

The focal point of marketing concept oriented company is consumer. When companies design marketing strategies they should consider the factors that influence consumer behavior. Following is a simple model of consumer behavior by Asseal (1987) that emphasizes the interaction between the marketer and the consumer. The central component of the model is consumer decision making-that is, the process of perceiving and evaluating brand information, considering how brand alternatives meet the consumer's needs and deciding on a brand.

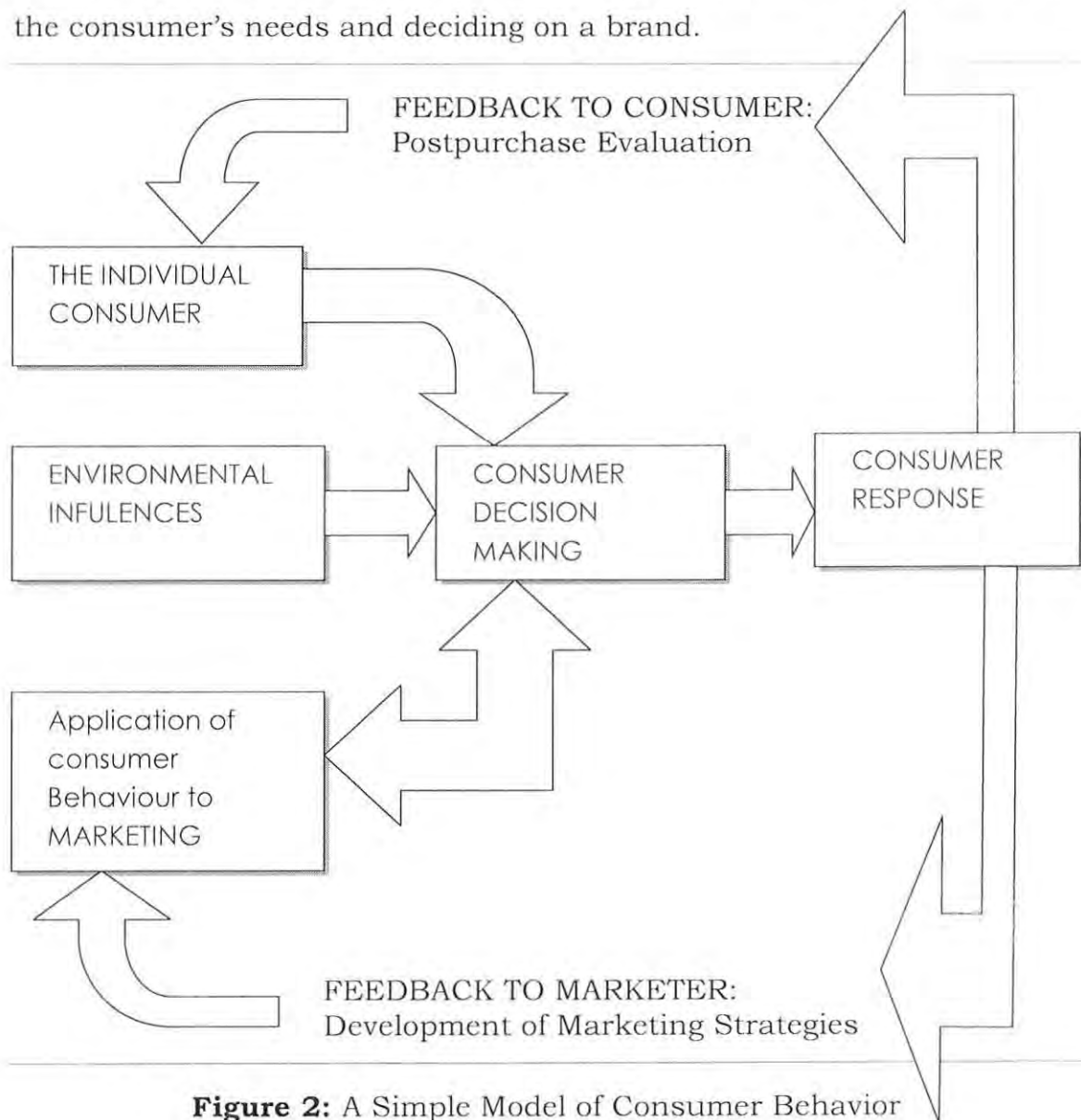


Figure 2: A Simple Model of Consumer Behavior
(Source: Asseal 1987, pp. 11)

Three factors influence the consumer's choice. The first is the individual consumer. Brand choice is influenced by the consumer's needs, perceptions of brand characteristics, and attitudes toward alternatives. In addition, brand choice is influenced by the consumer's demographic, life-style, and personality characteristics.

The other two factors – environmental influences and marketing strategies – also influence decision making. The consumer's purchasing environment is represented by culture (the norm of the society, the influences of regional or ethnic subcultures), social class (the broad socioeconomic group to which the consumer belongs), social class (the broad socioeconomic group to which the consumer belongs), face-to-face groups (friends, family members, reference groups), and situational determinants (the situation for which a product is purchased; e.g., buying a car for business or family purposes).

Marketing strategy, the third factor, represents variables within the control of marketer that attempt to inform and influence the consumer. These variables-product, price, advertising, and distribution – may be regarded as stimuli perceived and evaluated by the consumer in the process of decision making. The marketer must obtain information from the consumer to evaluate marketing opportunity prior to developing marketing strategies. This requirement is represented by the double arrow between marketing strategy and consumer decision making in Figure 2. Marketing research provides information to marketing organizations on consumer needs, perceptions of brand characteristics, and attitudes toward brand alternatives. Marketing strategies are then developed and directed to the consumer.

Once the consumer has made a decision, postpurchase evaluation, represented as a feedback to the individual consumer, take place. During evaluation, the consumer will learn from the experience and may change

his or her pattern of acquiring information, evaluating brands, and selecting a brand. Consumption experience will directly influence whether the consumer will buy the same brand again.

A feedback loop also leads back to the marketing organization. The marketer will track consumer responses in the form of market share and sales data. But such information does not tell the marketer why the consumer marketer's brand relative to competition. Therefore, marketing research is also required at this step to determine consumer reactions to the brand and future purchase intent. This information permits management to reformulate late marketing strategy to better meet consumer needs.

2.4. Concept of Perceived Product Quality

As businesses' competition becomes greater significantly, the concept of perceived product quality is increasingly becoming much on the minds of academicians and marketing practitioners today. That is because the concept of perceived product quality not only affects the purchase intention of the consumer but also affects the market share, brand profitability, brand power, and brand equity (Garvin, 1984; Aaker, 1991; Aaker and Jacobson, 1994).

There are various academics defining the concept of perceived quality. Zeithaml (1988) defined perceived quality as consumer's judgment about a product's overall excellence or superiority. Further she emphasized that perceived quality is:

- (a) different from objective or actual quality,
- (b) a higher level abstraction rather than a specific attribute of a product,
- (c) a global assessment that in some cases resembles attitude, and
- (d) A judgment usually made within a consumer's evoked set.

Similarly, Aaker (1991) defines perceived quality as customer's perception of the overall quality or superiority of the product or service with respect to its intended purpose, relative to alternatives. Adding that, the perceived quality is different from:

- (a) actual or objective quality: the extent to which the product or service delivers superior service,
- (b) product-based quality: the nature and quantity of ingredients, features, services included), and
- (c) manufacturing quality: conformance to specification, the "zero defect" goal.

Although there are a lot of definitions from many scholars, each of the definition has a shared common meaning; that is, perceived product quality is the consumer's perception of overall components of product both tangible and intangible characteristics

2.5. Factors Affecting Perceived Quality

Understanding of the factors affecting perceived product quality is necessary for all marketing practitioners to design marketing strategies efficiently. In general, there are two types of factors discussed among marketing academics. These are *intrinsic cues* and *extrinsic cues*.

2.5.1. Intrinsic Cues

The intrinsic cue concerns physical characteristics of the product itself, such as size, color, flavor, or aroma. In some cases, consumers use these physical characteristics to judge product quality (Schiffman and Kanuk, 2000). Also, Bhuian (1998), express intrinsic cues as attributes that can not be changed or manipulated without changing the physical characteristics of the product itself. Studies by Schiffman and Kanuk, (2000) show that the perceived product quality varies with the variations

in the nature of consumer perceptions of intrinsic marketing cues associated with those products.

2.5.2. Extrinsic Cues

Frequently, consumers can not use intrinsic cues in making decisions. Hence, they often evaluate quality on the basis of extrinsic cues that are external to the product itself, such as price, brand image, manufacturer's image, retail store image, or even the country of origin (Schiffman and Kanuk, 2000).

Lin and Kao (2004) reported that perceived product quality may be influenced from distribution channels, brand image, country of origin, price, and certificates. Moreover, Thakor and Katsanis (1997) identified the extrinsic cues that affect perceived quality as price, warranty, advertising, market share, and the country-of-origin. Likewise Dodds et al. (1991) reported that price, brand name, and store name affect perceived quality.

A. Price-Quality Relationship

Studies suggest that consumers using a price/quality relationship are actually relying on a well-known (and hence more expensive) brand name as an indicator of quality, without actually relying directly on price per se. Because price is so often considered to be an indicator of quality, some product advertisements deliberately emphasize a high price to underscore the marketers' claims of quality. One of the dangers of sales pricing for retailers is that products with lower prices may be interpreted as reduced quality. For this reason, it is important to include other information associated with perceived quality (such as brand and specific attribute information) to counter any perceptions of negative quality associated with lower price (Schiffman and Kanuk, 2000).

In general, different studies revealed that consumers use price as surrogate indicator of quality if they have little information to go on, or if they have little confidence in their own ability to make the choice on other grounds. When consumer is familiar with a brand name or has experience with a product or service, price declines as a factor in product selection.

B. Retail Store Image

Retail store have images of their own that serve to influence the perceived quality of products they carry and the decisions of consumers as to where to shop (Shiffman and Kanuk, 2000). Store image defined by Loudon and Della (1993) as the way in which the store is defined in the shopper's mind, partly by its functional qualities and partly by an aura of psychological attributes. This implies that perception of store image is derived not only from so called functional attributes of price, convenience, and selection of merchandise, but also from the influence of variables such as architecture, interior design, colors, and advertising. Therefore, consumers can develop image of stores regardless of whether retailers consciously attempt to project a specific image.

C. Manufacturers' Image

Consumers also judge product quality by considering manufacturers' image. Manufacturers who enjoy a favorable image generally find that their new products are accepted more readily than those of manufacturers who have a less favorable or even a "neutral" image. Researchers have found that consumers generally have favorable perceptions of pioneer brands (the first in a product category), even after follower brands become available. They also found a positive correlation between pioneer brand image and an individual's ideal self-image, which suggests that positive perceptions toward pioneer brand lead to purchase intentions (Schiffman and Kanuk, 2000).

2.6. Dimensions of Product Quality

The most important issue in assessing perceived product performance is what dimensions consumers use to make their evaluations. In other words, if perceived product quality is to be managed efficiently, it is necessary to consider the dimensions of it. With respect to product quality, Garvin (1984) and Aaker (1991) suggested the following product quality dimensions (Performance, Features, Conformance, Reliability, Durability, Serviceability or Repairability, "Fit and finish", Aesthetics and Perceived Quality).

- A. Performance:** the primary operating characteristics of the product. For an automobile, these could include traits like acceleration, handling, cruising speed, and comfort. For a television set, they would include sound and picture clarity, color, and ability to receive distant stations.
- B. Features:** the bells and whistles of products. They are secondary elements of products that supplement the product's basic functioning. Examples include free drinks on a plane flight, permanent press as well as cotton cycles on a washing machine, and automatic tuners on a color television set.
- C. Conformance:** with specifications (the absence of defects). This is a traditional, manufacturing-oriented view of quality. According to Kotler and Keller (2006), buyers expect products to have a high conformance quality, which is the degree to which all the produced units are identical and meet the promised specifications.
- D. Reliability:** is a measure of the probability that a product will not malfunction or fail within a specified period. It is the consistency of performance from each purchase to the next. Japanese manufacturers typically pay great attention to this dimension of

perceived quality, and used it to gain a competitive edge in the automotive, consumer electronics, semiconductor, and copying machine industries (Garvin, 1984).

E. Durability (a measure of product life): How long will it last? it is simply a measure of the product's expected operating life under natural or stressful conditions, is a valued attribute for certain products. Volvo has long positioned its car as durable. It once showed pictures of 10-year-old Volkos still running well (Aaker, 1991).

F. Serviceability (Repairability): is a measure of the ease of fixing a product when it malfunctions or fails. It reflects the ability to service the product, or the speed, courtesy, and competence of repair. A number of companies have begun emphasizing this dimension of perceived quality. Caterpillar Tractor promises that it will deliver repair parts anywhere in the world with in forty-eight hours and Mercedes guarantees of twenty-four-hour services in California and Arizona show that even top-of the-line producers believe that this approach has value (Garvin, 1984).

G. "Fit and finish": It refers to the appearance or feel of quality. For automobiles, it might be reflected by the paint job and fit of the doors. "Fit and finish" is important because it is a dimension which customers can judge. The assumption is usually that if the business cannot produce good "fit and finish" products, the products will not probably have the other, more important, quality attributes (Aaker, 1991).

H. Aesthetics: refers to "how a product looks feels, tastes or smells". Aesthetics is an abstraction, but there are approaches for measuring and dealing with it. For shoes fashion, style, colour, design, can be base line for standard.

I. Perceived Quality: can be as subjective as assessment of aesthetics. Because consumers do not always possess complete information about a product's attributes, they must frequently rely on indirect measures when comparing brands. In these circumstances, products will be evaluated less on their objective characteristics than on their images, advertising, or brand names.

2.7. Customer Satisfaction

Customer satisfaction is defined as the overall attitude regarding a good/service after its acquisition and use (Mowen & Minor, 1998). They further explained that it is a post choice evaluative judgment resulting from specific purchase selection and the experience of using/consuming it. However, Kotler and Keller (2006) define customer satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. If the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted.

East (1997) explained the role of customer satisfaction as a central element in the marketing exchange process, because it undoubtedly contributes to the success of service providers. Further the researcher described customer satisfaction as, the full meeting of one's expectations. It has been a critical concept in contemporary marketing thought and in research related to buyer behavior. It is also generally argued that if customers are satisfied with a particular product or service offerings after its use, then they are likely to engage in a repeat purchase and try line extensions (Naser et al., 1999).

Customer satisfaction is influenced by perceived quality of product and service attributes, features and benefits, and is moderated by customer

expectations regarding the product and service. Each of these constructs that influence customer satisfaction need to be defined by the researchers (Smith & Albaum, 2007).

Customer satisfaction as it is defined earlier is an overall attitude consumers have toward a good/service after acquired. On the other hand product quality is consumers' overall evaluation of the excellence of the performance of a good/service. A key issue in assessing perceived product performance is what dimensions consumers use to make their evaluations. Therefore the key question is, how each of the dimensions of product quality combined to form an overall impression of quality. Mowen and Minor (1998) suggest that consumers form beliefs about each of the products' quality dimensions, and then sum up these beliefs to form an overall belief regarding the quality of the product. In effect, people act as though their perception of the overall performance quality of a product is formed via a type of multi-attribute model.

2.7.1. Expectancy Disconfirmation Model of Consumer Satisfaction/Dissatisfaction

An understanding of consumer satisfaction/dissatisfaction (CS/D) through expectancy disconfirmation model can be obtained through Figure 3.

The model explains that the process through which CS/D is formed begins with the use of other brands in the product class as well as with the use of the brand in question. Through this usage behavior, and through communication from firms and other people, consumers develop expectations of how the brand should perform.

In the next stage consumers compare their performance expectations to actual product performance (i.e., the perception of product's quality). If quality falls below their expectations, they experience emotional dissatisfaction. If performance is perceived as equal to expectations, they

feel emotional satisfaction. If performance is perceived as equal to expectations, consumers experience confirmation.

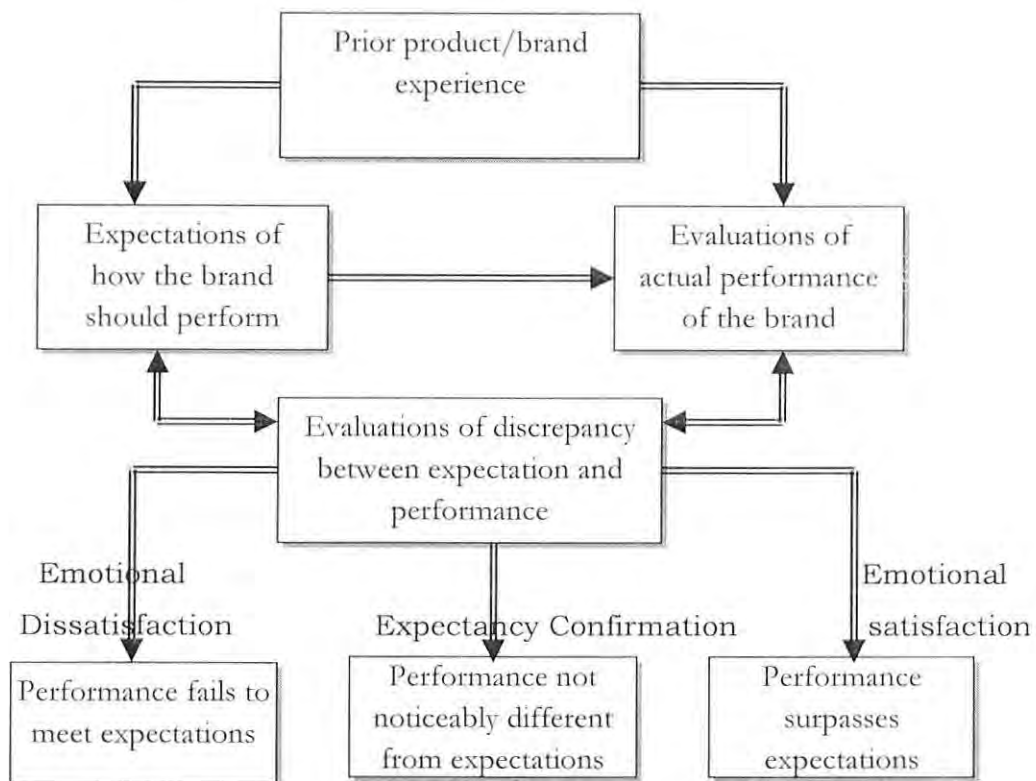


Figure 3: Expectancy Disconfirmation Model of consumer satisfaction/dissatisfaction (Source: Mown and Minor, 1998p. 425)

2.7.2. Measuring Customer Satisfaction

According to Smith and Albaum (2007), satisfaction measures involve three psychological elements for evaluation of the product or service experience: cognitive (thinking/evaluation), affective (emotional-feeling/like-dislike) and behavioural (current/future actions).

A. Affective Measure of Customer Satisfaction

A consumer's attitude (liking/disliking) towards a product/service can result from any product/service information or experience whether perceived or real. Again, it is meaningful to measure attitudes towards a product or service that a customer has never used.

B. Cognitive Measure of Customer Satisfaction

A cognitive element is defined as an appraisal or conclusion that the product was useful (or not useful), fit the situation (or did not fit), exceeded the requirements of the problem/situation (or did not exceed). Cognitive responses are specific to the situation for which the product was purchased and specific to consumer's intended use of the product, regardless if that use is correct or incorrect (Smith & Albaum, 2007).

C. Behavioral Measure of Customer Satisfaction

It is sometimes believed that dissatisfaction is synonymous with regret or disappointment while satisfaction is linked to ideas such as, "it was a good choice" or "I am glad that I bought it." When phrased in behavioural response terms, consumers indicate that "purchasing this product would be a good choice" or "I would be glad to purchase this product." Often, behavioural measures reflect the consumer's experience individuals associated with the product (i.e. customer service representatives) and the intention to repeat that experience (Smith & Albaum, 2007).

More precisely, measuring customer satisfaction will have the following marketing implications: Satisfied customers form the foundation of any successful business leads to repeat purchase, profitability, brand loyalty, positive word of mouth. On the other hand dissatisfied customers will leads to a variety of negative outcomes: Negative word of mouth communication, complaints, reduced purchases with resulting lower profits (Hoyer & MacInnis, 2007).

2.8. Purchase and Repurchase Intentions

Purchase intention is defined as a plan to purchase a particular or service in the future. (http://www.business_dictionary.com/definition). From the above definition one can understand that purchase intentions

are predictions of behavior or actions to be taken in a specified future period.

According to Hiller et al. (2003), repurchase intention is the individual's judgment about buying again a designated product, taking into account his or her current situation and likely circumstances.

On the other hand Lindquist and Sirgy (2003) described, behavioral purchase intention as attitude not toward a brand intention but toward brand purchase and, as such, is a far better predictor of behavior than either belief or affective response. Green et al. (2004) suggested that the major use of intention is in forecasting sale.

Purchase intention is also an important concept in that it uses in the evaluation of effectiveness of advertising, it is an input for a new product model, and it is used also to segment market for proposed new (redesigned) product (Morrison, 1979).

2.9. Relationship among Perceived Product Quality, Consumer Satisfaction and Repurchase Intention

Researchers have tried to study the relationship of product quality, satisfaction, and future purchase intention/behavior. In the following discussion we shall see at the result of different studies on the relationships among the variables.

