



**Midlands State University**  
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**FACULTY OF COMMERCE**

**DEPARTMENT OF MARKETING MANAGEMENT (HMRK)**

**THE IMPACT OF SERVICE QUALITY ON CUSTOMER SATISFACTION. A CASE OF  
TOBACCO SALES FLOOR.**

**BY**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS OF THE BACHELOR OF COMMERCE MARKETING  
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## APPROVAL FORM

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## **DEDICATIONS**

I dedicate this research to my late parents, my brothers and my sisters. Thank you for believing in me.

## **ACKNOWLEDGEMENTS**

I would like to thank God Almighty for giving me the grace and courage to make it this far. My deepest appreciation goes to my siblings for their love and support. I would also like to give my deepest acknowledgement to my supervisor for her patience, guidance and assistance throughout the research project. I would also like to extend my gratification to Tobacco Sales Floor for the assistance and not forgetting my friends for their encouragement and love.

## **ABSTRACT**

Due to the intense competition faced by Tobacco Sales Floor, service quality has posed to be the strategy that can be adopted by the service organization in order for them to succeed. For the past 3 years Tobacco Sales Floor has been experiencing a constant decline in their sales volume and this has led the researcher to focus on the impact of service quality on customer satisfaction. The study aims at identifying the most appropriate service quality dimensions that can be used by Tobacco Sales Floor to improve its service quality. The researcher used the SERVQUAL model for identifying the most relevant dimensions. The researcher used descriptive and exploratory research designs so as to fully examine and explore into the research objectives. 30 questionnaires were administered to both the employees and customers, the employees used in the study were only the front line employees that is employees from the customer service department only, and the researcher used the tobacco farmers registered with Tobacco Sales Floor from the Beatrice region in Harare. The results indicated that service assurance, service responsiveness and service empathy have an impact on customer satisfaction. From the results obtained the researcher recommended the organisation to upgrade their machinery so as to improve service efficiency and also invest in internal marketing. Tobacco Sales Floor also improve on customer service.

# TABLE OF CONTENTS

<b>RELEASE FORM.....</b>	<b>i</b>
<b>APPROVAL FORM.....</b>	<b>ii</b>
<b>DEDICATIONS .....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENTS .....</b>	<b>iv</b>
<b>ABSTRACT.....</b>	<b>v</b>
<b>TABLE OF CONTENTS .....</b>	<b>vi</b>
<b>LIST OF TABLES .....</b>	<b>ix</b>
<b>LIST OF FIGURES .....</b>	<b>x</b>
<b>CHAPTER 1.....</b>	<b>1</b>
<b>GENERAL INTRODUCTION.....</b>	<b>1</b>
1.0 Introduction .....	1
1.1Background of the Study.....	1
1.2 Statement of the problem .....	4
1.3 Research Objectives .....	4
1.4 Research questions .....	4
1.5 Assumptions .....	4
1.6 Significance of the Study .....	5
1.6.1To the Company.....	5
1.6.2To the University.....	5
1.6.3To the Researcher.....	5
1.7 Delimitations .....	5
1.8 Limitations .....	6
1.9 Chapter Summary.....	6

<b>CHAPTER 2</b> .....	<b>7</b>
<b>LITERATURE REVIEW</b> .....	<b>7</b>
2.0 Introduction .....	7
2.1 Service Quality Models .....	7
2.2 Customer Satisfaction concept .....	11
2.3 Impact of Service Quality on Customer Satisfaction .....	13
2.4 Effect of Service Responsiveness on Customer Loyalty .....	15
2.5 Impact of Service Assurance and Customer retention .....	19
2.6 The Influence of Service Empathy on Positive Word of Mouth.....	22
2.7 Chapter Summary.....	27
<b>CHAPTER 3</b> .....	<b>28</b>
<b>METHODOLOGY</b> .....	<b>28</b>
3.0 Introduction .....	28
3.1 Research Design.....	28
3.1.1 Descriptive Research Design .....	28
3.1.2 Explorative Research Design .....	28
3.2 Target Population .....	29
3.3 Sample Size.....	29
3.4 Sampling Methods.....	30
3.4.0 Management .....	30
3.4.1 Employees .....	30
3.4.2 Customers.....	30
3.5 Data Source .....	30
3.6 Research Instruments .....	31
3.6.1 Questionnaire .....	31
3.6.2 In-depth interviews.....	31