2.9.1. Perceived Product Quality and Satisfaction

The terms perceived quality and satisfaction have been used interchangeably, especially among practitioners. However, Rust and Oliver (1994) proposed that perceived quality and satisfaction differ in two ways: perceived quality is a more specific concept based on product and service features, whilst satisfaction can result from any dimension (e.g. loyalty, expectations). In addition, perceived quality can be controlled to a certain degree by a company whilst satisfaction can not.

Thus, it is suggested that when perceived quality and satisfaction are regarded as overall assessments, perceived quality is understood as an antecedent of satisfaction and therefore precedes it (Llusar et al., 2001).

The research findings reported by Caruana (2002) and Tsiotsou (2006) verify the preceding role of perceived quality and suggest a direct effect of perceived quality on consumer satisfaction. Thus, it is expected that the higher the perceived quality of a product, the higher the consumer satisfaction. Bloemer, Ruyter, and Peeters (1998) revealed that service quality can be seen as a determinant of satisfaction which in turn influences purchase intention.

The research result by, Chaudhuri (2002) also explained perceived quality leads to consumer satisfaction, which is determined by perceived performance and expectation.

2.9.2. Perceived Product Quality and Repurchase Intention

The importance of perceived quality derives from its beneficial impact on purchase intentions, although contradictory research findings have been reported in the literature. Some scholars support a positive direct effect of perceived quality on purchase intentions (Boulding et al., 1993; Parasuraman et al., 1996), while others report only an indirect effect through satisfaction (Cronin and Taylor, 1992; Sweeney et al., 1999), and yet others argue that both relationships exist. However, it is of note that the dual effect (direct and indirect) of perceived product quality on purchase intentions has been found for goods, while the single effects (direct or indirect) have been reported from studies focused on services (Tsiotsou, 2006).

Although perceived quality is generally treated as a post-purchase construct (Tsiotsou, 2006). Scholars like, Rust and Oliver (1994) support the notion that perceived quality is both a pre-purchase and post-

purchase construct, as they argue that a previous product experience is not needed to assess quality. Whether an interaction, a direct and/or indirect effect exists between perceived product quality and purchase intentions, marketing scholars agree that a relationship between these two constructs exists.

2.9.3. Satisfaction and Repurchase Intention

A direct positive relationship between customer satisfaction and repurchase intention is supported by a wide variety of product and service studies. These studies establish that overall customer satisfaction with a service is strongly associated with the behavioural intention to return to the same service provider. However, it must be kept in mind that the direct positive relationship of satisfaction upon repurchase intention is a simplification of the matter. While customer satisfaction is a major factor, it is only one of the many variables that can impact upon customer repurchase intention (Hellier et al., 2003).

As customer satisfaction is strongly linked to impressions of performance, satisfaction and switching barriers are assumed to be the most important antecedents of repurchase behavior, or the intention to repurchase a good or service (Bateson & Hoffman, 1999).

They added that, when some degree of satisfaction exists after purchase and evaluation, the intention to repurchase will be positive. Conversely, if there is dissatisfaction the intention to repurchase will be negative, and a consumer would be unlikely to repurchase the product again. However, in both cases the existence of switching barriers raises the likelihood of repurchase. Every available alternative within a consumer's consideration set creates its own level of intentions to repurchase; but, if neither satisfaction nor switching barriers exist then repurchase is unlikely.

CHAPTER THREE

Research Methodology

Based on the theoretical framework, the study developed with the methodology applied for preparing instruments of data collection, sampling, and data analysis. This chapter deals with the specific steps followed to collect primary data, sampling procedure, and ethical grounds maintained in accomplishing research objectives.

The basic purpose of the study is to determine the quality perceptions of locally manufactured leather shoes, consumer satisfaction, and repurchase intention of consumer. Therefore, exploratory research design was used to get insights on the factors determining quality. Additionally, descriptive approach was used to determine the level of perceived quality of locally manufacture leather shoes, consumer satisfaction and repurchase intension.

3.1. Data Sources

The required data used in the study were obtained through both secondary and primary sources. While books, journal articles, and internet were explored to gather published data on the issues under research study, primary data were collected through the consumers of locally manufactured leather shoes by using self-administered structured questionnaire.

3.2. Sampling Method

The required data for the research were collected from the consumers of local leather shoes in Addis Ababa at different retail stores mainly in “Merkato”, the biggest open market in Ethiopia, and in some retail stores in “Piassa” and “Arat Kilo”. Since the population is infinite and no particular sample frame was available for the research, non-probability (convenience) sampling technique was used to obtain representative sample.

In this way, 400 respondents were contacted personally by the researcher on convenience basis at 40 different retail stores at “Merkato”, specifically “Amede Gebeya” (a market for shoes), 2 retail stores at “Piassa”, and 3 retail stores at “Arat Kilo”. Because of resource (money and time) constraints, this sample size was considered sufficient for the study. However, while selecting the respondents for the study, distinctions was made based on demographic profiles, to avoid biasness caused by using non-probability sampling and to justify the findings of the research.

3.3. Variables Under Study

- (1) Aesthetics and “fit and finish” (**ASF**),
- (2) Durability (**DUR**),
- (3) Store Image (**SIG**)
- (4) Repairability (**REP**),
- (5) Promotion (**PRO**),
- (6) Price (**PRI**),
- (7) Reliability (**REL**),
- (8) Performance (**PER**).
- (9) Consumers overall quality perceptions (**OQ**),
- (10) Overall satisfaction (**OSAT**), and
- (11) Repurchase intentions of consumers (**RPI**) of locally manufactured leather shoe are the variables used under this study.

3.4. Instrument and Procedure

3.4.1. Data Collection Instrument

There are three general ways of obtaining primary data in marketing research; survey, observation, and experiment (Burns & Bush, 1995). However, in this study survey was used as method of data collection for it is advantageous for collection of significant amount of data in an economic and efficient manner on the one hand, and it typically allow for much larger sample sizes on the other hand.

The instrument used to collect data from consumers of locally manufactured leather shoes was questionnaire. The questionnaire was selected for it had the following advantage (1) Filling up a questionnaire doesn't take that much of time so this increases the respondent's willingness to provide more accurate data, (2) Respondents' secrecy can be strictly maintained, and (3) It is easy to quantify all the data from the questionnaire for quantitative analysis.

The questionnaire was drafted on the basis of ideas and insights obtained from exploratory study (Appendix C), the reviewed literature, adopting from previous researchers (Swinker and Hines, 2006), and the experience of the researcher for the intended data to be collected.

Structured questionnaire with four main parts was used to collect data. The first part of the questionnaire was on consumers' quality perception contains 32 items (statements). The 31 statements were sub grouped with nine quality dimensions (1) aesthetics (2) "fit and finish", (3) Durability (4) Store image (5) Repariability, (6) Promotion, (7) Price (8) Reliability and (9) Performance; while the last (one) question was on overall quality perception. The second and third parts of the questionnaire consists of 4 construct statements each on consumer satisfaction and repurchase intention of leather shoes manufactured in Ethiopia (Table 1). The fourth part of the questionnaire contains demographic profile of respondents on gender,

age, education, occupation, income, number of years on product usage, and number local leather shoes purchase in a year.

All the statements in part one, two, and three had been placed on a 5-point Likert-scale anchored by “1-strongly disagree” to “5-strongly agree”. But, the last question in part I. was measured on a five point scale anchored by “1- very low” to “5-very high”.

Table 1: Product Quality Dimensions, Consumer Satisfaction and Repurchase Intentions

Dimensions	Code	Items
Aesthetics (AS)	AS1	The style is attractive.
	AS2	Are fashionable.
	AS3	The colour is appealing.
	AS4	Maintain attractive designs/models.
“fit and finish” (FF)	FF1	The “fit and finish” are of high quality.
	FF2	The outer cover maintains high quality on the part of “fit and finish”
	FF3	The design/model suits to consumers due to their “fit and finish”
Durability (DUR)	DUR1	Leather shoes manufactured locally show durability/long life.
	DUR2	The outer sole of the leather shoes promises high durability.
	DUR3	The inner sole of the shoe is durable.
	DUR4	Leather used as shoe cover is durable.
Store Image (SIG)	SIG1	Leather shoes manufactured locally are not on locational disadvantage (available at most of the places)
	SIG2	Retailers keep different varieties of leather shoes manufactured locally.
	SIG3	Prestigious retailers also keep locally manufactured leather shoes into their stores.
	SIG4	The quality of services provided by sales people at retail store is good.
Repairability (REP)	REP1	Are easily repairable.
	REP2	The outer sole of locally manufactured leather shoe is easily repairable.
	REP3	The cover leather is easily repairable.
Promotion (PRO)	PRO1	The advertisement messages/commercials appealing.
	PRO2	Exert high communication effort to build/maintain favourable image and relationship with customers/public.

	PRO3	Using incentives (gift, discount) is one of the practices of stimulating consumers.
Price (PRI)	PRI1	The shoes are priced reasonably (affordable).
	PRI2	The price is fair compared to the benefits/usage I maintain with them.
	PRI3	By paying affordable price, it is possible to ensure quality on the part of locally made leather shoes
Reliability (REL)	REL1	Leather shoes manufactured locally are consistent in size (with number).
	REL2	Local leather shoes show dependability over time without reporting any damage/failure/tearing off.
	REL3	Leather shoes manufactured locally are consistent on the part of their color (of cover leather) from one to other in a pair.
	REL4	Locally manufactured leather shoes are consistent in designing pattern (models).
	REL5	The overall reliability on the part of performance of locally manufactured leather shoes is consistent from one purchase to another.
Performance (PER)	PER1	Are comfortable.
	PER2	Leather shoes manufacturers in Ethiopia use high quality leather material.
	PER3	Locally manufactured leather shoe are easy and suitable.
Overall Quality Perception (OQ)	OQ	The Overall quality of locally manufactured leather shoes is:
Consumer Satisfaction		
Satisfaction (SAT)	SAT1	My decision to purchase locally manufactured leather shoes was a wise one.
	SAT2	I feel good about my decision of purchasing locally manufactured leather shoes.
	SAT3	I am pleased that I purchased leather shoes manufactured locally.
	SAT4	As I am satisfied, I would recommend locally manufactured leather shoes to other people.
Repurchase Intention		
Repurchase Intention (RPI)	RPI1	I intend to continue my purchase of locally manufactured leather shoes.
	RPI2	I re-buy locally manufactured leather shoes even there exists many alternatives
	RPI3	It is very likely that I would prefer to buy leather shoes those are locally manufactured in near future.
	RPI4	I will continue with my use of locally manufactured leather shoes in a similar fashion as in the past.

3.4.2. Procedure

To conduct the study more objectively, the following procedures were followed.

1. The questionnaire was first drafted and prepared in English. Then by employing an expert in translation it was translated into Amharic (Appendix A and B).
2. The instrument was pre-tested for face validity and reliability using 30 local leather shoes users in a pilot study.
3. To review the internal consistency of the scale items, Cronbach coefficients (alpha) were computed and found to be 0.935. The Cronbach alpha coefficient for the quality dimensions were: 0.700 for performance, 0.414 for reliability, 0.781 for durability, 0.709 for repairability, 0.936 for aesthetic, 0.927 for “fit and finish”, 0.761 for price, 0.568 for promotion, and 0.631 for store image. Additionally, cronbach alpha for satisfaction and repurchase intention was 0.927 and 0.784 respectively.
4. Based on the result of the pre-test the instrument format was modified and vague statements were corrected.
5. Finally, the modified and corrected questionnaire was distributed to the respondents (first by approaching a visitor to shoe stores and asking if they are users of locally made leather shoe) and by following the process as mentioned earlier. Data was gathered from September 11 to October 15 (for thirty four days).
6. Out of the 400 questionnaires distributed a total of 386 (96.5% response rate) were found to be completely filled and therefore, retained for the purpose of final analysis.

3.5. Data Analysis

After editing and checking the validation of data collected, the variables were coded and entered to the SPSS ver.17.0. Responses of the respondents were analyzed by both descriptive and inferential statistical methods. In order to describe the data, preliminary

descriptive statistics such as; frequency, percentages, and mean were employed.

To test for the significant difference between mean value of quality perception and satisfaction among genders, an independent-sample t-test was run (executed). Further, coefficient of co-relations and multiple regressions (multivariate analysis) were employed to observe intercorrelation among variables and to determine the predictive power of variables under study respectively.

3.6. Ethical Considerations

The respondents were informed that their participation was on a voluntary basis and all information provided would be kept private and confidential. Questionnaires were distributed only to those who qualified and agreed to participate in the study. The researcher then briefly explained the nature and requirement of the survey before the respondent filled up the questionnaire.

CHAPTER FOUR

Data Analysis and Findings

Data collected, by following the methodology presented in the last chapter, were exposed to various statistical analyses to generate the results inline with research objectives. This chapter explores the techniques used in computing scale reliabilities, and analyzing data associated with demographic profile of the respondents, perceived quality, satisfaction, and repurchase intention/behavior.

4.1. Scale Validity and Reliability

Separate factor analyses were carried out to assess the unidimensionality of the constructs (dependent and independent) for the subsequent analysis. Principal Component Approach (PCA) of extraction by using Direct Oblimin factor rotation was employed, since the factors are conceptually linked and oblique rotation represents the clustering of variables more accurately.

A total of 29 items (out of 32) representing quality dimensions were found to be loaded into 8 factors, perceived to be quality dimensions with loadings 0.50 and above (representing 61.71% of cumulative variance explained), and were retained for further analysis (Table 2). The result suggests that the respondents relate aesthetics dimension of quality with “fit and finish” dimension and therefore, for final analysis the two dimensions were considered as one (aesthetics and “fit and finish”). The removed items were SIG4, REL5, and PER2 (Table1).

Further, the factor analysis was performed on the items representing consumer satisfaction and repurchase intentions (dependent constructs). All the items were found to be loaded separately in two constructs with a value above 0.50 (Table 3).

Table 2: Construct Validity (Factor Analysis) for Independent Variables

Items/ Dimensions	Aesthetics & “fit and finish”	Durability	Store Image	Repairability	Promotion	Price	Reliability	Performance
ASF1	0.750							
ASF2	0.670							
ASF3	0.708		0.554					
ASF4	0.806							
ASF5	0.701							
ASF6	0.738							
ASF7	0.687							
DUR1		0.809						
DUR2		0.650						
DUR3		0.638						
DUR4		0.706						
SIG1			0.655					
SIG2			0.770					
SIG3			0.644					
REP1				0.606				
REP2				0.836				
REP3				0.803				
PRO1					0.645			
PRO2					0.800			
PRO3					0.744			
PRI1						0.726		
PRI2						0.819		
PRI3						0.797		
REL1							0.546	
REL2							0.687	
REL3							0.549	
REL4							0.742	
PER1								0.775
PER2								0.709

Table 3: Construct Validity (Factor Analysis) for Dependent Variables

Items	Satisfaction	Repurchase
SAT1	0.884	
SAT2	0.918	
SAT3	0.926	
SAT4	0.854	
RPI1		0.876
RPI2		0.870
RPI3		0.814
RPI4		0.890

Note: SAT-Satisfaction; RPI-Repurchase Intention

Additionally, to review the internal consistency of each construct, scale reliabilities were computed by using Cronbach coefficients (alpha). If all items being measured are drawn from the domain of a single construct, response to those items should be highly inter correlated as found to be 0.880 for independent dimensions of perceived quality (Table 4), and 0.933 for dependent dimensions of consumer satisfaction and repurchase intentions (Table 5).

Table 4: Scale Reliability (Cronbach Alphas) for Perceived Quality Dimensions

Dimensions	Items	Alpha Coefficient for dimensions	Alpha Coefficient if item deleted
Aesthetics and “fit and finish”	ASF1	0.871	0.850
	ASF2		0.852
	ASF3		0.850
	ASF4		0.840
	ASF5		0.861
	ASF6		0.858
	ASF7		0.858
Durability	DUR1	0.733	0.631
	DUR2		0.683
	DUR3		0.651
	DUR4		0.721
Store Image	SIG1	0.657	0.580
	SIG2		0.471
	SIG3		0.627
Repairability	REP1	0.724	0.693
	REP2		0.543
	REP3		0.658
Promotion	PRO1	0.649	0.685
	PRO2		0.332
	PRO3		0.595
Price	PRI1	0.721	0.684
	PRI2		0.622
	PRI3		0.575
Reliability	REL1	0.554	0.509
	REL2		0.453
	REL3		0.465
	REL4		0.499
Performance	PER1	0.672	0.668
	PER2		0.670
Reliability of the Total Scale		0.880	

Table 5: Scale Reliability (Cronbach Alphas) for Dependent Dimensions

Dimensions	Items	Alpha Coefficient for dimensions	Alpha Coefficient if item deleted
Satisfaction	SAT1	0.917	0.898
	SAT2		0.880
	SAT3		0.874
	SAT4		0.914
Repurchase Intention	RPI1	0.886	0.847
	RPI2		0.851
	RPI3		0.878
	RPI4		0.835
Reliability of the Total Scale		0.933	

4.2. Demographic Characteristics of Respondents

The participants in the study were 386 consumers of locally manufactured leather shoes.

The demographic profile of the respondents was found more or less diverse with a majority of the respondents (68.9%) who claimed to be male and the remaining (31.1%) as female (Table 6). While less than half (44%) reported to be in younger age group (18-25), a little over one-third (35%) fell in the middle age group (26-35) with remaining distributed as upper-middle (14.5%), junior (1.6%) and senior citizens (4.7%).

On education, little over one-third (34.2%) of the respondents stated to be with college diploma, with over one-fourth (27.5%) who completed 10th/12th certification, and little less than one-fourth (22.8%) who obtained their first degree.

With regard to occupation, little over one-third (35.5%) of the respondents are private organization employees, litter greater than one fourth (26.9%) are government employees, little less than one fifth

(18.1%) are students, about fifteen (15%) run their own business and about five (4.8%) are out of the categories given.

While over half (52.9%) of the respondents claimed to be with monthly income between Ethiopian birr 500 and 2000, about one fourth (26.4%) earn below birr 500, and (11.9 %) are above birr 3000.

With respect to number of years of product usage, little over one third (35.5%) of the respondents reported to be users of locally manufactured leather shoes since last 1-5 years, followed by (30.2%) since last 6-11 years and about little greater than one third (33.2%) users form more than 11 years.

Finally, respondents were asked about how frequently they purchase locally manufactured leather shoes in a year. About two fifth (40%) of the respondents reported they purchase locally manufactured leather shoes 2 times in a year, about thirty five (35.2%) purchase 1 time in a year, fourteen (14%) 3 times, and about ten (9.8%) reported more than 3 times in a year (Table 6).

Table 6: Personal Profile of Respondents

No.	Characteristics	Respondents in	
		Number	Percent
1	Gender:		
	Male	266	68.9
	Female	120	31.1
2	Age:		
	<18	6	1.6
	18-25	170	44.0
	26-35	136	35.2
	36-45	56	14.5
	>46	18	4.7
3	Education:		
	<10	16	4.1
	10 or 12 complete	106	27.5
	College Diploma	132	34.2
	First Degree	88	22.8
	Master and Above	44	11.4
4	Occupation:		
	Student	70	18.1
	Government employee	104	26.9
	Private Organization Employee	136	35.2
	Running own Business	58	15.0
	Other	18	4.7
5	Monthly Income (in ETB):		
	Below Birr 500	102	26.4
	501-1000	84	21.8
	1001-2000	120	31.1
	2001-3000	30	7.8
	3001-5000	36	9.3
	Above 5000	10	2.6
	Undesignated	4	1.0
6	Number of years of product usage:		
	1-5 years	136	35.2
	6-11	116	30.1
	>11	130	33.2
	Undesignated	6	1.6
7	Purchase in a year:		
	1 times	136	35.2
	2 times	154	39.9
	3 times	54	14.0
	More than 3 times	38	9.8
	Undesignated	4	1.0

4.3. Consumers' Quality Perceptions

In order to measure consumers' quality perception with regard to locally manufactured leather shoes, the study designed the questionnaire to investigate the shoes quality in terms of eight product quality dimensions: (1) Aesthetics and "fit and finish", (2) Durability, (3) Store Image, (4) Repairability, (5) Promotion, (6) Price, (7) Reliability, and (8) Performance.

As shown in Table 7, the range for quality perceptions was from as low as 2.6 to as high as 4.21 on a 5-point scale. In addition, the study revealed that on average, locally manufactured leather shoes are perceived highest with price dimension average mean of (3.95): are priced reasonably (affordable) (4.21), fair compared to the benefits/usage I maintain with them (3.92), and by paying affordable price, it is possible to ensure quality on the part of locally made leather shoes (3.72).

The second above average mean was found with durability quality dimension (3.74): show durability/long life (4.19), outer sole of locally manufactured leather shoes promises high durability (3.23), inner sole of the shoe is durable (3.35), and leather used as shoe cover by local manufacturers is durable (4.19) are perceived on five point scale (Table 7).

The third above average mean was found with the quality dimension of repairability (3.65): the shoe is easily repairable (4.04), the outer sole is easily repairable (3.67), and cover leather of locally manufactured leather shoe is easily repairable (3.25). This shows that consumers' are happy on the repairability or serviceability of locally made leather shoes.

The fourth above average perceived quality dimension was performance with average mean of (3.57): locally manufactured leather shoes are comfortable (3.68), are easy and suitable (3.48) perceived on five point scale.

The fifth above average perceived quality dimension by consumers was store image. Its average mean on five point scale was (3.37), with highest on statement that leather shoes manufactured locally are not on locational disadvantage (available at most of the places) (3.59), followed by retailers keep different varieties of leather shoes manufactured locally (3.51), while the statement prestigious retailers also keep locally manufactured leather shoes into their stores is averagely (3.01) perceived on five point scale (Table 7).

The last above average perceived quality dimension with regard to locally manufactured leather shoes was reliability with average mean value (3.26). Consistency in designing pattern (models)(3.43) followed by consistency in size (with number) (3.27), shoes show dependability over time without reporting any damage/failure/tearing off (3.22), and are consistent on the part of their colour (of cover leather) from one to other in a pair (3.11).

However, the dimensions of promotion with average mean of (2.77) and aesthetics and “fit and finish” (2.89) were perceived below average (to be the lowest) by the respondents on a five point scale. For promotion statements focusing were: local leather shoes manufacturers’ advertisement messages/commercials are appealing (2.81), exert high communication effort to build/maintain favourable image and relationship with customers/public (2.91), using incentives (gift, discount) is one of the practices of stimulating consumers (2.6). While for aesthetics and “fit and finish” statements were: The style is attractive (2.76), are fashionable (2.83), the colour is appealing to eyes (3.19), maintain attractive designs/models (2.74), the “fit and finish” are of high quality (2.74), the outer cover maintains high quality on the part of “fit and finish” (2.95), and the design/model suits to consumers due to their “fit and finish” (2.99). Therefore, it can be said locally manufactured leather shoes are poorly performing on the part of promotion and aesthetics and “fit and finish”.

Table 7: Consumers' Quality Perceptions

Quality Perception Dimension	Items	Mean	SD.
Aesthetics and "fit and finish"	ASF1	2.76	1.312
	ASF2	2.83	1.319
	ASF3	3.19	1.236
	ASF4	2.74	1.242
	ASF5	2.74	1.230
	ASF6	2.95	1.241
	ASF7	2.99	1.162
	ASF	2.89	0.938
Durability	DUR1	4.19	1.033
	DUR2	3.23	1.384
	DUR3	3.35	1.285
	DUR4	4.19	0.972
	DUR	3.74	0.880
Store Image	SIG1	3.59	1.195
	SIG2	3.51	1.224
	SIG3	3.01	1.317
	SIG	3.37	0.959
Repairability	REP1	4.04	0.944
	REP2	3.67	1.141
	REP3	3.25	1.293
	REP	3.65	0.911
Promotion	PRO1	2.81	1.269
	PRO2	2.91	1.284
	PRO3	2.60	1.322
	PRO	2.77	0.990
Price	PRI1	4.21	0.911
	PRI2	3.92	1.039
	PRI3	3.72	1.137
	RRI	3.95	0.827
Reliability	REL1	3.27	1.163
	REL2	3.22	1.151
	REL3	3.11	1.347
	REL4	3.43	1.178
	REL	3.26	0.792
Performance	PER1	3.65	1.125
	PER2	3.48	1.125
	PER	3.57	0.935

From the above discussion one can infer that locally manufactured leather shoes are perceived above average on five point scale with perceived quality dimensions: 1st price (3.95), 2nd durability (3.74), 3rd repairability (3.65), 4th performance (3.57), 5th store image (3.37), and 6th reliability (3.26). However, they are perceived poorly (below average or less than 3 on 5 point scale) with promotion (2.77) and aesthetics and “fit and finish” (2.89) quality dimensions (Table 7).

4.4. Overall Quality Perception

Respondents were asked to rate the overall quality of locally manufactured leather shoes. With question; the overall quality of locally manufactured leather shoes is (1 for very low and 5 for very high) on a 5-point Likert scale.

While little greater than one-third (34.7%) of the respondents reported low and very low (below average), and one-fifth (20.2%) stated as average (moderate), and with majority (45.1%) found it above average (Table 8).

Table 8: Overall Quality Perception

SI. No	Overall Quality	Frequency	Percentage	Mean
1	Very Low	44	11.4	3.13
2	Low	90	23.3	
3	Moderate	78	20.2	
4	High	120	31.1	
5	Very High	54	14.0	
Total		386	100	

Note: Very low and low= below average
 Moderate = average
 High and very high = above average

From the result it is possible to infer that consumers’ overall quality perception is little greater than average (3.13). The below average quality perception level with promotion and aesthetics and “fit and finish” dimensions may be the reason for overall quality perception level to become little greater than average.

4.5. Consumers' Satisfaction

Most used satisfaction measures involve three psychological elements of evaluation of the product or service experience: cognitive (thinking/evaluation), affective (emotional feelings/like-dislike and behavioural (current and future action) (Smith & Albaum, 2007).

Thus, satisfaction levels of consumers to locally manufactured leather shoes were measured by measuring the level of satisfaction with cognitive, affective and behavioural psychological elements.

As shown in Table 9, the overall level of consumers' satisfaction is high or above average with mean score of 3.76. The mean value for cognitive (3.84) was higher than affective (3.73) and behavioural (3.72) measures of satisfaction on five point scale.

Table 9: Consumer Satisfaction

Item	Attribute(N=386)	Mean	SD
SAT1	My decision to purchase was a wise one	3.84	1.312
SAT2	I feel good about my decision of purchasing	3.72	1.319
SAT3	I am pleased that I purchased the shoes	3.74	1.236
SAT4	As I am satisfied, I would recommend to other people.	3.72	1.242
OSAT	Overall Satisfaction	3.76	1.01

4.6. Consumers' Repurchase Intension

The repurchase intention is measured by measuring the consumers judgments about buying again of locally manufactured leather shoe, taking into account his or her current situation and likely circumstances.

As shown in Table 10, overall, consumers' have higher repurchase intentions to locally manufactured leather shoes, since the mean score is above average (3.69) on five point scale.

Table 10: Consumers' Repurchase Intention

Items	Attribute(N=386)	Mean	SD
RPI1	I intend to continue to purchase.	3.79	1.083
RPI2	I re-buy locally manufactured leather shoes even there exists many alternatives	3.56	1.256
RPI3	It is very likely that I would prefer to buy leather shoes those are locally manufactured in near future.	3.77	1.102
RPI4	I will continue with my use of locally manufactured leather shoes in a similar fashion as in the past.	3.65	1.153
RPI	Repurchase Intention	3.69	0.990

4.7. Gender difference with Quality Perception and Overall Satisfaction

One of the objectives of the study was to know if differences exist on (quality-perceptions and overall satisfactions) levels of consumers of locally manufactured leather shoes, among male and female. Following are the results and discussions.

4.7.1. Gender and Quality Perceptions

As shown in Table 11, on average the mean scores of respondents by gender over their quality perception level are different. Males were found to be having higher mean scores (2.90) than female (2.86) with respect to aesthetics and "fit and finish". Also, their mean perceptions for price (4.04) against female (3.75) were reported as high.

On the other hand, from Table 11 result, females have higher mean score than males with quality dimensions: durability (3.88, 3.68), store image (3.5, 3.29), reparability (3.72, 3.62), promotion (2.9, 2.72), reliability (3.3, 3.24), and performance (3.70, 3.51) respectively.

Overall quality perception level with gender shows differences in that, female overall average score (3.18) is greater than male overall average score (3.11). The result revealed females consumers of leather shoe maintain higher overall quality perception level than male.

An independent group t-test was conducted to determine if there is significant difference between the mean values of male and female consumers. The result of t-test was statistically significant for quality dimensions: durability, store image, and price. For durability (mean difference of 0.21, t-value is 2.165 and p-value is 0.031), for store image (mean difference of 0.26, t-value is 2.521 and p-value is 0.012) and for price (mean difference is -0.29, t-value is -3.226 and P-value is 0.001). However, the results reveal, no statistically significance difference on gender with quality dimensions of aesthetics and “fit and finish”, Repairability, promotion, reliability, and performance. Further, the t-test run for overall quality perception shows no statistical significance difference among the two genders (Table 11).

Table 11: Gender and Quality Perceptions

Dimensions	Gender		Mean difference	t-value	p-value
	Female=120 (mean)	Male=266 (mean)			
Aesthetics and “fit and finish”	2.86	2.90	-0.04	-0.349	0.727
Durability	3.88	3.67	0.21	2.165*	0.031
Store image	3.55	3.29	0.26	2.521*	0.012
Repairability	3.72	3.62	0.10	1.004	0.316
Promotion	2.90	2.72	0.18	1.687	0.092
Price	3.75	4.04	-0.29	-3.226*	0.001
Reliability	3.30	3.24	0.06	0.750	0.454
Performance	3.70	3.51	0.19	1.876	0.061
Overall quality perception	3.18	3.11	0.07	0.57	0.569

*Level of significance is 0.05

4.7.2. Gender and Overall Satisfaction

As shown in Table 12, the mean score for overall satisfaction level of female (3.90) is higher than male (3.69) consumers. The mean difference value (0.21) shows that females overall satisfaction level is higher than male consumers. To observe if this difference has statistical significance, t-test was run. As shown in Table 12, no statistically significant difference was found between female and male respondents on the part their overall level of satisfaction with locally manufactured leather shoes.

Table 12: Gender and Overall Satisfaction

Item	Gender		Mean difference	t-value	p-value
	Female=120 (mean)	Male=266 (mean)			
Overall satisfaction	3.90	3.69	0.21	1.839	.067

4.8. Modeling Overall Quality Perception, Overall Satisfaction and Repurchase Intention

In the following discussion regression model is used to see the determining quality dimension on overall quality perception and overall satisfaction. Additionally, the predictive ability of overall quality perception and overall satisfaction on repurchase intention is discussed.

The average scores of the *eight dimensions* are taken as the scores of the independent variables and the mean score of *overall quality perception* and the average mean score of *overall satisfaction* were taken for the dependent variables. The linear regression enter method is used to model the prediction capability of the independent variables (predictors) on dependent variables.

Yet, Croft (1983) in Negi (2009) suggests, undertaking correlation analysis before attempting to regression is an essential step in model development. Both the dependent variables (overall quality and overall

satisfaction) was found to be significantly at ($p < 0.001$ and $p < 0.05$) associated with all product quality dimensions under study (Table 13). Also, strong positive association ($r = 0.58$, $p < 0.001$) was reported between overall quality perception and overall satisfaction.

Table 13: Summary of Correlation Coefficients

Variables	ASF	DUR	SIG	REP	PRO	PRI	REL	PER	OQ
DUR	.279**								
SIG	.424**	0.12*							
REP	.301**	0.383**	0.223**						
PRO	.436**	0.206**	0.330**	0.194**					
PRI	.300**	0.42**	0.193**	0.309**	0.233**				
REL	.291**	0.356**	0.00	0.255**	0.273**	0.253**			
PER	.491**	0.313**	0.193**	0.332**	0.325**	0.187**	0.314**		
OQ	.610**	0.44**	0.191**	0.364**	0.314**	0.424**	0.317**	0.439**	
OSAT	.594**	0.354**	0.277**	0.348**	0.424**	0.404**	0.269**	0.505**	0.580**

**Significant at 0.001 level (2-tailed)

* Significant at 0.05 level (2-tailed)

4.8.1. Quality Dimensions and Overall Quality Perception

Regression model is used to evaluate the predicting capability of product quality dimensions to overall quality perception of consumers' with regard to locally manufactured leather shoes.

The resulted regression coefficients (β) shown in Figure 4, revealed that three perceived quality dimensions (aesthetics and "fit and finish" ($\beta = 0.464$), price ($\beta = 0.178$), and durability ($\beta = 0.175$) at $p < 0.001$ for all of them were identified as most significant or critical determinant in predicting or evaluating the overall quality perception of locally made leather shoes as perceived by respondents followed by store

image ($\beta=0.105$), repairability ($\beta=0.083$), and performance ($\beta=0.106$) significantly at ($p<0.05$). However, promotion and reliability are not significant factors by consumers' in evaluating overall quality of locally manufactured leather shoes (Figure 4).

The first important and significant perceived quality dimension was found to be aesthetics and "fit and finish" i.e. attractiveness of the style, fashionably, eye appealing colour, attractive design/model, "fit and finish" of the shoes, high quality "fit and finish" of the outer cover, suitability of the design in due to their "fit and finish" are the most statistically significant (important) factors in assessment of overall quality of locally manufactured leather shoes by consumers.

The second important factor used in assessing the overall quality was price: reasonable price (affordable), price is fair compared to the benefit/usage, quality and price are comparable. And, the third significant factor was durability: life period of the shoes in terms of outer sole, innersole and the leather material are the aspects used by consumers of locally manufactured leather shoes in assessing product quality.

Therefore, from the above result one can conclude that aesthetics and "fit and finish", price, and durability are most significant dimensions, followed by store image, repairability, and performance are significant, while promotion and reliability are not significant dimensions in evaluating the overall quality by consumers' of leather shoes manufactured in Ethiopia.

4.8.2. Quality Dimensions and Overall Satisfaction

To evaluate the predicting capability of product quality dimensions to the overall satisfaction of consumers' of local leather shoes, regression model was used.

Perceive quality dimensions: aesthetics and "fit and finish" ($\beta=0.341$), promotion ($\beta=0.146$), price ($\beta=0.188$), and performance ($\beta=0.224$)

with ($p < 0.001$) for all of them are found to be the most significant in evaluating overall satisfaction level of consumers. However, durability, store image, repairability, and reliability are not significant ($p > 0.05$) factors in evaluating the overall satisfaction level (Figure 4).

Therefore, from the result one can understand that the evaluations of consumers' for both dependent variables (overall satisfaction and overall quality perception) are most significantly determined by aesthetics and "fit and finish" and price dimensions.

On the other hand consumers' perception quality to the dimension performance is most significantly ($\beta = 0.224$, $p < 0.001$) determining overall satisfaction level while significantly ($\beta = 0.106$, $p < 0.01$) determining overall quality perception.

However the dimension reliability is not determining factor to the evaluations both dependent variables by (are consistent in size (with number), show dependability over time without reporting any damage/failure/tearing off, are consistent on the part of their colour (of cover leather) from one to other in a pair, and are consistent in designing pattern.

Further, from the result one can also understand that, store image and repairability affects only overall quality evaluation consumers while promotion determines significantly to only consumers' overall satisfaction.

Additionally, the regression result revealed overall quality perception is the most significant determinant of overall satisfaction for locally manufactured leather shoe consumers ($\beta = 0.580$, $p < 0.001$).

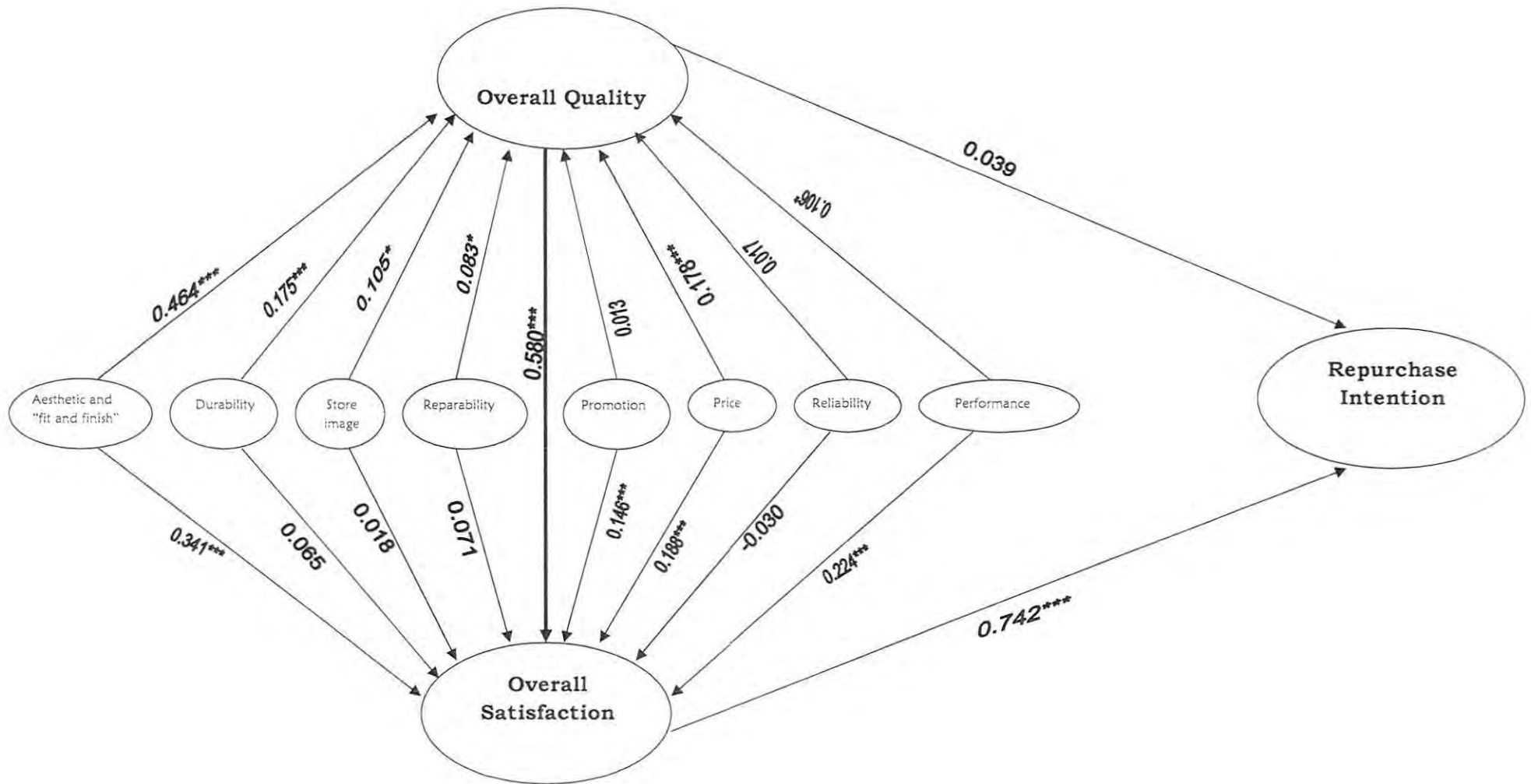


Figure 4: Modeling Overall Perceived Product Quality, Satisfaction and Repurchase Intention

Note: Figures represent standardized regression coefficients;

*** Significant at 0.001 level; **Significant at 0.01 level; *Significant at 0.05 level

4.8.3. Overall Quality Perception and Overall Satisfaction with Repurchase Intension

One of the objectives of the study was to analyze the predictive ability of overall quality perception and overall satisfaction on repurchase intention. Before running regression, correlation among measures (overall quality, overall satisfaction and repurchase intention) was undertaken. Table 14, provides a matrix of the correlation coefficient for the measures (overall quality, overall satisfaction and repurchase intention).

The inter-correlation results revealed a direct effect of overall quality perception on repurchase intention with r-value of 0.470 and the correlation is significant at $p < 0.01$. As for the effect of overall consumer satisfaction on repurchase intention, it was found the satisfaction also has a positive significant influence on repurchase intention ($r = 0.765$, $p < 0.01$).

Table 14: Inter-correlations between Measures

Variable		OQ	OSAT	RPI
OQ	Pearson Correlation	1	.580**	.470**
	Sig. (2-tailed)		.000	.000
	N	386	386	386
OSAT	Pearson Correlation	.580**	1	.765**
	Sig. (2-tailed)	.000		.000
	N	386	386	386
RPI	Pearson Correlation	.470**	.765**	1
	Sig. (2-tailed)	.000	.000	
	N	386	386	386

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

Predicting Repurchase Intension

The linear regression enter method analysis was conducted to investigate the influence of overall quality perception and overall satisfaction on repurchase intention. The result found that overall satisfaction was significant predictor ($\beta = 0.742$, $p < 0.001$) to

repurchase intention while overall quality was not significant ($\beta=0.039$, $p>0.05$) in predicting repurchase intention.

Overall quality perception is the most significant determinant of overall satisfaction for locally manufactured leather shoe consumers ($\beta=0.580$, $p<0.001$). Therefore, it can be said overall quality indirectly through overall satisfaction can be used as means of predicting consumers' repurchase intention level (Figure 4).

Even if there is limited research finding with regard to product quality perception, and its relationship with satisfaction and repurchase intention. The result is in harmony with that of Parasuraman et al. (1994), as "customer satisfaction is significantly contributing to draw repurchase intentions compared to perceived product quality" (Hellier et al.).

Also, the result supports researches of Cronin and Taylor (1992) in service sector, as service quality was not be able to influence repurchase intention directly. In addition, Molinari et al. (2008) found positive and significant relationship of customer satisfaction with repurchase intention. However, the result differs from Hellier et al. (2003) in a way that customer satisfaction do not influence repurchase intention directly.

CHAPTER FIVE

Conclusion and Recommendations

Based on the analysis carried out and findings reported, this part presents the conclusions drawn, and recommendations made. Further, it provides some directions to future researchers.