3.7 Data Collection Procedure .....	31
3.8 Validity and Reliability of Findings.....	32
3.9 Chapter Summary.....	32
<b>CHAPTER 4.....</b>	<b>33</b>
<b>DATA ANALYSIS AND PRESENTATION.....</b>	<b>33</b>
4.0 Introduction .....	33
4.1 Respondents Rate .....	33
4.2 Respondents Demographics .....	33
4.3 The Effect of Service Responsiveness on Customer Loyalty .....	36
4.4 The Impact of Service Assurance on Customer Retention .....	38
4.5 The Influence of Service Empathy on Positive Word Of Mouth.....	39
4.6 Chapter Summary.....	40
<b>CHAPTER 5.....</b>	<b>41</b>
<b>SUMMARY, CONCLUSSIONS AND RECOMMENDATIONS .....</b>	<b>41</b>
5.0 Summary .....	41
5.1 Conclusions .....	42
5.1.1 The Effect of Service Responsiveness on Customer Loyalty .....	42
5.1.2 The Impact of Service Assurance on Customer Retention .....	42
5.1.3 The Influence of Service Empathy on Positive Word of Mouth.....	42
5.2 Recommendations .....	42
<b>Reference list .....</b>	<b>45</b>
Appendix I: Questionnaire for Customers .....	55
Appendix 2: Questionnaire for Employees .....	58
Appendix 3: Interview Guide for Management .....	61

## LIST OF TABLES

Table 1.1: Tobacco Sales Floor sales reports.....	4
Table 3.1 Sample composition.....	29
Table 4.1 Questionnaire Response Rate .....	33

## LIST OF FIGURES

Figure 4.1: Customers Gender Responses .....	34
Figure 4.2: Frequency of Visits .....	35
Figure 4.3: Age Responses .....	36
Figure 4.4: Service Responsiveness and Customer Loyalty .....	37
Figure 4.6: Service Assurance and Customer Retention .....	38
Figure 4.7: Service Empathy and Positive Word Of Mouth.....	39

# CHAPTER 1

## GENERAL INTRODUCTION

### 1.0 Introduction

This chapter provides a detailed background of the study, statement of the problem and the research objectives, research questions, assumptions, the delimitations and the limitations. This study focuses on Tobacco Sales Floor a subsidiary of Tobacco Sales Limited.

### 1.1 Background of the Study

Service organisations have been encouraged to focus on service quality if they want to achieve customer satisfaction and remain competitive on the market (Kotler and Keller; 2013). Idris (2013) defines service quality as the gap between customers' expectations and their perceptions of the service experience. Yadav and Dabhade (2013) believe that consumers perceive service quality as a result of a comparison between their expectations and their perception of the performance as delivered by the organisation. Service quality is commonly measured and managed by the SERVQUAL model which was introduced by Parasuraman, Zeithaml and Berry (1988). The model has five dimensions which are tangibility, reliability, responsiveness, assurance and empathy. The model also reveals the existence of a gap between the practises of service providers and perception of service receivers (Chen et al; 2012). Kotler and Keller (2013) states that higher levels of quality result in higher levels of customer satisfaction. Customer satisfaction is the degree to which a product or service performance meets or exceeds customers' expectations (Kotler and Keller; 2013). According to Kotler and Armstrong (2010) customer satisfaction depends on the perceived performance of the product relative to the buyers expectations. The authors further add that if the product performance or service does not meet customer expectations, the customer is dissatisfied and if the performance meets and even exceeds customer expectations then the customer is highly satisfied. The authors conclude that delighted customers make repeat purchases and they become marketing partners and customer evangelists who spread the word about their good experiences to others.

Most existing research conducted for service industries relates to companies in the banking sector (Qadeer, 2013; Selvakumah, 2015; and Srivastav, 2015), the telecommunication

industry (Rahman, 2012; Yadav and Dabhade, 2013; and Boamah 2014). The research focuses on the impact of service quality on corporate image and customer satisfaction. In the tourism industry, research conducted by (Markovic and Jankovic, (2013); Hung-Che Wu, (2013); Shaikh and Khan, (2011) focuses on exploring the relationship between service quality and customer satisfaction. When it comes to the tobacco industry, Katsamudanga, (2014) researched on the impact of service quality on employee satisfaction and customer satisfaction. However, there is little research done in terms of service quality provided by the tobacco auction floors. This study aims to identify the quality dimensions and quality measures that are relevant for services offered by Tobacco sales floor in Zimbabwe.

China, India, Brazil and the United states are the leading producers of tobacco. In India the farmers bring their tobacco to the auction floors and it is weighed in the presence of the farmer and a receipt is issued with all the details of the farmer. The tobacco bales would then be classified according to grades, and then auctioned. The payment for the bales is done through depositing of funds into the bank account of the farmer on the fifteenth day (Maramkal, 2012). The Central Tobacco board in India introduced the electronic auction system so as to eliminate the errors that were being experienced in the manual auction system so that absolute transparency in the auction proceedings could be achieved. Through the e-auction system the bidding process became very fast and took four to five seconds for a bale to be sold. The buyers and starters are provided with electronic devices called hand held terminals (HHT), which contain all the data about the bales offered for sale on a particular day (Maramkal 2012).

On the other hand, the leading producers of tobacco in Africa include Malawi, Tanzania, Zimbabwe, Zambia and Mozambique. The Lilongwe auction floor is one of the biggest tobacco auction floors in Malawi, and in terms of service efficiency it ensured farmers received their payment as soon as the sales is done (The Times Group 2016). According to Sangala, (January 23, 2016) the farmers are paid within 2hours after the sale of their tobacco (The Times Group 2016).

In Zimbabwe the tobacco industry is very competitive. There are three registered auction floors which are Boka Tobacco Auction Floor (BTAF,) Premier Tobacco Auction Floor (PTAF) and Tobacco Sales Floor (TSF) which is the biggest auction floor. Service quality is of greater importance in service industries and TSF has to maintain its competitiveness

through providing high service quality to both the farmers and the merchants. Over the past years the level of service quality offered by TSF has been poor and it has led to constant reduction in its sales. According to the Bulawayo24news ( March 15, 2011) the farmers complained about false readings that were given by the scales at the auction floor, that is the same bale of tobacco would give a different mass when it is weighed on two different scales. When farmers bring their tobacco at the auction floors the tobacco can either be sold or rejected. The tobacco can be rejected due to mixed hands, that is, mixing different grades in one bale and when this happens the tobacco has to be returned to the farmer for repackaging or it can be sent for re-handling which is done by the TSF employees. In most cases when the tobacco has been sent for re-handling the bales will return with less kilograms and in other cases some farmers will never find their tobacco and it will be declared as missing (Bulawayo24news, 2011). This then leads the farmers to spend more days at the auction floor as they will be enquiring on their tobacco which in most cases is never found (The Patriot 2015). According to Mutonho (2015) employees were working in collusion with fraudulent business people and mislead farmers such that farmers kept losing their crops.

In addition, the processing of cheques at the tobacco auction floors is reported to take at least 2 hours after a sale, and the processing of cheques at TSF was noted to be slower as compared to that of its competitors. It took 4 to 6 hours before customers received their cheques, and when they receive their cheques most of them discover that some amount of money would have been deducted and paid to an insurance company that they were not insured with (The Patriot, February 26, 2015). Farmers were told to personally make a follow up on the insurance company and to rectify the problem on their own. Due to lack of knowledge most of the tobacco farmers were losing money as they did not take time to analyse their cheques.