5.1. Conclusions

Locally manufactured leather shoes are perceived by consumers' as highly (positively) or above average on five point scale with perceived quality dimensions ranked: 1st price (3.95), 2nd durability (3.74), 3rd repairability (3.65), 4th performance (3.57), 5th store image (3.37), and 6th reliability (3.26). However, the dimension promotion (2.77) and aesthetics and "fit and finish" (2.89) are perceived negatively (below average). Thus, from the result it is possible to conclude that local leather shoes manufacturers work little on the promotion aspect. In addition, consumers of local leather shoes are not happy on the aesthetics and "fit and finish" aspect of the shoes.

Overall quality perception level was found above average. Hence, it is possible to conclude that the overall quality of leather shoes is perceived as strongly by consumers.

The result of the study also shows that consumers are overall satisfied with the leather shoes manufactured in Ethiopia. Consumers' have higher (3.69) repurchase intentions to locally manufactured leather shoes at five point scale.

Quality perception levels on each dimensions among the two genders, from the result of the study it can be said: Males have higher mean score than female with respect to aesthetics and "fit and finish" (2.90, 2.86) and price (4.04, 3.75) dimensions respectively. On the other hand females have higher mean score than males with respect to durability (3.88, 3.67), store image (3.55, 3.29), reparability (3.72, 3.62), promotion (2.90, 2.72), reliability (3.30, 3.24), and performance

(3.70, 3.51) respectively at five point scale. The run t-test showed statistically significant difference with durability, store image, and price dimensions. However, the difference in mean value for aesthetics and “fit and finish”, repairability, promotion reliability, and performance dimensions were found to be statistically not significant. Thus, it can be concluded that there is significance difference in quality perception level of males and female consumers of leather shoes with respect to durability, store image, and price quality dimensions.

Even though average mean values of overall quality perception level shows difference of 0.07 on five point scale between genders (average mean of 3.18 female and 3.11 for male), the t-test run for overall quality perception shows no statistical difference among the two genders. Thus, it can be deduce that, there is no difference in terms of overall quality perception between male and female consumers of locally manufactured leather shoes.

In addition, average mean values on overall satisfaction level shows difference of 0.20 on five point scale between genders (average mean of 3.90 female and 3.69 for male), the t-test run for shows no statistical difference among the two genders on the level of their overall satisfaction with respect to locally manufactured leather shoes. And hence, it can be said that overall satisfaction level is similar or almost the same between male and female consumers of locally manufactured leather shoes.

From the regression result one can conclude that consumers' use aesthetics and “fit and finish”, price, and durability as most significant dimensions, followed by store image, repairability, and performance as significant quality dimensions in evaluating or (predicting) the overall quality of leather shoes manufactured in Ethiopia. Whereas, promotion and reliability are not significant dimensions for evaluating (determining) overall quality local leather shoes by consumers'.

From the result of the study it can be said that the evaluations of consumers for their overall level satisfaction are most significantly determined by dimensions: aesthetics and “fit and finish”, promotion, price and performance.

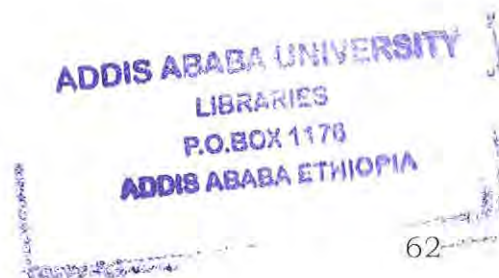
Perceived quality dimension of performance is most significantly determining factor for overall satisfaction level while significantly determining factor for overall quality perception of locally manufactured leather shoes consumers.

The perceived quality dimension, reliability is not a significant factor for predicting both overall quality level and overall satisfaction of consumers of leather shoes made in Ethiopia.

Finally, it is noted that this study provides evidence for the direct effect of overall satisfaction to repurchase intension. While overall quality (not directly) rather indirectly through overall satisfaction affects repurchase intentions.

5.2. Recommendations

Locally manufactured leather shoes are positively perceived by quality dimension namely price, durability, reparability, performance, store image and reliability where as perceived below average by dimension: promotion and aesthetics and “fit and finish”. Thus, when developing marketing strategy, marketers have to take in to consideration about perceived product quality of consumers. This can be done through continuous integrated marketing communications tools such as advertising, public relations, sales promotion, direct marketing, personal selling etc. And paying significant attention on the attractiveness of the style, fashion, eye appealing colour, attractive design (model), and maintaining quality on the “fit and finish” of the shoes are also important things to be done by locally leather shoes manufacturers.



When developing marketing strategies, marketing managers should be cognizant of perceived product quality dimensions and their relations with overall quality perception and overall satisfaction.

Perceived product quality could be also used as a segmentation criterion to identify homogenous groups of consumers. The basis selected for segmenting market is a key factor in providing a firm with a strategic advantage over its competitors. The result of the study indicates that significance difference existed in quality perception level of (durability, store image, and price) between the two genders. Therefore, producers, retailers, marketing managers should give emphasis in crafting their segmentation strategies with respect to gender and the dimensions.

Consumer satisfaction is a critical concept in marketing thought and consumer research. It is generally argued that if consumers are satisfied with the product, they will be more likely to continue to purchase and use it and to tell others of their favorable experience with it. If they are dissatisfied, they will be more likely to switch brands and complain to manufacturer, retailer, and other consumer about the product. The result of this study indicates that a significance relationship between overall satisfactions and repurchases intention exist. And hence, producers, marketers and retailers of locally manufactured leather shoes must satisfy consumer by (1) creating reasonable expectations through repeated promotional efforts and (2) maintaining consistent quality so the reasonable expectations are fulfilled. Specially, looking in to the factors that affect consumer overall satisfaction level (Aesthetics and “fit and finish”, promotion, price, and performance) are very important.

5.3. Implications for Further Research

The findings of the current study provided several implications for future research. First, this study is made on a general base i.e all locally manufactured leather shoes are considered. Therefore, brand base studies overcome the generalization of all locally manufactured

leather shoes as one. Since leather shoes manufactured in Ethiopia may differ in terms of quality with regard to, performance, reliability, price, promotion, store image, durability, aesthetics and “fit and finish” etc.

Second, the effect of value, word of mouth, disconfirmation of expectation also another area to be studied in relation to repurchase intention. Lastly, association of demographic variables to quality perception and satisfaction call for additional research.

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Appendix - A

Survey on Determining Consumers' Perceptions about Quality, Satisfaction, and Repurchase Intention for Locally Manufactured Leather Shoes

Dear respondent,

My name is Temesgen Gebregziabher, graduate student of Marketing Management Education at AAU. Given below are the items to evaluate your experiences with locally manufactured leather shoes. This information will be used for academic purpose and the responses will be treated in strict confidentiality. I thank you very much for active cooperation.

Section I. Perceptions about Product Quality, Satisfaction, and Repurchase Intention.

Directions: Based on your experiences with locally manufactured leather shoes, please respond the following by checking (√) the most appropriate choice.

Items used to measure Consumers' Perceptions of Quality						
Item No.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Locally manufactured leather shoes are comfortable.					
2	Leather shoes manufacturers in Ethiopia use high quality leather material.					
3	Locally manufactured leather shoe are easy and suitable.					
4	Leather shoes manufactured locally are consistent in size (with number).					
5	Locally manufactured leather shoes show dependability over time without reporting any damage/failure/tearing off.					
6	Leather shoes manufactured locally are consistent on the part of their colour (of cover					

	leather) from one to other in a pair.					
7	Locally manufactured leather shoes are consistent in designing pattern (models).					
8	The overall reliability on the part of performance of locally manufactured leather shoes is consistent from one purchase to the other.					
9	Leather shoes manufactured locally show durability/long life.					
10	The outer sole of locally manufactured leather shoes promises high durability.					
11	The inner sole of the shoe is durable.					
12	Leather used as shoe cover by local manufacturers is durable.					
13	Locally manufactured leather shoes are easily repairable.					
14	The outer sole of locally manufactured leather shoe is easily repairable.					
15	The cover leather of locally manufactured leather shoe is easily repairable.					
16	The style of leather shoes manufactured locally is attractive.					
17	Locally manufactured leather shoes are fashionable.					
18	The colour of locally manufactured leather shoes is appealing to eyes.					
19	Locally manufactured leather shoes maintain attractive designs/models.					
20	The fitting and finishing of leather shoes manufactured locally are of high quality.					
21	The outer cover of locally manufactured leather shoes maintains high quality on the part of their fitting and finishing.					
22	The design/model of leather shoes					

	manufactured locally suits to consumers due to their fitting and finishing.					
23	The locally manufactured leather shoes are priced reasonably (affordable).					
24	The price of locally manufactured leather shoes is fair compared to the benefits/usage I maintain with them.					
25	By paying affordable price, it is possible to ensure quality on the part of locally manufactured leather shoes.					
26	The advertisement messages/commercials dealing with leather shoes manufactured locally are appealing.					
27	Local manufacturers of leather shoes exert high communication effort to build/maintain favourable image and relationship with customers/public.					
28	Using incentives is one of the practices of stimulating consumers by the local manufacturers of leather shoes.					
29	Leather shoes manufactured locally are not on Locational disadvantage (available at most of the places).					
30	Retailers keep different varieties of leather shoes manufactured locally.					
31	Prestigious retailers also keep locally manufactured leather shoes into their stores.					
32	The quality of services provided by sales people at retail store is good.					
Item No.	Statement	Very good	good	Moderate	Poor	Very poor
1	The Overall quality of locally manufactured leather shoes is					

Customer Satisfaction						
Item No.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	My decision to purchase locally manufactured leather shoes was a wise one					
2	I feel good about my decision of purchasing locally manufactured leather shoes.					
3	I am pleased that I purchased leather shoes manufactured locally.					
4	As I am satisfied, I would recommend locally manufactured leather shoes to other people.					
Repurchase Intension						
Item no.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	I intend to continue my purchase of locally manufactured leather shoes.					
2	I re-buy locally manufactured leather shoes even there exists many alternatives					
3	It is very likely that I would prefer to buy leather shoes those are locally manufactured in near future.					
4	I will continue with my use of locally manufactured leather shoes in a similar fashion as in the past.					

Appendix-B

የአገር ውስጥ ቆዳ ጫማ ደንበኞች/ተጠቃሚዎች/ የሚሞላ መጠይቅ

ስሜ ተመስገን ገ/አግዚአብሄር ይባላል። በአዲስ አበባ ዩኒቨርሲቲ በማርኬቲንግ ማኔጅመንት የትምህርት ክፍል የድህረ ምረቃ ተማሪ ነኝ። ከዚህ በታች የአገር ውስጥ ቆዳ ጫማ አምራቾች ለተጠቃሚዎቻቸው የሚያቀርቡት ጫማ በደንበኞቻቸው ዘንድ ያለውን የጥራት ምልከታ/አይታ/(Quality Perception)፣የአርካታ መጠን(Satisfaction) እንዲሁም በድጋሜ ለመግዛት ያላቸውን ሃሳብ(Repurchase intention) ለመለካት ታስቦ የተዘጋጀ የመመሪያ ጽሁፍ መጠይቅ ቀርቧል።

ከመጠይቁ የሚገኘው መረጃም ለትምህርታዊ ግልጋሎት ይውላል በሚስጥርም ይያዛል። በመሆኑም መጠይቁን በታማኝነት እንዲሞሉ አደራ እየጠየኩ ለትብብር በቅድሚያ አመሰግናለሁ።

ክፍል አንድ፡ የጥራት ምልከታ/አይታ/ (Quality Perception)፣የአርካታ መጠን(Satisfaction) እንዲሁም በድጋሜ ለመግዛት ያላቸውን ሃሳብ (Repurchase intention) ለመለካት የቀረቡ ጥያቄዎች።

ትዕዛዝ፡ከዚህ በታች የተለያዩ ጥያቄዎች በሰጠው ክፍሎች ቀርበዋል። ጥያቄዎቹን በጥንቃቄ ካነበቡ በኋላ በትክክል የኔን የጥራት አይታ (ምልከታ)(Quality Perception) የአርካታ መጠን (Satisfaction) እንዲሁም በድጋሜ የመግዛት ሃሳብ (Repurchase intention) ይወክላል/ይመስላል/ የሚሉትን አማራጭ የራይት ምልክት (✓) በማድረግ እንዲመልሱ በአክብሮት አጠይቃለሁ።

አገር ውስጥ ለሚመረቱ ቆዳ ጫማዎች ያሉትን የጥራት ምልከታ /አይታ/ (Quality Perception) ለመለካት የቀረቡ ጥያቄዎች						
ተ. ቁ	ጥያቄ	በጣም እስማማለሁ	አ ስ ማ ማ ለ ሁ	መወሰን ያቅተኛል	አ ል ስ ማ ማ ም	በጭራሽ አልስማማም
1	በአገር ውስጥ የሚመረቱ ቆዳ ጫማዎች ምላሽ ይሰጣሉ።					
2	የአገር ውስጥ ጫማ አምራቾች ጥራት ያለው ቆዳ ይጠቀማሉ።					
3	የአገር ውስጥ ጫማዎች ቀላልና ተስማሚ ናቸው።					
4	አንድ አይነት ቁጥር ያላቸው ጥንድ የአገር ውስጥ ቆዳ ጫማዎች መጠናቸው; ስፋታቸው አንድ አይነት ነው።					
5	የአገር ውስጥ ቆዳ ጫማዎች ዲዛይናቸው/ሞዴል/ ላይ ወጥነት/consistency/ ይታይባቸዋል።					
6	ጫማው እድሳት ሳይደረግለት የምረጥኩትን ያህል ጊዜ በአስተማማኝነት ያገለግላኛል።					

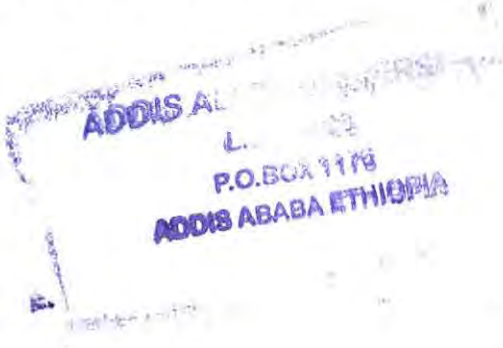
7	በአንድ የአገር ውስጥ ቆዳ ጫማ የሚመረቱ ቆዳ ጫማዎች የቀለም /የከለር/ ተመሳሳይነት /ወጥነት/ አላቸው።					
8	በተለያዩ ጊዜ የገዟቸው የአገር ውስጥ ቆዳ ጫማዎች ተስማሚነትና ምቹነት አንድ አይነት ነው።					
9	የአገር ውስጥ ቆዳ ጫማ ጠንካራ ነው።					
10	የአገር ውስጥ ቆዳ ጫማ ሶል (outer sole) ጠንካራ ነው።					
11	የአገር ውስጥ ቆዳ ጫማ ገበር(inner sole) ጠንካራ ነው።					
12	የአገር ውስጥ ቆዳ ጫማ የቆዳው የውጭ ሽፋን(leather) ጠንካራ ነው።					
13	የአገር ውስጥ ቆዳ ጫማ በቀላሉ መጠገን/መታደስ ይቻላል።					
14	የቆዳ ጫማው ውጫዊ ክፍል በቀላሉ ይጠገናል/ይታደሳል። (easily repairable)					
15	የአገር ውስጥ ቆዳ ጫማ ሶል በቀላሉ መጠገን/ማደስ ይቻላል።					
16	የአገር ውስጥ ቆዳ ጫማዎች ዲዛይን ሳቢነት /attractive in their style/ አለው።					
17	በአገር ውስጥ የሚመረቱ ቆዳ ጫማዎች እንደ ወቅቱ/ፋሽን/ የተከተሉ ናቸው።					
18	የጫማው ቀለም /ከለር/ ለአይን መስህብነት /eye appealing/ አለው።					
19	የጫማው ዲዛይን /ሞዴል/ ይገርካል።(attractive design)					
20	የጫማው ተስማሚነት እና አጨራረስ(fit and finish) ጥራት ከፍ ያለ ነው።					
21	የጫማው ውጫዊው ቆዳ ተስማሚነት እና አጨራረስ ጥራት ከፍ ያለ ነው።					
22	የጫማው ዲዛይን ቆዳ ተስማሚነት አጨራረስ ጥሩ ነው።					
23	የአገር ውስጥ ቆዳ ጫማ ዋጋ ተመጣጣኝ /reasonable/ ነው።					
24	ለአገር ውስጥ ቆዳ ጫማ ዋጋ ከሚሰጠው ጥቅም አንጻር ተመጣጣኝ ነው።					
25	ለአገር ውስጥ ቆዳ ጫማ ግዥ የከፈሉት ዋጋ ጥራቱን ይመጥናል ።					
26	የአገር ውስጥ ጫማ አምራቾች/ሻርጮች/ በመገናኛ ብዙሀን					

	የሚያስተላልፉት የማስታወቂያ ጥራት ይሰጣል/ያጓጓል።					
27	የአገር ውስጥ ጫማ ፋብሪካዎች/ሻጮች በተጠቃሚዎችና በህብረተሠቡ ጥሩ እይታና ግንኙነትን ለመፍጠር የሚያደርጉት ጥረት ከፍተኛ ነው።					
28	የአገር ውስጥ ጫማ አምራች/ሻጮች ገዢዎች እንዲገዙ ማበረታቻዎችን (discount, Gift etc.) ይጠቀማሉ።					
29	የአገር ውስጥ ቆዳ ጫማ ምርቶች ለገዢ በሚመቹ ቦታዎች ላይ ይገኛሉ።					
30	የጫማ መደብሮች የተለያዩ አይነት የአገር ውስጥ ቆዳ ጫማዎችን ይይዛሉ።					
31	ስመጥር የሆኑ የጫማ መደብሮችም (prestigious stores) የአገር ውስጥ ቆዳ ጫማን ይይዛሉ።					
32	የሽያጭ ሠራተኞች ለሚሸጡት የአገር ውስጥ ጫማ የሚሠጡት አገልግሎት (መረጃ፣ ምክር ፣ እውቀት) ጥሩ ነው።					
ጥያቄ		በጣም ከፍተኛ	ከ ፍተኛ	መካከለኛ	ዝቅተኛ	በጣም ዝቅተኛ
1	በአጠቃላይ የአገር ውስጥ ቆዳ ጫማ ጥራቱ ከፍ ያለ ነው። (overall quality)					
የአገር ውስጥ ቆዳ ጫማ ተጠቃሚዎችን የእርካታ መጠን (Satisfaction) መለኪያ ጥያቄዎች						
ተ. ቁ	ጥያቄ	በጣም እስማማለሁ	እ ሰማ ለሁ	መወሰን ያቅተኛል	አልሰማም	በጭራሽ አልሰማም
1	የአገር ውስጥ ቆዳ ጫማ ለመግዛት የወሰንኩት ውሳኔ ትክክል/ ብልህነት የተሞላ/ ነበር።					
2	የአገር ውስጥ ቆዳ ጫማ በመግዛቴ ጥሩ ስሜት ይሰማኛል።					
3	የአገር ውስጥ ቆዳ ጫማ በመግዛቴ ደስተኛ ነኝ።					
4	ሌሎች ሠዎች የአገር ውስጥ ቆዳ ጫማን እንዲገዙ አበረታታለሁ።					

የአገር ውስጥ ቆዳ ጫማ ተጠቃሚዎችን በድጋሚ የመግዛት ሃሳብን (Repurchase intention) ለመለካት የቀረቡ ጥያቄዎች						
ተ. ቁ.	ጥያቄ	በጣም እስማማለሁ	አ ስ ማ ማ ለ ሁ	መወሰን ያቅተኛል	አ ል ስ ማ ማ ም	በጭራሽ አልሰማ ማም
1	በድጋሚ የአገር ውስጥ ቆዳ ጫማን ለመግዛት አስቤአለሁ።					
2	ምንም እንኳን ብዙ ሌሎች ምርጫዎች ቢኖሩኝም በሀገር ውስጥ የተመረተ የቆዳ ጫማ በድጋሚ እገዛለሁ።					
3	በቅርቡ የአገር ውስጥ የተመረተ ቆዳ ጫማ የመግዛት እድሌ ከፍ ያለ ነው።(verylikely)					
4	ቀደም ብሎ እንደማደርገው ሁሉ በአገር ውስጥ የተመረተ ቆዳ ጫማ መግዛቴን አቀጥላለሁ።					

ክፍል ሁለት: ዳራዊ መረጃዎች

- ጾታ ሀ/ ወንድ ለ/ ሴት
- እድሜ
 ሀ/ ከ 18 አመት በታች ለ/ 18-25 ሐ. 26-35 መ/ ከ36-45 ሠ/ 46 በላይ
- የትምህርት ደረጃ
 ሀ/ከ10ኛ በታች ለ/10ኛ/12ኛ ያጠናቀቀ ሐ/ዲፕሎማ መ/ የመጀመሪያ ዲግሪ ሠ/ ሁለተኛ ዲግሪ እና በላይ
- የስራ ሆኔታ
 ሀ/ተማሪ ለ/ የመንግስት ተቀጣሪ ሐ/ የግል ስራ ተቀጣሪ
 መ/ የግል ሥራ ሠ/ሌላ _____
- የገቢ መጠን በኢትዮጵያ ብር
 ሀ/ብብር 500 በታች ለ/ ከብር 501-1000 ሐ/ ከብር 1001-2000
 መ/ ከብር 2001-3000 ሠ/ ከብር 3001-5000 ረ/ ከብር 5000 በላይ
- የአገር ውስጥ ቆዳ ጫማ መጠቀም ከጀመሩ ምን ያህል ጊዜ ነው። _____ አመት
- በአንድ አመት ጊዜ ውስጥ ምን ያህል የሀገር ውስጥ ጥንድ ቆዳ ጫማዎችን ይገዛሉ? _____



Appendix-C

Preliminary Explorative Questions

Marketing managers and researchers are interested in determining how people perceive various objects, such as product, companies, or brands. In its quest for a differential advantage, a firm needs to correctly position its products against competitive offerings. To do this, the product manager and researchers need to identify the following:

1. The number of dimensions consumers use to distinguish products
2. the names of these dimensions
3. the positioning of existing product along these dimensions
4. where consumers prefer a product to be on the dimensions

Having this in mind, the researcher asked twenty (20) local leather shoe consumers to list the dimensions that they use in evaluating leather shoes.