According to the Bulawayo24news (February 15, 2012) Boka Tobacco Auction Floor had four generators on standby which enabled it to continue with operations in the event of power cuts. The generators were meant to reduce the time spent by farmers waiting to be served. However TSF has two generators on standby which were used by the growers' accounts department and the information technology department, while the rest of the departments were on standby. As a result farmers experienced delays and end up spending more time and even days at the auction floor without being served (Mutonho, 2015). These inconsistent

service quality problems being provided by Tobacco Sales Floor resulted in the organisation experiencing a decrease in sales as shown in the diagram.

**Table 1.1: Tobacco Sales Floor sales reports.**

Year	Number of bales sold	Sales in \$
2013	275 000	5,617 664
2014	259 000	4, 855,619
2015	248 000	4,639, 769

*Source: Cumulative growers accounts Annual Reports 2013-2015.*

The table shows constant decline of sales from 2013 to 2015. Could the decline have been due to poor service quality being offered at Tobacco Sales Floor?

### **1.2 Statement of the problem**

Long processing of cheques, missing bales at the auction floor, unanswerable loss of kilograms of farmers' bales and also delays in attending to customers queries led to the number of bales received at the Tobacco Sales Floor to reduce in number from 275 000 in 2013 to 248 000 in 2015 and total sales dropped by 9.82%. In which areas of service quality does TSF need to improve on in order to increase customer satisfaction of the tobacco farmers?

### **1.3 Research Objectives**

- To determine the effect of service responsiveness and customer loyalty.
- To establish the impact of service assurance and customer retention.
- To determine the influence of service empathy and positive word of mouth.

### **1.4 Research questions**

- What is the effect of service responsiveness on customer loyalty?
- What is the impact of service assurance on customer retention?
- What is the influence of service empathy on positive word of mouth?

### **1.5 Assumptions**

The researcher assumes that:

- The researcher assumes that the service quality dimensions have an impact on customer satisfaction and on company performance.
- Service responsiveness has an effect on customer loyalty.
- Service assurance has an impact on customer retention.
- Service empathy has an influence on positive word of mouth.

## **1.6 Significance of the Study**

This section shows the importance of the research to Tobacco Sales Floor, the researcher, the university and other scholars that may have an interest in the study.

### **1.6.1 To the Company**

Information gathered in this research will assist TSF to fully understand the concept of service quality and its impact on customer satisfaction, and as a result the organisation will know how customer satisfaction will deliver greater value to the organisation.

### **1.6.2 To the University**

The research is of importance to the university as the research will market the name of the university and the information gathered in the study will assist other students on literature review on service quality and its impact on customer satisfaction.

### **1.6.3 To the Researcher**

The research will be of great value to the researcher as she will gain more insight on the concept of service quality and its impact on customer satisfaction. The researcher will have more knowledge on the importance of service quality to service industries. It is also a partial fulfilment of the Bachelor of Commerce Marketing Management Honours Degree.

## **1.7 Delimitations**

- The research will focus on one tobacco auction floor which is Tobacco Sales Floor in Harare.
- The research will only consider TSF employees from the customer service department and tobacco farmers that are registered at TSF from the Beatrice region.
- The study was carried out from June 2016 to October 2016.



- The researcher used only the SERVQUAL model.
- The research focused mainly on service quality and the service quality dimensions which are empathy, reliability, responsiveness, assurance and tangibility, which are appropriate for Tobacco Sales Floor in order for it to highly satisfy its customers.

### **1.8 Limitations**

- The researcher could not get access to some information that was relevant for the study as it was regarded as confidential, however the researcher convinced the respondents that the information will be used for educational purposes and it will be kept confidential.
- The research instruments used did not allow the researcher to fully explore into the research objectives.