Q1. What criteria's do you use when you purchase local leather shoes?

Q2. Which one of the following reasons is most important in your choice of locally made leather shoes?

Price, Store image, Promotion, Durability, Reliability, Repairability, Fit and finish, Aesthetics, Performance

Appendix- D

Result of Regression Analysis-Overall Perceived Quality

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.708 ^a	.502	.491	.887
a. Predictors: (Constant), PER, PRI, SIG, REL, REP, PRO, DUR, ASF				

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	298.681	8	37.335	47.417	.000 ^a
	Residual	296.842	377	.787		
	Total	595.523	385			
a. Predictors: (Constant), PER, PRI, SIG, REL, REP, PRO, DUR, ASF						
b. Dependent Variable: Overall Quality Perception						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.219	.310		-3.931	.000
	ASF	.615	.063	.464	9.686	.000
	DUR	.247	.062	.175	4.002	.000
	SIG	.136	.054	.105	2.494	.013
	REP	.114	.057	.083	1.996	.047
	PRO	.016	.053	.013	.307	.759
	PRI	.268	.063	.178	4.268	.000
	REL	.026	.065	.017	.397	.692
	PER	.141	.059	.106	2.403	.017
a. Dependent Variable: Overall Quality Perception						

Appendix-E

Result of Regression Analysis-Overall Satisfaction

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.699 ^a	.488	.477	.73172
a. Predictors: (Constant), PER, PRI, SIG, REL, REP, PRO, DUR, ASF				

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	192.640	8	24.080	44.975	.000 ^a
	Residual	201.849	377	.535		
	Total	394.490	385			
a. Predictors: (Constant), PER, PRI, SIG, REL, REP, PRO, DUR, ASF						
b. Dependent Variable: OSAT						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.129	.256		.503	.616
	ASF	.368	.052	.341	7.030	.000
	DUR	.075	.051	.065	1.467	.143
	SIG	.019	.045	.018	.429	.668
	REP	.079	.047	.071	1.685	.093
	PRO	.149	.044	.146	3.401	.001
	PRI	.230	.052	.188	4.446	.000
	REL	-.039	.054	-.030	-.720	.472
	PER	.242	.048	.224	5.013	.000
a. Dependent Variable: OSAT						

Appendix-F

Result of Regression Analysis-Repurchase Intension

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.765 ^a	.586	.584	.64068
a. Predictors: (Constant), Overall Quality Perception, OSAT				

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	222.286	2	111.143	270.770	.000 ^a
	Residual	157.210	383	.410		
	Total	379.496	385			
a. Predictors: (Constant), Overall Quality Perception, OSAT						
b. Dependent Variable: RPI						

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.862	.126		6.829	.000
	OSAT	.728	.040	.742	18.370	.000
	Overall Quality Perception	.031	.032	.039	.975	.330
a. Dependent Variable: RPI						

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS EDUCATION

DEPARTMENT OF MARKETING MANAGEMENT

Application and Implementation of Customer Relationship
Management Practice (CRM) in Hotel Industry
Case of Sheraton Addis

A Paper Submitted to Department of Marketing Management
In Partial Fulfillment of Masters of Arts In Marketing Management

By Tadesse Endaylalu

Advisor Dr. Laximikantham P.



April 2011

Letter of Certification

This is to certify that Tadesse Endaylalu carried out this study on the topic entitled “Application and Implementation of Customer Relationship Management in Hotel Industry, case study of Sheraton Addis.” This is his work and is suitable for submission for the award of a masters degree in marketing management.

Dr. Laximikantham P.

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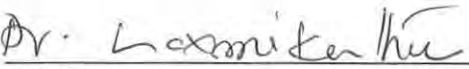
**APPLICATION AND IMPLEMENTATION OF CUSTOMER
RELATIONSHIP MANAGEMENT (CRM) IN HOTEL
INDUSTRY: THE CASE OF SHERATON ADDIS**

BY:
TADESSE ENDAYLALU

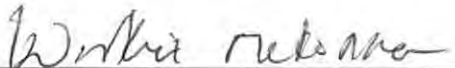
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Advisor


signature


Internal Examiner


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Abstract

With increased globalization, competition, higher customer turnover, growing customer acquisition costs, and rising customer expectations in today's competitive world, CRM is very important for several companies and received an increasing amount of interest among scholars and practitioners especially in recent years. Some companies have received immense benefits from their investments in enhancing customer satisfaction and profitability. Hotels in Ethiopia are no exception. The purpose of this thesis is to investigate the application of Customer Relationship Management (CRM) in the local hotel industry.

A case, Sheraton Addis Hotel, is selected for the study. Samples are determined using a sampling formula and subjects are requested to fill out a questionnaire. In addition, with the help of open-ended questions and observation, the researcher extracted first hand information. Secondary data sources are used to enrich the amount of gathered information.

The researcher tried to find out if CRM is implemented in the form of giving special services with the help of IT, one-to-one marketing, effective relationship building with guest, and discovering guest needs and meeting them by giving always new special services could be a life saver for hotel industry.

The results showed that after implementing customer relationship management (CRM) guest satisfaction effected in guests' loyalty and retention. As guest stay longer they buy more, and more frequently and this pushes up the wallet share also. Similarly, the hotel kept down some costs by retaining existing customers.

For the hotel, guests loyalty to the brand reduces the risk of service variability, allows for the development of a social rapport with the provider, and the customization of services to their desires.

CHAPTER ONE

INTRODUCTION

The first chapter presents the purpose of the study and the problem area. Initially, an introduction and a background are provided in order to signify the importance of the subject. Then, a discussion of the research problem that necessitated the current study follows.

Before discussing the main topic, a highlight of the nature of the hospitality industry is presented. The hospitality industry is a segment within the tourism industry. When most people think of the hospitality industry, they usually think of the hotels and restaurants. However, the true meaning of hospitality is much broader in scope. According to the Oxford English Dictionary, hospitality means "the reception and entertainment of guests, visitors or strangers with liberality and good will." The word hospitality is derived from hospice, the term from medieval times to mean rest for travelers and pilgrims.

Hospitality, then, not only includes hotels and restaurants but also relates to other kind of institute that offers shelter, food, or both to people away from their homes. This might include private clubs, casinos, resorts, attractions, and so on.

Hotels as one part of hospitality industry have evolved from the very modest beginning of families and landowners who opened their homes to travelers to the high rise of properties today which contain thousands of guest rooms that these lodging facilities can be classified by location, by room rate and by the number of rooms they contain.

Nowadays, basic accommodation of a room with only a bed, a cupboard, a small table and a washstand has largely been replaced by rooms with en-suite bathrooms and, more commonly in the United States than elsewhere, climate control. Other features found may be a telephone, an alarm clock, a TV, and broadband Internet connectivity. Food and drink may be supplied by a mini-bar (which often includes a small refrigerator) containing snacks and drinks (to be paid for on departure), and tea and coffee making facilities (cups, spoons, an electric kettle and sachets containing instant coffee, tea bags, sugar, and creamer or milk).

In most parts of the world, hotels are driven by daily operation throughout the industry, the percentage of academic education is generally low, and general managers (hoteliers) at different hotel levels usually come from the operational side of business and they are not familiar with new concepts of management put together by academics, hence most of the time they rely on their practical experience that they face lots of problems such as increasing costs, decreasing revenues and dissatisfied guests while guests satisfaction is the main job of hoteliers.

Customer relation management model with requiring customer-centric business philosophy and a culture to support effective marketing, sale, making long term relationships and services process could be a life saver for most businesses especially for the hotel industry. "CRM is about managing customer knowledge to better understand and serve them. It is an umbrella concept that places the customer at the center of an organization. Customer service is an important component of CRM; however CRM is also concerned with coordinating customer relations across all business functions, points of interaction, and audiences" (Bose and Sugamaram, 2003, p.4).

CRM can bring a lot of benefits for hotels such as customer satisfaction and loyalty, increase in revenues, decreasing costs that all these benefits for a hotel can be a source of sustainable competitive advantage.

Problem Discussion

In today's world, tourism has expanded to such an extent that it is now claimed to be the world's largest industry, with high rate of employees, and bringing a lot of revenue for countries. On the other hand, the increased online price/product transparency and the new e-business models (e.g. online auctions) enhance tourists' purchasing powers, who are becoming more price sensitive, less brand loyal, more sophisticated and experience seekers (Gilmore and Pine, 1997; Sigala and Christou, 2002; Sigala, 2003; Christou, 2003a; Christou and Kassianidis, 2003).

The hotel industry is experiencing increased globalization, competition, higher customer turnover, growing customer acquisition costs and rising customer expectations, meaning

that hotels' performance and competitiveness is significantly dependent on their ability to satisfy customers efficiently and effectively (e.g. Olsen and Connolly, 2000; Gilmore and Pine, 1997).

In the hotel industry the basic products (rooms) are very similar. When comparing same quality hotels, customer's focus is on soft factors like personal treatment, personalization, one-to-one marketing and attention to the hospitality professions.

The hotel industry enjoys easy data access which guests need to provide with their name and address during check-in. In some countries, guests even need to provide their passport data and more detailed private information. In addition, people are very likely to share their personal preferences with hotel staff to make their stay more enjoyable.

In order to be able to compete on a highly competitive market, a hotel has to meet every single customer's needs and expectations. To do this, it is important to understand which aspects of a business performance persuade customers to become repeat purchasers, and to exhibit behavioral loyalty (it cost five to ten times more to sell to a new customer than to an old customer).

To enhance profitability and guest satisfaction, hotels must these days focus on implementing Customer Relationship Management (CRM) strategies which aim to seek, gather and store the right information, validate and share it throughout the entire organization, and then use it throughout all organizational levels for creating personalized, unique guests' experiences (Sigala and Connolly, 2004; Olsen and Connolly, 2000; Siguaw and Enz, 1999).

To enhance profitability and guest loyalty focusing on implementing customer Relationship Management (CRM) strategies that aim to seek, gather, and store the right information, validating and sharing it throughout the entire organization could be a good solution.

Xu states that, "basically, CRM is an idea regarding how a company can keep its most profitable customers by increasing the value of interaction. The value is maximized through differentiation of the management of customer relationships." Another definition provided by Xu is formulates that "basically, CRM is a notion regarding how an

organization can keep its most important customers and at the same time reduce costs, increase the values of interaction to consequently maximize the profits.” According to Xu, CRM can also be defined as “an information industry term for methodologies, software, and usually Internet and IT capabilities that help an enterprise manage customer relationships in an organized way.”

The hospitality industry is perfect for the application of CRM principles. Customer Relationship Management as a business strategy, which selects and manages the most valuable guest relationship, makes use of one-to-one marketing plans (offering personalized services) and gives value-added services to build guest satisfaction, loyalty and retention. It is the best strategy for hotel companies to differentiate themselves from their competitors (Francese and Renaghan, 1990).

Customer satisfaction and loyalty occurs when customers find the company being more responsive and more in touch with their specific needs that they will visit again. Customer retention is good for both businesses and customers. For business, it is cheaper to keep existing customers happy than to attract new ones. Dyche (2001) stated that a five percent increase in customer retention results in a 25 to 95 percent increase in profits. On the other side, for a customer, loyalty to one organization reduces the risk of service variability, allows for the development of a social rapport with the provider, and the customization of services to his/her specification (Berry, 1995).

Customer Relationship Management implementation, particularly in hotel industry, is very challenging. A successful CRM strategy cannot be implemented by only installing and integrating software packages, but it needs co-ordination along with the business operations, strategy and user and customer acceptance.

Research Purpose

The primary intention of this research is to undertake a feasibility study of Customer Relationship Management (CRM) application in hotel industry.

Main Objective:

- Determining the effect of implementation of customer relationship management (CRM) on customer satisfaction, loyalty and retention.

Sub objectives:

- Does CRM implementation has an impact on customer satisfaction and loyalty?
- Does IT-supported special service delivery influence customer satisfaction and loyalty?
- Does customer loyalty and retention oscillate with marketing style?
- Does application of Customer Relationship Management (CRM) increase profitability?
- Suggesting useful and practical CRM solutions that could be used in hotel industry.

Research Questions:

To assess the research purposes, the following research questions were raised:

1. How can hotels implement an effective CRM?
2. What is the influence of implementing a CRM model on customer satisfaction, loyalty and retention?

Research Hypothesis:

To reach this purpose, the following research hypothesis is formulated:

Main hypothesis: Implementation of CRM model will increase a hotel's customer satisfaction, loyalty and retention.

Second hypothesis: IT infrastructures in hotel services (that are applied to gain customer insight, build relationships, enable customization and provide new opportunities for service distribution) cause customer's satisfaction and loyalty.

Third hypothesis: Using one-to-one marketing as one of Customer Relationship Management (CRM) strategies to offer more and better services according to customer's preferences and characteristics will increase a hotel's customers loyalty and retention.

Fourth hypothesis: Personalization of services (according to guest's preferences and characteristics) increases guest satisfaction and loyalty.

Fifth hypothesis: A good customer support and services (CSS) (as one of the segments of operational CRM) will increase customer satisfaction and loyalty.

Research Methodology

This research is both descriptive and exploratory. The research approach is quantitative because relationship can be expressed in numbers (Hamgame Arya group hotels).

Both primary and secondary data are used. Secondary data is utilized to explore theoretical issues on CRM books, latest journal articles that focus on CRM, credible CRM web portals and mass media. Primary data gathering tools that are employed are questionnaire, interview and archival records.

For testing the hypothesis, research questions are designed, and gathered data is analyzed with SPSS (ANOVA, T-TEST and FRIEDMAN). At the end, a number of possible solutions are forwarded based on the research questions. The number of samples (n) was found using the following formula:

$$n = \frac{N (Z_{\alpha/2})^2 pq}{\epsilon^2 (N-1) + (Z_{\alpha/2})^2 pq}$$

In this formula

$$N = 300$$

$$P = q = \frac{1}{2}$$

$$\epsilon = 0.07$$

$$A = 0.05$$

$$Z_{\alpha/2} = Z_{0.05/2} = \pm 1.96$$

With regard to the above information, the (n) is calculated 100.

$$n = \frac{300 \times (1.96)^2 \times 1/2 \times 1/2}{(0.07)^2 \times (300-1) + (1.96)^2 \times 1/2 \times 1/2} = \frac{288.1}{2.42} = 100$$

Outline of the Thesis

The research aim was to find and analyze a hotel's needs, expectations and prerequisites for a successful CRM implementation and beneficial application via testing the hypothesis. This researcher wanted to find out the effect of implementing CRM, and customer satisfaction, loyalty and retention. The theoretical findings are compared and adapted to the hotel's (which is the subject of study) specific needs giving practical and useful solutions. Sheraton Addis hotel being a case for the study, the upcoming information and solutions could help it for the betterment of its performance.

Discussion in the Coming Chapters

In chapter one, an overview is made on the whole topic to be studied. In the following chapters more details are lined up. In chapter two, a detailed description of related literature review is presented, and in chapter three the methodology of the research is described. Chapter four presents results obtained from gathered data and the tested hypothesis are discussed in light of the results. Finally, the conclusion and recommendations are presented in chapter five.

CHAPTER TWO

LITERATURE REVIEW

In the present chapter, theories that are relevant to the research are discussed. The literature review generally investigates about the definition of customer relationship management, benefits and implementation and in some parts the specifics of the hotel industry. At the end, results of two applied researches will be presented.

Tourism

The world tourism organization defines tourists as people who “travel to and stay in places outside their usual environment for not more than one year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.” Tourism has become a popular global leisure activity.

Tourism has expanded to such an extent that it is now claimed to be the world’s largest industry and provider of jobs, and it brings in huge earnings for countries and going to have a rapid expansion (Chon and Sparrowe, 2000; Go and Pine, 1995). This fast growing industry relies on development and expansion of hotels around the world as lodging is an essential provision in tourist activities.

Hospitality Industry

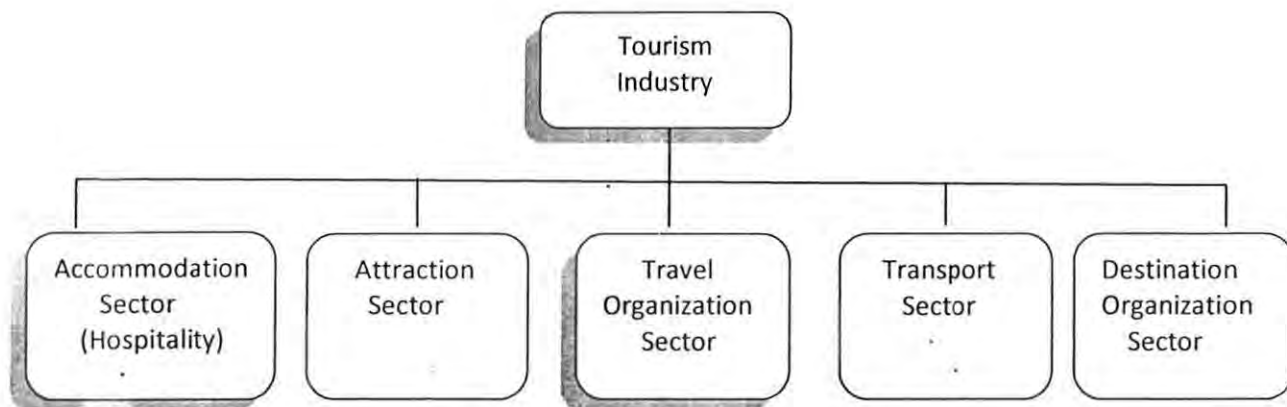
The hospitality industry is a segment within the tourism industry. Figure 2.1 provides an overview of the different types of organizations that make up the tourism industry.

When most people think of the hospitality industry, they usually think of the hotels and restaurants. However, the true meaning of hospitality is much border in scope. According to the Oxford English Dictionary, hospitality means “the reception and entertainment of guests, visitors or strangers with liberality and good will.” The word hospitality is derived from hospice, the term from medieval time to mean rest for travelers and pilgrims.

Hospitality, then, not only includes hotel and restaurant sector but it also relates to other kinds of institutes that offer shelter, food, or both to people away from their homes. This

might include private clubs, casinos, resorts, attraction sites and so on (Olsen, 1996; Barrows 1999).

Figure 2.1 The five main sectors of the travel and tourism industry.



The hotel sector as one part of hospitality industry has evolved from the very modest beginning of families and landowners who opened their homes to travelers to the high rise of properties today which contain thousands of guest's rooms. These lodging facilities can be classified by location, by room rate and by the number of rooms they contain.

In other words, the hotel industry is a large and highly diverse industry that includes a wide range of property styles, uses and qualities (Chon and Sparrowe, 2000; Go and Pine 1995; Olsen 1996; Powers and Barrows, 1999). The industry covers a spectrum of small, medium and large enterprises (Brotherton, 2003; Jones 2002) and makes a significant contribution to national and international economies.

The hotel industry is getting complex for a number of reasons. First, the industry is structurally complex for the large number of categories it contains. These categories encompass hotel quality (e.g. luxury, first class, mid-range and economy), hotel location (e.g. city center, rural, seaside), hotel style (e.g. traditional hotel, resort hotel, all-suite hotel, limited service hotel, motel) (Chon and Sparrowe, 2000; Go and Pine, 1995; Lewis, Chambers and Chacko, 1995; Littlejohn, 2003; Powers and Barrows, 1999) and hotel usage

(e.g. business, leisure, convention) (Jones 2002; Lewis et al. 1995; Powers and Barrows 1999).

Second, the industry is further complicated by affiliation and management structures. In terms of affiliation hotels can be operated as independent properties, franchised to a branded hotel company (e.g. Marriott, Holiday Inn), or as members of a marketing consortium (e.g. Best Western, Leading Hotels of the World). In addition, hotels can be owner-managed, managed by independent hotel management companies or managed by a national or international branded hotel company (Chon and Sparrowe 2000; Go and Pine 1995).