### **1.9 Chapter Summary**

The chapter outlined the background of study and clearly showed the research gap, it also stated out the problems that are currently experienced at Tobacco Sales Floor. The chapter also reviewed the objectives that were crafted, the research questions, assumptions, significance of the study and the delimitations.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter will provide a detailed understanding of service quality concept and customer satisfaction concept. It will also look into the service quality models, customer satisfaction concept, the impact of service quality on customer satisfaction, the effect of service responsiveness and customer loyalty, impact of service assurance and customer retention, the influence of service empathy and positive word of mouth and also why service quality should be adopted by Tobacco Sales Floor.

#### 2.1 Service Quality Models

In the service industry a model was developed to improve service quality. Gronroos (1984) developed the Technical and functional model which views service quality from a customer's viewpoint. The model consists of three factors which are technical quality, functional quality and corporate image quality. Technical quality concentrates on what the customer is getting that is the service outcome and functional looks at how the service will be delivered. The author states that corporate image is built as a result of the functional and technical quality. However this model was not fully adopted and another model was developed by Parasuraman, Zeithaml and Berry (1985).

The authors developed the gap model which measures gaps in quality and also reviews the main requirements for improving service quality. A gap is the difference which exist between customers' perception and their expectations Yadav and Dabhade (2013). The model consists of five service gaps which prevents the delivery of high service quality, the gaps include customer expectation gap, management perception gap, service quality specification gap, service quality specification-service delivery gap, service delivery-external communication gap and the expected service gap.

According to Seth and Deshmaukh (2005) cited in Shahin and Samea (2010) customer expectation gap is the difference between the customers view of service quality and the management view. The second gap which is the management perception consists of the

difference between the management opinions of the customers' expectations. The third gap which is the service performance gap is the difference between the service quality specifications and the actual service delivered. The fourth gap is the communication gap which exists when the promises made by the service provider does not meet the customers' expectations with regard to those promises and the fifth gap which is the expected service gap includes the difference between the customers' expectations and the perceived service.

The SERVQUAL model was then developed from the gaps model by Zeithml, Parasuraman and Berry (1988) and from then it was widely adopted to measure service quality. The model consists of five service quality dimensions which are tangibility, reliability, responsiveness, assurance and empathy. According to Iwaarden et al (2003) cited in Selvakumar (2015) defines service empathy as the ability of a firm to provide individualised attention to customers when offering a service, the authors also defines tangibility as the physical appearance of employees and equipment's. The authors further states that assurance is the knowledge of the employees to respond to customers. According to Zeithml et al (1990) cited in Selvakumar (2015) defines service responsiveness as the provision of prompt services to customers, the authors also defines reliability as the ability of a firm to perform services as promised.

The service quality dimensions are used to measure the level of customer satisfaction. The SERVQUAL model also shows the existence of a gap between the practice of the service firm and the view of the service receivers Chen et al (2012). Shaikh and Khan (2011) suggests that customer expectations must be well understood and measured and that gaps from the customers viewpoint should be identified as this will assist the managers in identifying effective ways of closing service quality gaps and prioritizing which gaps to focus on. Nasir (2004) adds that Customers' expectations are influenced by their personal needs, past experience and word of mouth.

The gaps model and the SERVQUAL model identifies gaps that affects the delivery of services by firms. In the research conducted by Rathee et al (2014) to identify service quality gaps in the banking industry, the authors found out that the highest service quality gap was found in the area of reliability and empathy. The authors suggests that banks should reduce the gap by providing the customers with personal attention and that employees should be trained whenever a latest technology has been introduced.

Due to the changing expectations of the customers in the governmental services, Ramseook-Munhurrun et al (2010) conducted a research to investigate the service quality in the public sector and they used the SERVQUAL model to determine the gap between customers' expectations and the perception of the front line employees. The results reviewed that the largest gap was on reliability and followed by responsiveness. The authors urged that the public sector should put more attention on being reliable and responsive in order to minimize service provider gaps. It was concluded that the firms should measure customer expectations and then communicate those expectations to the front line employees.

The SERVQUAL model has been used by various researchers in different industries as they wanted to identify the most appropriate service quality dimensions that will be suitable for a particular service industry Salvakumar, 2015 banking sector; Markovic and Jankovic 2013 hotel industry; Yadav and Dabhade, 2013 telecommunication industry.