Third, the industry is also highly fragmented with most hotels being independently owned and operated, (Olsen,1996; Powers and Barrows,1999) although there is a higher level of concentration in certain key quality sectors such as the luxury and first class sectors and the limited service sector (Jones,2002). The perceived level of fragmentation is also lower when measured by the number of bedrooms rather than the number of properties (Olsen, 1996).

Now a days, in hotels basic accommodation of a room with only a bed, a cupboard, a small table and a washstand has largely been replaced by rooms with en-suite bathrooms and, more commonly in the United States than elsewhere, climate control. Other features found may be a telephone, an alarm clock, a TV, and broadband Internet connectivity. Food and drink may be supplied by a mini-bar (which often includes a small refrigerator) containing snacks and drinks (to be paid for on departure), and tea and coffee making facilities.

As it was mentioned earlier tourist movements continue to grow and become a source of revenue for different countries, so different segments of this industry with their activities have an important role in bringing a lot of revenue for countries.

The increased online price/product transparency and the new e-business models (e.g. online auctions) enhance tourists' purchasing powers, who are becoming more price sensitive, less brand loyal, more sophisticated and experience seekers (Gilmore and Pine, 1997; Sigala and Christou, 2002; Sigala 2003a; Christou, 2003a; Christou and Kassianidis, 2003).

The hotel industry is also experiencing increased globalization, competition, higher customer turnover, growing customer acquisition costs and rising customer expectations, meaning that hotels' performance and competitiveness is significantly dependent on their ability to satisfy customers efficiently and effectively (Olsen and Connolly 2000; Gilmore and Pine 1997).

As travelers are becoming more price sensitive, less brand loyal and transient, Customer Relationship Management (CRM) becomes a strategic necessity for attracting and increasing guests' patronage to enhance profitability and guests' loyalty. Hotels must these days focus on implementing Customer Relationship Management (CRM) strategies that aim to seek, gather and store the right information, validate and share it throughout the entire organization and then use it throughout all organizational levels for creating personalized, unique guests' experiences (Sigala and Connolly 2004; Olsen and Connolly 2000; Siguaw and Enz 1999). The hyper competitive global economy has intensified the importance of identifying factors that will provide firms with long-term competitive advantages. This is where the importance of CRM surfaces. Contemplations over CRM employment has become a common agenda in board rooms and management meetings in an effort to gain competitive advantage.

Definition of CRM

Several researchers have made attempts to define CRM. The definitions principally capture the intertwine between information technology and sales to better predict customer's behavior and serve it even better.

Therefore, CRM as a business approach aims at identifying those customers that can be a source of profit over time and providing them enhanced service to augment the profit margin. Identifying these sections of customers from the legion of clients is difficult without the use of information technology. Bose's (2002) definition of CRM emphasizes on the technological aspect of the strategy. "It is an enterprise-wide integration of technologies and functions such as data warehouse, web sites, intranet/extranet, telephone support system, accounting, sales, marketing and production."

The convergence of service units facilitates the collection of valuable data on customers which forms the backbones in any planning. It is the business intelligence that is acquired from such data, as Swift (2001) put it, that makes CRM a creditable approach in “understanding and influencing customers’ behavior through meaningful communication in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability.”

The term CRM is coined following the desire to combine the varied services of helpdesk, customer support, Enterprise Resource Programme (ERP), and data mining to provide improved service. Though it is not clear who first coined it, it possibly was born out of an ongoing trial and error approaches (Oberkamp, 2002).

Originally, Personal Information Manager (PIM) was used by executives to organize simple information about customers and activities. The next generation gadget, Contact Management Systems (CMS) had wide acceptance by people in sales and marketing due to their improved functionality that emanates from better capacity database engines.

Then, Sales Force Automation (SFA) replaced CMS laying the cornerstone for modern CRM application. CRM is a business auxiliary that helps an enterprise to manage its customer relationships in an organized way deploying a set of methodologies and tools. Xu’s (2002) definition encapsulates that CRM is a business endeavor that espouses strategy with technology to increase profit. Xu states, “basically, CRM is a notion regarding how a company can keep its most profitable customers and at the same time reduce costs, increase the value of interaction to consequently maximize the profits.”

Requiring customer-centric business philosophy and a culture to support effective marketing, sale, and service process, CRM can enable effective customer relationship, customer satisfaction and customer loyalty. CRM has developed as an approach focusing on gaining a multifaceted view of the customer, having all the data from all touch points (Blattberg and Deighton, 1996; Brassington and Pettit, 2000; Ahn, Kim, and Barf, 2003).

CRM as Profit Multiplier

Understanding the needs of customers and offering value-added services are recognized as factors that determine the success of companies. The real value to a company lies in the value it creates for its customers and in the value the customer delivers back to the company. It is important to note that value does not lie in a bulk of information extracted through advanced technology. Value lies in knowing the customer and in transforming that knowledge to manage their customer relationship. Knowledge is according to Newell (2000) at the heart of CRM. Unfortunately, few companies use their knowledge of a customer and therefore many miss the opportunity to provide value to their customers.

However, applied in the right way, CRM is a tool that contributes to customer satisfaction. If companies transform their customer data into knowledge and use it to build relationships, they can win customer's loyalty and secure their profit (Newell, 2000).

Swift (2001) indicates the multitude of ways companies can gain benefits from CRM. It helps an organization to avoid/lower marketing cost for recruiting new customers; by preserving existing customer base a steady volume of business can be maintained; selling and marketing campaign costs are reduced owing to existing customers' responsiveness; aged relationship with a customer often leads to up-selling, cross-selling and follow-up sale, and more referrals come with higher customer satisfaction; satisfied customers buy more and they buy more frequently which indicates a customer's loyalty; and last CRM allows a business to identify which customers are profitable, less profitable, and which ones might be profitable in the future. This is very important since the key to success in any business is to focus on acquiring customers who generate profit. Nevertheless, not all customers are valuable; some may even be a source of lose. This occurs when the customers use the company's time, energy and resources without generating enough business to make them worth the effort (Budhwani, 2000).

As a new approach, CRM will bring in best possible return by focusing on customers who already are or will be the company's most profitable customers (Newell, 2000).

Services that an organization provides to its customers have an impact on the customer's perspective of the organization. CRM objectives for service applications according to Ryals and Knox (2001) are to create a profit center out of a service organization using operational tools and customer information by reducing costs and generating more revenues; increasing the efficiency of a business using integrated enterprise-wide information available in front offices and ERP application; boosting customer care, service and customer information management across the organization to improve customer satisfaction and loyalty; and in the least to differentiate a business by offering service as a distinguisher using multiple-channel communication with customers.

CRM Technologies

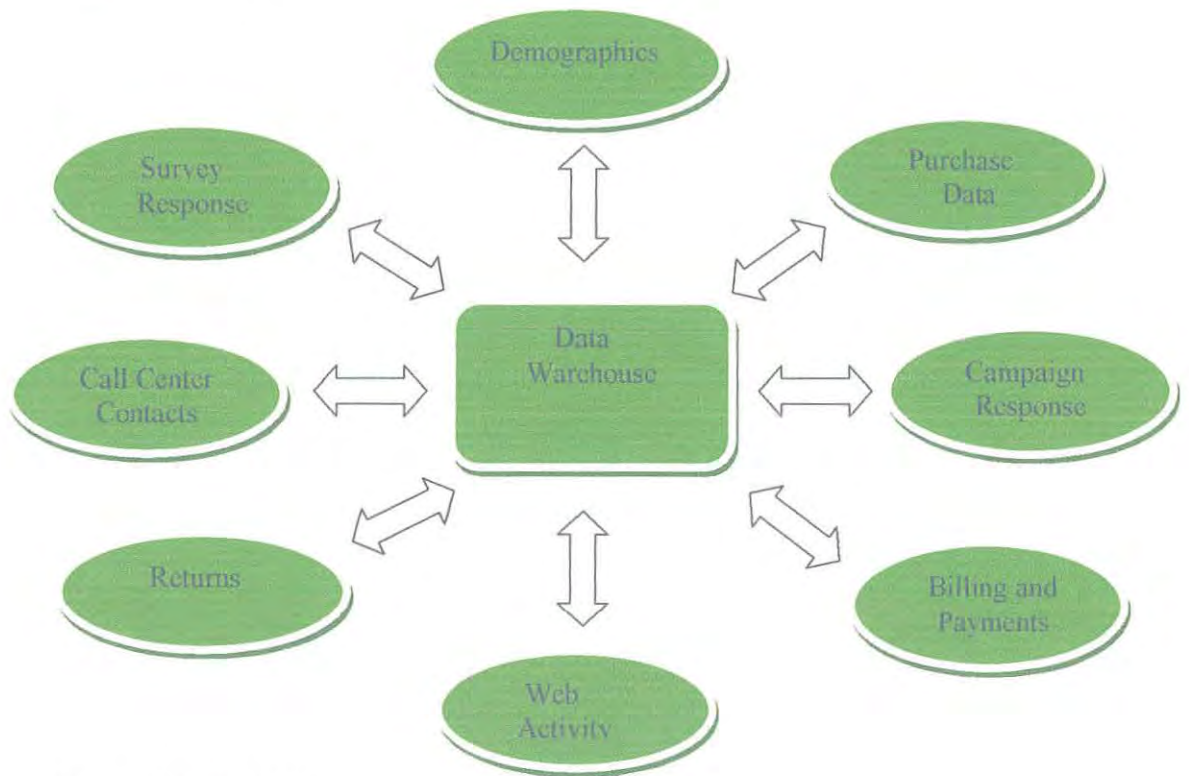
CRM technologies are rapidly evolving and are providing companies a collection of tools to use in order to enhance their customer relationships. According to Stone (2000) there are two main forces that influence the need for CRM technologies to support the completion of CRM. One drive is the need for higher quality CRM in order to meet the needs of customers. CRM systems are increasingly being used to arrange companies' resources in a proper order. Another factor is the need for greater profitability. CRM systems are giving the possibility to automate work previously done by hand (Stone, 2000).

According to Trepper (2000), a CRM system must provide three crucial functions, namely, providing the company a consistent and unified view of each customer for every customer interaction; presenting the customer with a complete view of the company irrespective of how the customer contacts the company; and last allowing the sales, marketing and service staff to perform their tasks more like a team, leading to reduced costs and increased efficiency (Trepper, 2000).

What is known as CRM technologies is a culmination of three functional units: operational CRM, analytical CRM, and collaborative CRM. Operational CRM includes customer-facing applications that integrate front-, back-, and mobile offices in order to increase the efficiency of customer interactions (Trepper, 2000). This involves automating business

operations processes, such as order management, customer service, marketing automation, sales-force automation and field service. For the system to be effectual, employees must have the right skills and the company must have a customer-centric focus (Lawrence et. al., 2001).

Figure 2.2 Integrated customer data on a data warehouse.



Source: Dyche 2002.

Analytical CRM involves applications that analyze customer data generated by operational tools (Trepper, 2000). The data is often stored in a data warehouse, a repository for corporate data. Stored data shall give the company information that will allow it to provide value to its customers (Dyche, 2002).

Using data warehouses to analyze business performance, a company can enrich its business intelligence. CRM integrates new business knowledge development with business action.

The analytical function of a CRM technology prepares a company to take better decisions. Since customer retention is vital for companies, analytical CRM is used to identify which

customers are likely to leave. After these customers are identified, the company can design tailored marketing actions that will motivate these customers to stay. Thus, a lot of marketing decisions are made based on the knowledge how a customer is likely to behave. Analytical CRM generates different sorts of profitability analysis, i.e. propensity-to-buyer, next sequential purchase, product affinity, and price elasticity modeling and dynamic pricing, using historical data.

Identifying the most profitable customers is not that easy. The identification process can be performed starting by distinguishing the pure transaction oriented customers who only focus on price and who never will be even a little loyal. New technology can measure account specific profitability, average discount percent of a customer's cumulative purchases and identification of purchases done during off-price sales. This information helps to identify buyers who only focus on transactions.

When this group is discovered, the company can engage in relationship building with the remaining customers. These customers can be divided into three groups based on their utility rate to a company. The divisions include customers who are the most profitable customers, customers who are delivering good profit and have the potential of becoming references to new profitable customers, and customers who are profitable, but only marginally so (Newell,2000).

After identifying the profitable customers, Newel states that they shall be classified depending on regency and frequency of purchase, depending on how they buy. Next, the company has to consider how many of these customers it can afford to cultivate. This depends on the company's incremental profit objectives and how much time, money and recourses that can be allocated.

Yet, discovering a profitable customer only constitutes a small part of calculating a customer's value (Dyche, 2002). In Dyche's view a customer who is unprofitable but has referred three high-value customers to the company is, in turn, very valuable. Companies

value their customers based on different metrics, such as a customer's Life Time Value (LTV), its potential value, and competitive value also known as wallet share.

Most important is not to base customer value assessment on a single dimension; companies need to take several factors into consideration, such as historical customer behavior, product costs, support costs, channel usage and last but not least customer profitability (Dyche, 2002).

Historical customer data is analyzed employing various techniques. OLAP and Data Mining are two of the frequently used techniques in CRM projects. Online Analytical Processing (OLAP) supplies a set of data attributes from a database that are organized around certain dimensions, like time and location. For example, a company can demand the regional sales revenue for a certain product, or during a certain time period. The researcher can gain a more detailed view of the data by drilling down to sales by city, and then sales by residential area, and so forth (Dyche, 2002).

Data Mining is preferred to identify meaningful patterns, rules and relationships from detailed data. Data mining can generate information about patterns without the analyst knowing about them before. Thus it is a great tool for acquiring new knowledge. This characteristic constitutes the difference between data mining and OLAP, since OLAP requires the analyst to have a hypothesis in mind before the analysis takes place. To illustrate the difference, with OLAP you first have to have a clue of what products certain groups of customers buy, and then you can identify those customers. In contrast, data mining can identify groups of customers who buy similar products, such as home/office workers who buy PCs and printers. When using OLAP, the analyst first would have to guess what products a home office/worker would buy and then those customers may be identified.

Data mining allows researchers to make determination of future behaviors by using historical data (prediction analysis), identification of combinations of activities that take

place in a specific order (sequence analysis), and to identifying groups of similar events or items often bought together (Dyche, 2002).

The third interfacing aspect, Collaborative CRM, focuses on facilitating interaction between customers and companies. One-way communication must be replaced by two-way communication, letting customers to get involved early with issues affecting their future purchase behavior (Lawrence et. al., 2001). In other words, collaborative CRM provides a point of interaction between the customer and the supplier. For example, technologies, such as electronic communication, are used to facilitate relevant, timely, and personalized interaction with the customers (Greenberg, 2001).

CRM and Customer Loyalty

The customer is King. An effective CRM is able to please this king by turning a business 'customer-centric' in the most practical sense. Customer satisfaction and loyalty is secured when customers find the company to be more responsive and more in touch with their specific needs. The topic of loyalty has received increased attention in tourism and hospitality research in recent years (Bowen and Shoemaker, 1998; Oppermann, 1999; Shoemaker and Lewis, 1999). Research on loyalty in general, however, dates back much earlier (Copeland, 1923). For an organization, loyal customers are the most profitable types of customers since they tend to spend more over a long time period. The "lifetime" value of loyal customers is enormous since they represent a positive word-of-mouth communication, often resulting in referral business (Reichheld and Sasser, 1990). For a customer, on the other side, loyalty to one organization reduces the risk of service variability, allows for the development of a social rapport with the provider, and the customization of services to his/her desire (Berry, 1995).

According to Berry, loyalty can be divided into levels based on purchase frequency, visit frequency, customer recommendations, product recognition, and deal periods. Based on the afore mentioned statements, CRM can be used to boost both business relationships and the volume of transactions with a customer in the active client bracket (i.e. first time customer,

repeat customer, client, and advocate customer), and with clients who are outside of this bracket (i.e. suspect, prospect, inactive customer and inactive client).

CRM Implementation

A successful customer relationship management system depends on many basic business rules and underlying organizational factors. One such factor is strategy. One of the basic and most common sources of failure for CRM implementations is a missing customer strategy. Porter (1996) defines strategy “as the creation of a unique and valuable position involving a different set of activities.” A robust customer strategy based on customer segmentation is one of the first steps necessary when implementing sound CRM solution (Gillies et. al., 2002). Yet, it is not so important how customers are segmented, but that it is vital that the segmentation complements the business strategy (Gillies, 2002). Companies that have the most successful CRM programs appear to be very selective in their customer segmentation process, which is congruent to their organizational strategy. Strategy is the guiding principle while CRM is instrumental in materializing the principle.

A CRM strategy should balance value achievement for both stakeholders and customers for a mutually beneficial relationship. Additionally, a CRM system needs to be congruent with the business strategy.

Organizational Culture and Acceptance

Another basic prerequisite for a successful CRM project is internal support and marketing. The initial customer strategy must be supported through a proper internal business culture that brings off the customer relationship philosophy from top-level management to front-of-house staff (Haley, 2003). Many past studies have shown positive association between executive support and IT innovation success (Rai 1997). Those findings still apply, as can be seen in a recent study by Gartner Inc. that rated CRM Excellence. The study showed that eleven out of the 16 winners and finalists received strong support from senior executives (Close, 2003). The management set sensible expectations and put heavy emphasis on employee buy-in and collaboration among employees. Another study by Forsyth (2002) showed causes for unsuccessful CRM implementation. Software issues are almost

evanescent, however company politics and organizational change issues relate to approximately 50 percent of failures.

Customer Relationship Management is a replacement of many processes. This replacement requires change which most people are afraid of. Early and substantial work can be found by Lewin (1947) who points out that permanent change in behavior is a three-step process: unfreezing previous behavior, changing, and then refreezing the new patterns.

Resistance needs to be addressed in the early stages of the project. To overcome employee resistance in a changing environment, one needs to focus on 'education and communication' and 'participation and involvement' (Kotler and Schlesinger, 19970). Education and communication helps people to understand the need for change and leads towards a mutual trust for the project. Participation and involvement is the key to success as people are likely to accept their own work, (Thompson, 2001). We know from experience that most organizations and the people that make them up typically resist change at conscious and subconscious levels.

The challenge for the change manager is to move the people past resistance to acceptance and finally to embrace the change (i.e. adopting a CRM initiative) as if it was their own. Change management toolbox contains communication exercises that could be used for this kind of changes. These exercises present communications about the change and its impact on the organization step-by-step. Prosci has condensed these steps into a useful acronym-ADKAR.

- Awareness
- Desire
- Knowledge
- Ability
- Reinforcement

Each step in the ADKAR model represents a communications effort to individuals and the organization, often with underlying structural changes. The change manager delivers communications relevant to each step as the project moves through a natural

life cycle from identifying a business need, to conceiving a solution to the need, implementing the solution, and following up on the implementation.

Awareness - Making sure that every one in the organization who will be affected by it understand what you are doing and why.

Desire - Being aware of the change is not enough. Employees need to want to support the change. This is where articulate and unwavering support from the top of an organization becomes essential to change management. The CEO needs to be the cheerleader.

Knowledge - After you have spent a lot of money on parties and incentives to make them want to embrace the CRM initiative, but you need to tell them what their new task is. The task might be simply capturing and verifying e-mail addresses at the point of reservation for the reservations personnel.

Ability - Most of us need practice and training to do something consistently well. Knowledge alone is not enough.

Reinforcement - This phase is crucial. Catch people doing something right and reward them when you do. Continue to reinforce the desired behavior, ideally with positive reinforcement, rewards for appropriate behavior.

Other critical components of change management that need consideration include budget for change management and structural modifications. It takes time and costs money to put into force the change. The budget line item for change management may range typically between 8 percent to as much as 12 percent of the total project cost. Additionally, some rearrangement might be called for. It might mean setting up a new department at headquarters, a new position at the CRG or a new title in every hotel, depending on how your organization needs to use CRM to drive the business.

Indeed, several CRM projects have failed due to the lack of appropriate management practices, robust implementation approaches and measurement tools, the bad exploitation and integration of ICT tools with processes, people and business strategies as well as the inappropriate ICT and business reengineering (Rigby et. al., 2002; Corner and Hinton, 2002; Rheault and Sheridan, 2002). Many observers consider CRM projects high-risk

undertakings. A popular statistic offered up by Gartner Inc. showed that 55 percent of customer relationship management programs fail. More optimistically, CRM Guru.com reports only a 35 percent failure rate. A survey of the CRM literature lead to some basic conclusions why some CRM projects have huge benefits across the enterprise and others become costly by the marketing, technology and operations departments alike. Some of these factors include:

- a strong, persistent and personal commitment from top management for the initiative,
- a coherent vision of what CRM is going to do for the organization,
- a structured plan to introduce and manage staff resistance to changes in processes and systems required to adopt CRM as a business strategy throughout the organization,
- inadequate or inappropriate training of line personnel.

One or more of the above factors is usually missing from a CRM project that has gone bad. All of them are often discussed under the broader topic of change management.

Today, companies invest a lot in CRM systems, however many of these hardware/software systems still fail to meet management expectations on return on investment. One reason is that companies apply the technology with the absence of a holistic and coherent business strategy focused on the customer. CRM technology is basically an enabler.

Another reason to why companies still have difficulties in using CRM technology is too slow and cumbersome business processes. Many companies still are very “command and control” oriented, which means controlling the customers impact on the organization rather than aiming to give better service to the customers (Stone, 2000).

To beat these adversaries, Gronroos (1994) emphasized that businesses should be managed from a process rather than a functionalistic perspective, whereas Mok et al.; (2000) stressed the importance of exploiting and adopting ICT. However, participants in a Tourism Society’s seminar on CRM concluded that CRM refers to a strategy that gets together a

combination of ICT tools with business processes and services, e.g. automated call centre, customer data warehouses and data mining, customized Content, targeted banner advertising and targeted e-mail delivery (Alford, 2001). Stone's findings (Alford, 2001) also revealed that people, customer management and detailed measurement are the most critical elements for successful CRM, while ICT was found to act as a CRM enabler only when the previous elements were in place.

Information and Communication Technology's (ICT) Role

Data warehouses and data mining are the most popular and highly needed systems for providing CRM capabilities or else for defining, developing and managing "an all-inclusive" view of the customer. This is because by helping to wade through volumes of information and decipher meaning, patterns and relationships from many seemingly unrelated bits of data, they are necessary and valuable tools for trying to determine customer demographics, buying patterns, market segments, contribution margins, customer lifetime, etc. ICT is instrumental for gathering and storing customer data (e.g. EPOS system, website analysis, IBM systems), providing ways for one-to-one interactions, e.g. website, call centre, kiosks, etc., as well as identifying ways for disseminating and accessing information across the organization. However, to achieve the latter, a new ICT infrastructure is required that would enable the creation of consolidated customer databases and overcome limitations created by functional isolated digital "field-dooms."

Like many new technologies, CRM has been accompanied by vendor hype and stories of implementation failure. Chaffy's (2003) three-stage model of CRM shows how customer relationships can be managed. His model proposes that customers are first acquired via clear communication of a powerful value proposition. They are retained via good service, and the relationship is extended via the delivery of tailored products/services to clearly defined customer segments. This view means that CRM uses information and communications technology (ICT) to gather data, which can then be analyzed to provide the information required to create a more personal interaction with the customer (Swift, 2001; Brohman, Watson, Piccoli, and Paraguayan, 2003; Pan and Lee, 2003).

From an operations perspective, Bose (2002) pointed out that CRM is an integration of technologies and business processes that are adopted to satisfy the needs of a customer during any given interaction. Whilst the potential benefits are attractive, CRM implementation must be managed carefully to deliver results.

Romano (2000) and Massey et. al., (2001) strongly advocated the relation of CRM with KM and specifically customer KM, while the significance of customer knowledge is highlighted in several CRM studies. Knowledge is produced when information is analyzed and used to enable and leverage strategic actions. To overcome the ICT productivity paradox, hotel management needs to embed ICT-generated customer and competitive information in to its decision-making processes. These processes involve three broad phases that run in parallel (Tiwana, 2001) namely information acquisition, sharing and utilization. Hence, the collection and creation of insights, skills, and relationships (Knowledge acquisition), when they are disseminated and shared (knowledge sharing) are followed by integration of learning, insights and experiential knowledge that in turn support effective decision-making processes (knowledge utilization). Davenport and Prusak (1988) identified the following Knowledge Management factors critical for success: ICT and organizational infrastructure; friendly culture for knowledge sharing, creation and management; change in motivational practices for encouraging and rewarding staff when information is collected, shared and used; and open organizational structure.

CRM's 4p (Marketing Mix in Hotel Industry)

The marketing mix may be defined as “the mixture of controllable marketing variables that the firm uses to pursue the sought level of sales in the target market” (Kotler, 1984). According to Mark Haley and Bill Watson, any self-respecting CRM toolbox contains its own four Ps which are all tactical elements that are required for a successful CRM initiative in any hotel company. The indispensable four Ps are profiles, preferences, precision, and property.

Profiles

Effective profiling is at the heart of having one-to-one communications with hotels' guests. Capturing relevant information about the guest and their behavior, both observed and reported is the main task here. A hotel CRM initiative calls for major tactical decision to be very selective in data recording. The dilemma is between capturing so much information that service delivery is overwhelmed and not capturing enough detail to do anything useful with it. Related issues include guests' legitimate concerns about the potential for privacy abuse. Some of the key elements to consider in defining your profile data include multiple addresses and telephone numbers, payment methods (i.e. credit card numbers), prior visit history, typically at some summary level with the detail available, some ranking measurement indicative of value to the brand, family composition, comments, and correspondence history.

Preferences

Preference data may be either observed or reported. For example, a preference for golfing could be reported by the guest in a profile form completed when registering for a frequency program. Likewise, an observed golfing preference could be measured by noting that a given guest went to a golf resort and had greens fees and pro shop purchases on their folio. Either way, you now have a topic to engage the customer in a dialog about, a topic of value and interest to your guest. One challenging thing about preferences is that a single guest's preferences vary according to the purpose of a given trip and the destination. The vacationer's preference for a room near the pool usually does not apply on a business trip to Manhattan. The trick for the hotel company is to identify what are global preferences against local ones unique to a property.

Precision

Precision of data input is a crucial element for any CRM effort in any industry. Variations in abbreviations, addressing and formatting cripple a CRM effort that attempts to match new data with prior guest record. It becomes almost impossible for the system to match the new record with the old one if the new one is a reservation for IBM and the old one is for I.B.M. The answer to such setback is standardized data input.

Corporate management owns the responsibility to define data input standards for all address, comment or other fields that allow text entry. Property management owns the responsibility to train reservations and front office personnel on those standards and reinforce their use. Global distribution systems (GDS) and internet reservations often come in with non-standard addresses and must be tidied up or matched to a guest history record.

Sophisticated data hygiene and matching algorithms somewhat address the precision issue, but establishing, training and reinforcing data input standards is the only effective remedy. Note that some legacy PMS will aggravate this problem by erroneously matching stay detail history records under the wrong history master record, making a bad situation worse. Again, data input standards will minimize the negative impact of the primitive logic used in these systems.

PMS (Property Management Systems)

Many hotel enterprises use a third-party system or service as the heart of their CRM initiative. Some of these systems are specific to the hospitality industry such as Guest Ware. Others are modules of horizontal CRM platforms from well-known vendors such as Group 1, Siebel Systems, Pivotal or others.

This approach makes sense: property management systems are built to drive the operation, perform detailed analyses or manage personalized communications. However, in the hotel environment the measure of excellence in service almost always comes down to a face-to-face interaction with the guest. The PMS is a crucial part of servicing that interaction. Getting what we know about the guest and their preferences in front of the employee is a required element in supporting them through that moment of true interaction. All the profiling and preferences taken down will not help if service delivery fails due to faulty or misinformation.

Given the role of the PMS in service delivery, an integrated CRM initiative must incorporate two-way data transfer between any third-party system and the PMS. As guest stays are completed, the stay detail and any new master records must get passed from the

CRM system to the PMS to enhance service delivery and synchronize the records for the next transaction.

The Four Ps described above are all tactical elements required for a successful CRM initiative in any hotel company. However, there is a fifth element that overarches all of the others: management commitment to embracing CRM as a way of doing business, and thus embracing the customer. Without resolute leadership, this kind of initiative will go nowhere.

CRM Payback (Return on Investment or ROI)

Measuring ROI in the context of CRM can be very subjective, but it will provide a company with the ability to identify which components of CRM improve customer relations (Dyche, 2001). Many of the CRM implementation decision processes span over a long period of time, as the ROI is not easily visible and a substantial upfront investment is necessary.

Return on CRM investment is normally visible over the long term, through improvement in the company's strategic objectives. Short-term ROI is hardly measurable in terms of money and the immediate benefits tie back to a customer-oriented strategy. It is sometimes overlooked that a clean data structure, which is normally set during the implementation project, or even beforehand, is the basis for accurate reporting and better results (Schuster, 2002). One of the returns, that is easily and quickly identified is a major saving in mailing costs, as the percentage of undelivered pieces will normally decrease substantially.

In addition, campaign management spending are cut back as marketing staff are endowed with the ability to pull queries themselves, without any external marketing or IT company assistance (Dyche, 2001). One needs to be careful not to mix up CRM program benefits and ROI. It is important to set KPI's (Key performance indicators) in an early stage of the CRM project or even better before the project starts, to get a clear and spontaneous comparison over the legacy process.

Long-term benefits of CRM are more oriented towards the interactive part of customer relationship and in the lifetime value of customers. Additional customer care, supported through an integrated profile and activity tracking of the guest, leads to increased loyalty. The end of a hotel stay is especially important, since this is what remains in the customer's recollections. This does not mean that the check-in process can be sloppy, but the guest recognizes if there is an upswing during his stay.

Applied Research

Marianna Sigala (2005) in his paper about integrating customer relationship management in hotel operations: managerial and operational implications, developed a model for CRM implementation, which instead of overstating the role of ICT, it suggests that an integrated managerial approach among three areas namely ICT, relationship and knowledge management, should be adopted. The applicability and value of this approach is illustrated by several examples and cases from the international hotel industry. Moreover, data from the Greek hotel sector provided evidence that ICT is not the panacea and the exclusive CRM determinant factor. So, ICT is more important in large than small hotels, while other organizational and managerial factors such as culture, staff motivation and development also play a vital role on CRM's success. CRM implementation may also be driven and so affected by different (strategic) motivations. Indeed, CRM in small hotels was found to frequently adopt the owner's/manager's personal style and flair, whereas in large properties CRM is usually viewed as a way for formalizing processes, enhancing customer service and reducing costs.

Wolfgang Emperger (2004) investigates CRM in hospitality industry. The analysis identifies the hotel corporations' needs and expectations, the prerequisites of a successful CRM implementation and beneficial appliance. The findings assist CRM software companies to build a state-of-the-art CRM suite, and for hotel companies to apply customer relationship management successfully.

The survey identifies the importance of a centralized management of guest records and the linked possibility for campaign management activities. Global accessibility of chain-wide guest information needs proper management and access restrictions to avoid misuse of stored data. Hotel organizations are aware that they need an underlying strategy and culture to support CRM; however, many companies are uncertain in their focus. The findings showed almost 40% of respondents do not have a clear corporate strategy. Hotel companies need to include all organizational levels during the definition and implementation phase of the CRM project. Internal acceptance and return on investment is strongly dependent on user support at hotel level.

CHAPTER THREE

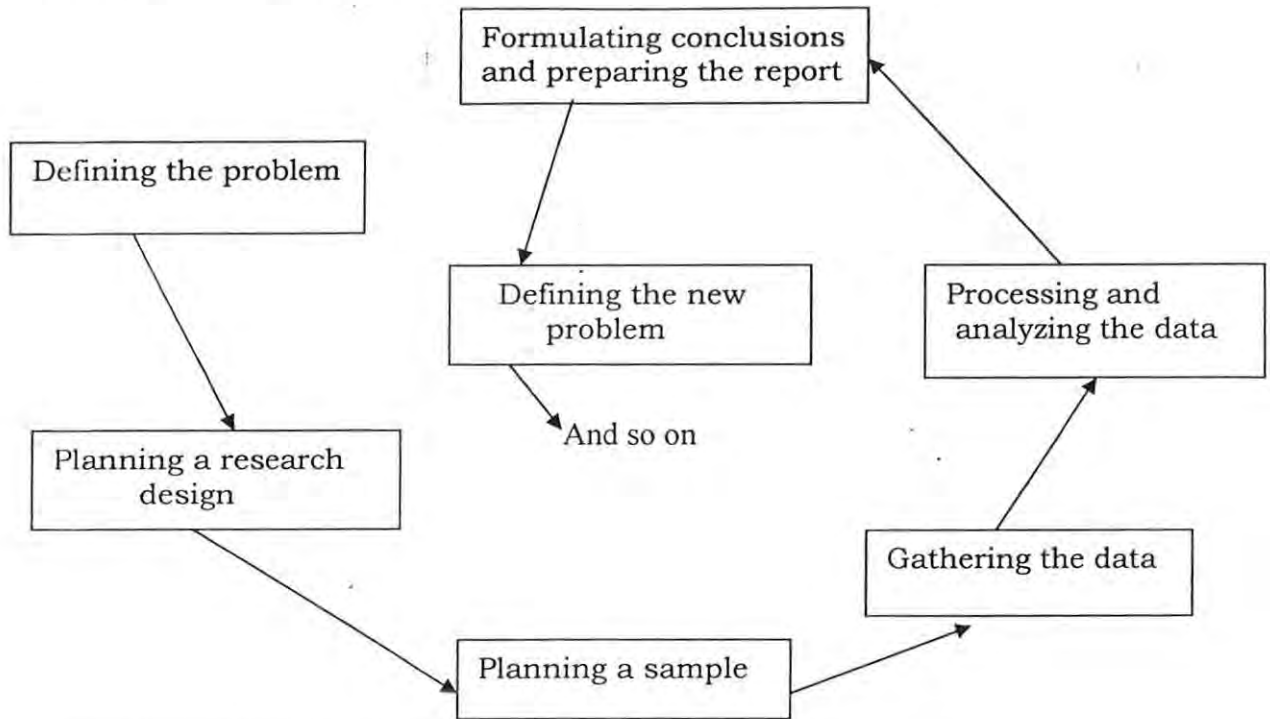
RESEARCH METHODOLOGY

The purpose of this chapter is to describe the necessary methods pursued in the research. Research methodology refers to the procedural framework within which research is conducted (Remenyi, Williams, Money, and Swartz, 1998). This chapter will present how the current study was designed, orchestrated and providing a clear and complete description of the specific steps that were taken to address the research problem and test each of the five hypotheses laid out in chapter one. First, the research approach and research design will be discussed, followed by a discussion of selection of population, sample, instrumentation and methods of analysis.

The hotel industry accumulates considerable information about their guests. But the industry is inapt in collecting data, analyzing it to uncover unmet needs and shaping the service to serve the demand. CRM could serve to fill up this gap. Frequently, the decision and implementation for a CRM system is handled as a standard procedure without specific care and investigation. A piece of software cannot create a customer relationship philosophy within companies. Insufficient research will lead to unqualified decisions and gaps between the hotel's needs and the CRM software provided by the vendor. Technology will not drive the change, but a customer-oriented culture can be supported and strengthened by a suitable CRM system. Although CRM needs a basic IT infrastructure and technological commitment, these are barely incorporated in the industry. Integration between hotel departments is rare and even then, numerous manual steps are involved to exchange and use information. Hotels are operation-minded and will rather invest in new kitchen supplies than in sophisticated IT systems.

This study is built to identify the needs of the hotel for implementing a successful CRM project and the effect of using CRM on customer satisfaction, loyalty and retention for the hotel that already has an automated CRM process in place.

Figure 3.1 Research Process



Source: Zikmund, 2000.

The research purpose and research questions of the present thesis indicate that this study is primarily descriptive. It is descriptive since it is the researcher's intention to describe what CRM practice is like in the hotel industry and draw some conclusions from the collected data. There by, descriptive research approach was used when asking questions about the CRM approach.

The study is also a bit exploratory, since the aim is to gather as much information as possible concerning the problem under investigation and suggesting CRM solutions. And also in order to increase understanding about CRM and CRM systems, explanation is given regarding the relationship between the variables.

Research Approach

As the study follows a deductive approach, the factors that are pinned in the literature review are compared with the empirical findings. In addition, a list of new solutions that could boost CRM practice is offered towards the end under the recommendation section.

As outlined in chapter one, the data is collected via questionnaire and it will be analyzed in the form of numbers for seeking relationships and patterns between implementation of CRM and customer satisfaction, loyalty and retention. So, the results can be expressed in numbers rather than words. In this way quantitative approach could be adapted in the present research.

Research Strategy

For this research a case study was selected for a number of reasons. First, in the present research a deep understanding of the subject is necessary. Also for testing the hypothesis we need some information gathered via questionnaire.

Data Collection Methods

In this study, I have chosen to collect data from both primary and secondary sources. Secondary data that is used was collected from archival records, organizations information, reference books, academic Journals, business magazines, internet publications, famous hotel websites such as Hilton and Marriott, from comments of general managers, from records of customer's relationship departments, advising from different journals such as *The Guest Report*, and through reviewing the advice of consultants who work in guest experience management.

Primary data was collected via interviews and questionnaire. A lot of necessary data on guests' preferences was gathered interviewing customers while the interview with IT and CRM experts on CRM solutions and requirements had rendered enriching information.

Statistical information and data for testing the hypotheses was collected with questionnaire. The questionnaire first was developed in Persian in the form of a five point Likert Scale (1 =strongly agree, 2= agree, 3= not agree, 4= disagree 5= strongly disagree) and was then reviewed by experts. The Persian version was per-tested on two experts in research methods, and based upon their advice and suggestions, improvements were made.

The four pages questionnaire was accompanied by a one page cover letter. The cover letter provided a brief explanation of the actuality that instigates this study, instructions and on how respondents can go about the questions. The questionnaire (as a tool for collecting data) was distributed by the researcher himself to guests and also with the help of front office employees during check out times.

The questionnaires were given to 200 guests and 125 completed questionnaires were returned. The questionnaire included few open-ended questions which help to dig up the views of customers about some aspects of CRM related services.

The researcher spent six months and also worked in Public Relation and CRM Departments of Sheraton Addis hotel and gained a first-hand observer experience of the numerous challenges, opportunities and solutions pertaining to CRM.

Validity and Reliability

There are different ways for finding reliability of a questionnaire. In this study, I used SPSS and Cronbach's Alpha. As shown in the table below, Cronbach's Alpha is 92% (Cronbach's Alpha 0.921 and it is near to 1), so the questionnaire is reliable.

Table 3.1 Reliability Test of Questionnaire

Case processing summary

%	N	
100.0	10	Valid case excluded(a)*
100.0	10	Total

*Listwise deletion based on all variables in the procedure.

Reliability Statistics

No of items	Cronbach's Alpha
24	.921

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter displays the data and results of the study. First the descriptive data is presented. Subsequently, the data analysis relevant to each hypothesis is discussed and in the end the correlation between variables is shown. Finally, a short summary of the results is provided.

Demographic Statistics

This section presents descriptive statistics of the collected data such as sex, age, education, marital status and jobs of the respondents of the questionnaire.

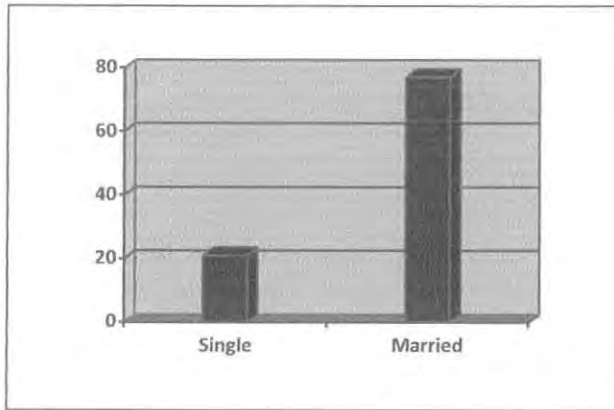
One hundred twenty five questionnaires were given to the guests and 100 of them were completed and returned. Table 4.1 shows that among 100 respondents which are used as the sample, 73% were male and 25% were female.

Table 4.1 Gender Statistics

	Frequency	Percent	Valid percent	Cumulative percent
Valid: Female	25	25.0	25.5	25.5
Male	73	73.0	74.5	74.5
Total	98	98.0	100.0	
Missing system	2	2.0		
Total	100	100.0		

Source: Respondents of the questionnaire.

Figure 4.1 Gender of the Respondents



Source: Demography of respondents' gender.

Table 4.2 exhibits the marital status of the respondents and the outcome shows that, 77% of the respondents are married and 21% are single.

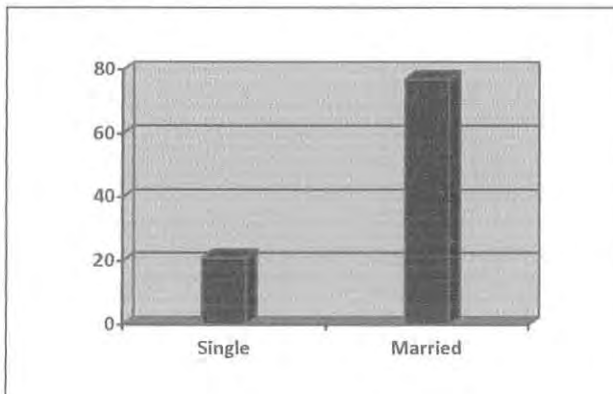
Table 4.2 Marital Status

	Frequency	Percent	Valid percent	Cumulative percent
Valid: Single	21	21.0	21.4	21.4
Married	77	77.0	78.6	78.6
Total	98	98.0	100	100
Missing system	2	2.0		
Total	100	100		

Source: Respondents of the Questionnaire.

Among the valid questionnaires, 21.4% are single and 78.6% are married ones. Two of the questionnaires are not responded to and the total respondents are 98.

Figure 4.2 Marital Status of the Respondents



This figure shows the difference of respondents in terms of their marital status which 21 % is single while 77% is married. Among the samples, two of them are missed.

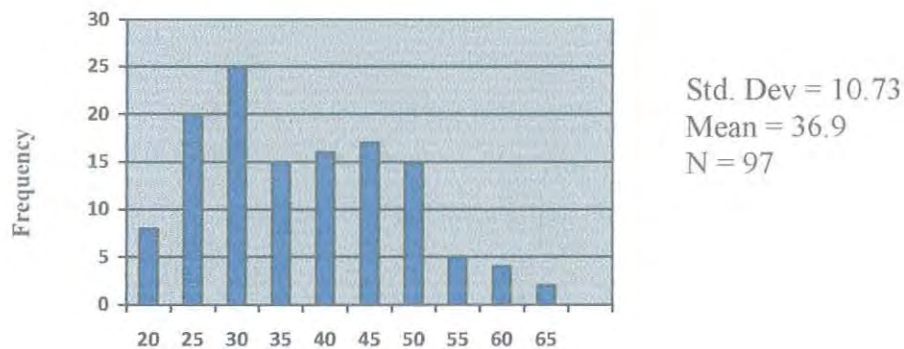
From the total respondents, single men are 11 and female are 10. The married males are 62 and female are 15. The married age composition of respondents is 21-30 years of age, male are 32 and female are 5 while 31-65 years of age male are 25 and female are 10 in number. In the single's composition between 21-30 years of age male are 11 and female are 5 while 31-65 years of age male are 4 and female are 5.

Table 4.3 Statistics of Respondents' Age

N	Valid	97
	Missing	3
Mean		36.9
Median		36.0
Mode		40.0
Range		44.0
Minimum		21.0
Maximum		65.0

Source: Respondents' of the questionnaire.

Figure 4.3 Age of the Respondents



Among the respondents highest frequency of age is 30 and the lowest is 65. Twenty five years is the second highest age and 45 years of age exhibits the 3rd level.

Hypothesis Testing

In the present research, according to the subject and the essence of CRM there is one main hypotheses which serves us to test the general characteristics of CRM and four sub

hypothesis that each of them has different specific characteristics. For testing the hypothesis, a correlation test is used. Then to determine the degree of the relationship between demographic indicators and different variables one sample T-Test of SPSS, ANOVA and Friedman tests were used.

Regarding to hypothesis testing, each indicator has been defined, and each of them includes related questions in the questionnaire. For testing each hypothesis, there is a null hypothesis against an alternative hypothesis. In null hypothesis (H₀), it is supposed that using related indicator has no effect on customer satisfaction, loyalty and retention while in alternative hypothesis (H₁), implementing the indicator increase customers satisfaction, loyalty and retention.

According to the result of T-Test, if Sig. be less than 0.05 the null hypothesis will be rejected. This means that there is a relation between variables. Secondly, if μ in the t-test be less than 3 based on the Likert Scale in the questionnaire (1= strongly agree, 2= agree 3= not agree, not disagree 4= disagree 5= strongly disagree) it means that most of the respondent's answers are less than 3(1= strongly agree 2= agree) so the alternative hypothesis will be accepted since it has a positive relation.

Research Hypothesis

Main hypothesis: Implementation of CRM model in hotels will increase customer satisfaction, loyalty and retention. Indicator 1 (shakesh I) includes all questions for this hypothesis.

Second hypothesis: IT infrastructures in hotel services (that is applied to gain customer insight, build relationships, enable customization and provide new opportunities for service distribution) will cause customer satisfaction and loyalty.

Third hypothesis: Using one-to-one marketing as one of the customer relationship management (CRM) strategies with offering more and better services based on customer's preferences and characteristics will increase hotel's customer loyalty and retention.

Fourth hypothesis: Personalization of services according to guest's preferences and characteristics will increase guest satisfaction and loyalty.

Fifth hypothesis: A good Customer Support and Service (CSS) (as one of the segments of operational CRM) will increase customer satisfaction and loyalty.

Testing Hypotheses

HI: Influence of implementation of CRM on customer satisfaction, loyalty and retention

Implementing a CRM system that does not meet the business goals or is not accepted by and being useful for the customer, may create problems for companies and simply cause escalating costs, instead of leading to improvements in customer management. In this way, the main hypothesis which is needed is implementing CRM factors in general increases customers' satisfaction, loyalty and retention or not (Customer acceptance).

First or main hypothesis: Implementation of CRM model (IV) in hotels will cause customer satisfaction, loyalty and retention (DV). So, the null hypothesis is:

Ho: Implementation of CRM model in hotel industry has no effect on customer satisfaction, loyalty, and retention ($\mu = 3$).

Against the alternative hypothesis:

HI: Implementation of CRM model in hotel industry will increase customer loyalty, customer satisfaction and customer retention ($\mu = 3$).

Table 4.4 One Sample T-test of main hypothesis

	N	Mean	Std. Deviation	Std. Error Mean
Shakhes I	100	1.5636	.36721	.03672

HO: A good customer support and services (CSS) (as one of the segments of operational CRM) has no effect on customer satisfaction and loyalty.

HI: A good customer support and services (CSS) (as one of the segments of operational CRM) increase customers' satisfaction and loyalty.

Table 4.8 One-sample T-test of Fifth Hypothesis

	N	Mean	Std. Deviation	Std. Error Mean
Shakhes 5	100	1.3195	.33043	.03304

One-sample Test

	Test Value=3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence interval of the difference	
					Lower	Upper
Shakhes 5	-50.857	99	.000	-1.68050	-1.7461	-1.6149

Source: Collected data from questionnaires.

For testing this hypothesis, there is an Indicator 5 which includes questions 1, 2, 3, 4, 8 of the questionnaire. According to table 4.8 above, the significant is 0.00. It means that $0.00 < 0.05$. So, the null hypothesis ($\mu = 3$) will be rejected. A good customer support and the services have an effect on customer satisfaction and loyalty. In the next step regarding the confidence interval, the μ is less than 3 ($3 - 1.7461 < \mu < 3 - 1.6149$) and the alternative hypothesis ($\mu < 3$) is accepted. As a result, giving a good customer support and services increase customer retention and loyalty (positivist impact).

Correlations

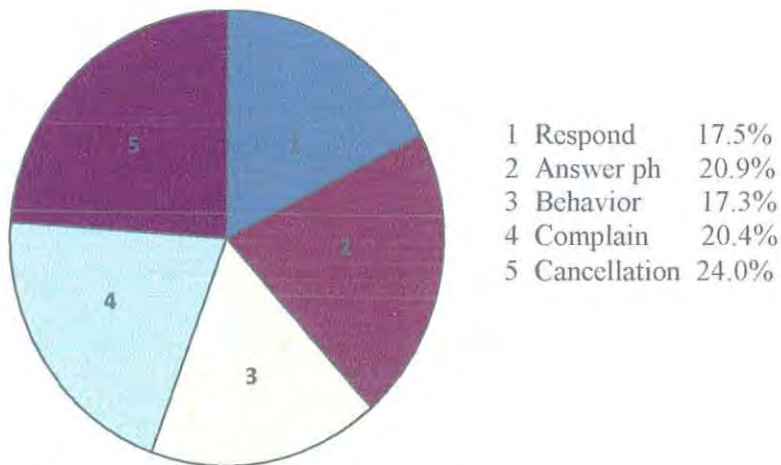
Since the results of the hypothesis testing proved there is a relationship between the dependant and independent variables, testing the nature of the relationship using correlation (linear, positive/negative, strong/weak) and significance (high, low, moderate) tests make possible generalization of the findings.

Table 4.16 Customer service and support variable Friedman Test

Ranks		Test Statistics	
	Mean Rank	N	95
Answer ph	3.07	Chi-square	71.814
Respond	2.63	df.	4
Behavior	2.56	Asymp. Sig.	.000
Complain	3.07		
Cancellation	3.67		

Source: Questionnaires.

Table 4.16 Customer service and support variable Friedman Test



Source: Responses of the questionnaires.

The Friedman test of the customer services and support variables (Table 4.16), present that cancellation service has the highest mean (3.67) followed by complain customer behavior, which has 2.56 mean. These variables percentage share as shown in figure 4.6 are, cancellation 24%, complain 20.4%, answer ph 20.9%, respond 17.5%, and behavior 17.3%. These percentage differences or its variation indicates the degree of importance of the customer services and support. For the test of the variables, 95 questionnaires are filled up and responded to.

Furthermore, the respondents highly approve of the services that are aided by a CRM system. A considerable number of guests said Sheraton’s service is special because of the instant responses they get. One respondent said “the attendants solve things for you in no time. Because the system is computerized they give you an answer right there, and it’s fast

to send queries to other sections for attention.” Another respondent added that the standby help is what is fascinating about the service. “Wherever you’re in the hotel, help is always around which makes me feel reassured. In the public places like the restaurant and the lounge, when I look around for something one of the employees come to me and ask if I need help. When I am in my room, asking for help is fun. There is the phone, the TV, the internet to send my request.”

The worth of using CRM related facility is established in the sentiment it throws on guests. When responding to a question regarding how secure they feel when they are in the hotel, generally all said they feel well protected. The modern and computerized security system made the impression on clients that while they are at the hotel their personal and material well being is free from risks. One female respondent answered “the security installation at the main gate and the hotel entrance makes you think nothing harmful can escape the security system. Inside the hotel, the employees watch around vigilantly and I guess everything is under control.” The coverage of the security system is another point that guarantees guests of their safety according to a male respondent. “Everything is controlled by a computerized security. There are sensor machines at entrances, even the car plot is controlled by a digital system how many open spaces it has. I think every corner is covered by the system. And that is dependable.” Sheraton Addis has excelled in guests safety assurance mainly due to the highly digital security service it has in place. Opinions of guests showed that they took the place as a sanctuary from any harm once they are in the compounding. An elaboration is provided by a respondent who said, “I’m sure my security is not something to worry about. From car parking lot to the bed room door everything is digitized without disturbing my privacy. The digital system is reliable.”

Giving a sense of assurance is important for any hotel but in the case of the Sheraton it has additional value. As the hotel is located near a poor residential area that is known for its frequent crime, infringeable safety is given due attention. Most study participants touch this issue somehow in their response yet some talk emphatically of it. A male respondent who is in his the middle age said, “When I come to the hotel I drive through the village street and watch shabby young men. It is not a nice view. But I know every inch of the hotel is under

security cam view. The security is very tight. Nothing bad can happen to me in the hotel.” Though the hotel’s location is a source of anxiety for few, some guests reduce the threat because of other surrounding factors. These groups accept the risk yet they are of the view that that danger is lessened because of the presence of other government institutions in the area. A young man of 36 years of age has this view: “Of course the surrounding is a bit slummy. But I don’t think anyone can pass the security. Although those bad looking guys are around, it isn’t frightening. The palace is nearby, the Foreign Ministry is on the back of the hotel and Hilton is a few meters away. This is a well secured area. And those guys don’t dare to do something bad around here.” Even though the stiff hotel security is liked by guests, a few guests rarely spoke of their restlessness with it. This discomfort stems from the over-secured environment. An aged lady tells her restlessness “The hotel is over secured....ah...I think I am watched all the time. It’s...it’s... I feel tense.”

When looking at this type of stressing conditions against the overall service of the hotel, their importance is noticeably reduced since the security is one of the important services customers want the hotel to keep up. Asked what improvements the hotel should do to step up its Customer Relationship Management, a considerable sum of respondents said the security should not be reduced. A customer who has special liking for the Sheraton environment said the security is one of the things the “make me come here often.”

The study participants are in general fond of the services they receive and suggest to keep it as it is. Many are satisfied that the hotel employees are attentive. A businessman who is nearing 60 tells “The reason I like Sheraton is because the workers are always ready to serve me. They know when you need something and don’t wait until you call them.” The attentiveness of the hotel staff makes the guest relax specially those who come on vacation. A young couple refreshing on the poolside café has the following view. Young man: “On vacation I like to come here because I can simply rest and relax without needing to do care for something a bit. The waiters alertly wait for your signal. Sometimes not worrying even for the easiest things as knowing the time is very relaxing.”

Young lady: “Like my partner said, Sheraton is good on this. Their dedicated attention sometimes make me feel I’m in the care of my mother,....someone I’m close to.”

Overall, respondents are fulfilled with the hotel's service as it is. Answering to the question about necessary improvements, some clients instinctively said it is good if the hotel gives luxurious services as live concerts by world class singers, standard size golf field. However, the hazy comment other respondents gave to the same question casts uncertainty if improvements are really needed. Though they like to see some changes they could not definitely tell what sort of change they want to see. Their answers were a sort of "something that will make it more excellent." Hence, it is possible to say the service is fulfilling well guest's demand.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

Based on empirical data and analysis, the hotel industry is experiencing increased globalization, competition, higher customer turnover, growing customer acquisition costs and rising customer expectations. This means that hotels' performance and competitiveness is significantly dependent on their ability to satisfy customers efficiently and effectively. Sheraton Addis is no exception. It faces a double-faced challenge locally and internationally since it is a world class hotel and a first-rate service provider in the local circle. Therefore, to enhance guest satisfaction and profitability, it must focus on implementing a full-fledged customer relationship management (CRM) strategies which aim to seek, gather and store the right information, validate and share it throughout the entire organization and then use it throughout all organizational levels for creating personalized relationship and unique guest's experiences.

According to the results of hypothesis testing in chapter four, implementing CRM in the form of gathering information for personalization of services, using one-to-one marketing plans, improving guest services and support and using IT for giving more services in Sheraton Addis hotel resulted in increased customer satisfaction, loyalty, and retention.

Correlation tests showed that customer's loyalty does not depend on demographic factors; it is a condition that occurs following the service delivery mode. As the study showed, loyalty is instead affected by the types of services that are provided by the hotel, the type of marketing strategy adopted, and hospitality of the staff.

A successful implementation of personalized services, one-to-one marketing plans, improved guest's service and support, and using IT for giving more services in Sheraton Addis hotel resulted in growing customer satisfaction, loyalty, and retention.

Sheraton's success in preserving its loyal customers base paves the way for the hotel to be a source of long term and sustainable competitive advantage.

In light of this, the following recommendations are based on particular categories of CRM adoption Sheraton Addis need to consider.

Recommendation

For effective implementation of CRM, the main thing to remember is that CRM is not a computer system, it is not a line item in a marketing budget and certainly is not a fad: CRM is an approach to the customer that involves and embraces a hotel's guest, making them want to be the guest of the property or the brand lastingly. If Sheraton wants to scale up its success in future, it should use all the three packages of CRM. Though Sheraton Addis has a CRM system in place, the hotel needs to exploit more some features of the system to make a good use of it.

On the collaborative front, customer information should be kept consistently and it should be available across all the customer related departments (front office, housekeeping, restaurants, coffee shop...). Based on the value that hotel put on a customer, it should establish an effective and correct communication channel. Besides, guests should be classified through the corporation's data mining tool and put in special segments. Segmentation helps the hotel to manage its guests as individuals or small groups and become fluent in analyzing customer data.

Some customers are worth more to the business than others and Sheraton must invest more of its scarce resources in the most valuable customers, and less in the others. This strategy is perhaps the most difficult element of CRM to accept, but it is absolutely essential.

Similarly, part of the CRM strategy needs to be a means of servicing profitable customers differentially (according to service classification). Therefore, the hotel should coordinate between its customer classification and service tailoring strategies.

Coordination is equally important between data capturing, storing and managing departments alike to help people on the service delivery line to be well informed of customers (return) needs. An electronic facial recognition system could assist employees by providing a history of customers' behaviors and preferences. Using handheld devices,

attendants could read basic information of a return customer in real time and be ready to give customized service.

Last, the hotel should give back to its customers occasionally. Memberships and reward strategies are very convenient. Giving membership to frequent guest and giving opportunity to them for using from discounts or special services will cause their retention and make them feel they are given special privileges that the common customer would not have access to.

Buyer programs award redeemable points to customers that can be converted into free service, upgrades in class, and/or exchange of other products and services. The process of redeeming/ rewarding should be uncomplicated and easy to administer. Every organization should recognize that a frequent buyer program will increase the opportunity of the hotel's share of a customer's business.

Loyalty program provide opportunity to gather information about customer's demand and behavior. It is also an opportunity to stay in touch with the customer monthly or quarterly by sending "points" statements. It is a chance to customize the services a customer gets whenever the customer makes contact with the organization.

Finally, the hotel should undertake research regularly to find out changing customer needs and its position in the market. Following is a list of areas that could be of immediate interest for studying.

1. From customer's perspective, how well is the hotel doing?
2. What can be improved in existing services to serve customers better?
3. In which areas competitors have an advantage?

"CRM is never done, it is an ongoing effort."

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Addis Ababa University

Questionnaire about Customer Relation Management in hotel industry (Case of Sheraton Addis)

Dear respondent:

The present questionnaire is prepared for MA thesis in marketing management and its aim is to make the model "Customer Relation Management (CRM)" applicatory in hotel management. Hotel industry is considered as one of the greatest industries in the world and has a role in the world economy and foreign currency earnings updating the hotel services in relation to the customer needs and wants is of high importance. Therefore, the present questionnaire is formulated to help the tourism and hotel Industry in developing and improving the required services to satisfy customers. With this regard, you are kindly requested to take some of your time to respond the questions. It is hoped that your valuable response shall contribute to the improvement of the service.

With special thanks,

Tadesse Endaylalu

MA student in Marketing Management

Questionnaire

Part I Biographical Data

Full name _____ Sex _____ Age _____
 Marital status _____ Educational level _____
 Occupation _____

No	Questions	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
A. Hotel Point of View						
1	Access to hotel information via website is considered as one of the hotel's advantages.					
2	24 hours online reservation is one of the hotel's advantages					
3	It is of hotel advantages to use an effective media like website					
4	Paying the bills by the credit cards is of the hotel's advantages					
5	Applying IT in rooms as special services, such as film on demand is one of the hotel's advantages					
6	Applying IT in rooms as a special service, such as music on demand is one of the hotel's advantages					
7	Access to hotel various menus and getting room services via TV is of hotel's advantages					
8	Sending good-wishes messages for new year, birth day, or wedding anniversary result in more customer loyalty					
9	Advertising about discounts and special prices of each season by the hotel could be a factor for reselecting the hotel.					

10	Baby sitter service is necessary for a hotel					
B. Customers Point of View						
1	Responding to the guest's requests in the suitable time causes customer's satisfaction					
2	Personnel's appropriate behavior is one of the effective factors in extending customers stay					
3	Attending customer's complaints results in more satisfaction					
4	Filling out the feedback form via internet provides more easiness for customers					
5	Accepting cancellations by hotel is of special importance for customers					
6	Reserving via internet increases the percentage of hotel selection					
7	Seeing a private welcome message on room's TV results in more satisfaction of customers					
8	Considering special needs of the customers during check in time and fulfilling them during staying results in more satisfaction of customers					
9	Offering additional services such as To/From airport transport is of customer's needs.					
10	Sending welcome note from hotel management to rooms is pleasant for customers					
C. Hotel and customer (Both) point of view						
1	Internet services in rooms results in customer's and satisfaction					

2	Having membership card of Sheraton Addis encourages customers to stay in the hotel					
3	Customer's perception and the rendered services of the hotel are at equal foot					
4	The image of the hotel and the service delivered are matching					

Part II

Please tick the closest choice which reflects your opinion (you can tick more than one choice).

1. If you want to travel for business, which services do you prefer in your opinion (you can tick more than one choice).

- Fax Direct line phone Office equipments
 Internet Answering phone Laptop Xerox

2. In the case of follow-up advertising after your departure, which type of media do you prefer better?

- SMS E-mail Sending letters
 Telephone Fax

3. In the case of staying in this hotel, which reservation do you prefer?

- Via internet Via phone
 Via travel agency Letter and fax

4. How was this hotel introduced to you?

- Other's recommendation Previous experiences
 Travel agencies From the website of the hotel

5. If the hotel is required to reclassified to higher standard, which services do you like to be included

- Casino game Golf field
 Ground tennis court City four by airplane
 Traditional dance in every evening

If any more please write down _____

6. Which one of the hotel's service gives you the highest degree of satisfaction?

- Accommodation Food and beverage
 Entertainment Customer relation

Of any other please list down _____

7. Compared with the same standardized hotels, that of Sheraton Addis, which one influences customers to be loyal?

- The ideal location and the space it holds
 The amenities existed in the hotel which are quality by for
 The personalized services given to guests
 The reasonable price of every type of service

If there are some reasons apart from the listed, please write them down

8. Which one of the following service/s has/ have greater contribution to satisfy more and to choose a given hotel to stay in

- Wireless website access Up to the minute billing system
 Credit facility Access of all services to the room
 Availability of private guest lounge

If there are some more please state them _____

9. What makes Sheraton's service special to you? _____

If there is nothing special to you, what would you suggest to be added on the current provision of services? _____

10. What are expected from the Sheraton Addis to improve its total customer relationship management? _____

If there is no need of improvement, what action should be taken to maintain its status? _____

11. How do you find the safety and security services of the hotel? Does it cover the entire hotel? _____

Declaration

I, the undersigned declare that this thesis is my original work, has not been presented for a degree in any other University and that all sources of material used for this thesis have been duly acknowledged.

Name: TADESSE ENDAYLALU

Signature: 

Date of Submission: _____

This thesis has been submitted for examination with my approval as university advisor.

Name: Dr. L. Amare Kenen

Signature: 

Date of Approval: _____

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