It is however argued that the SERVQUAL model is not applicable for all service industries and this led to the development of several service quality models for different service sectors. The SERVQUAL model has been criticized for not being suitable for measuring all types of services, due to this Cronin and Taylor (1992) developed a SERVPERF model which is a performance-only model for measuring service quality in fast food industry, pest control, dry cleaning and the banking sector.

Adil, Ghaswyneh and Albkour (2013) adds that the SERVPERF model illustrates that service quality is a form of consumer attitude. Bucak (2014) researched on how service quality can influence customer satisfaction in the hotel industry and used the SERVPERF model and the results showed that empathy was the most vital factor followed by reliability, physical appearance, eagerness, and then assurance. Other researchers have used both the SERVQUAL and SERVPERF in evaluating or measuring service quality in different service industries, (Mensah and Nsiah; 2014, Hung-Che Wu et al; 2015 and Nazwirman and Kom; 2015)

Both the SERVQUAL and SERVPERF models have been criticized because they focus on the process quality attributes rather than the outcome quality attributes (Hung-Che Wu et al; 2015). Due to the shortcomings of these models Stevens et al (1995) developed a 29-item scale named DINESERV which is used to measure service quality in restaurants. Markovic et al (2010) cited in Diab et al (2015) states that the most difficult issue in measuring service

quality in the restaurant sector is that services are produced and consumed at the same time that is quality is created during the service delivery.

The SERVQUAL model was not fully adopted in a retail store setting that offers different types of services and merchandise, Dabholkar et al (1996) developed a multilevel model called the Retail Service Quality Scale (RSQS) which has five dimensions, six sub dimensions and twenty eight items. Han and Hong (2005) conducted a research to find how service quality can influence customer retention and word of mouth in retail stores and to also find the most appropriate method to measure service quality of retailers. They used the SERVQUAL, SERVPERF and the Dabholkar's scale, and the study proved that the Dabholkar scale or the Retail Service Quality Scale is the most appropriate model and that service quality does influence customer retention and word of mouth behaviour.

In the railway services a RAILQUAL model was developed to measure service quality by Prasad and Shekhar (2010) and the model was developed on the basis of the SERVQUAL model. The authors added comfort, security and convenience to the original SERVQUAL dimension. In the study conducted by Maruvada and Bellamkonda (2012) to find the effects of individual dimensions of railway service quality and they found out that there is a relationship between in train service, train punctuality, reservation and ticketing safety and security and as well as platform amenities on passengers service quality. The authors concluded that customers are pleased if trains are announced at regular intervals and prices are kept low.

Frost and Kumar (2000) developed a model which was adapted from the gaps model and the SERVQUAL model. The authors developed an Internal Service Quality model called INTSERVQUAL. This model was developed for the Airline industry and it measures service quality of the frontline staff and the support staff.

Yoo and Donthu (2001) developed a SITEQUAL model to measure service quality of online shopping websites. The model consists of four important aspects which include ease of use, aesthetic design, processing speed and security. However Loiacono et al (2002) introduced a WebQual which is used to measure website quality. The model is regarded as more appropriate for website designers rather than measuring service quality. In the research conducted by Yarimoglu (2014) to evaluate service and e-service quality measurements. The author wanted to review the importance of having specific service quality models for an

industry and also review service and e-service quality measurements. It was concluded that an industry specific service quality model will allow organisations to better understand the characteristics of their industry which will assist in knowing what is needed to be improved in order to enhance service quality and obtain a competitive advantage.

Various service quality models were created to measure service quality in different service industries. In the car rental services a RENTQUAL was developed by Ekiz and Bavik (2008), in the retail banking a TISQ model was developed by Sangeetha (2012), Chang and Challadurai (2003) developed a SQFS model for the fitness services and in the telecommunication industry a MS-QUAL model was developed by Hosseini et al (2013).

A number of service quality models have been developed for measuring and managing service quality in different sectors and yet in the tobacco auction industry there is no assurance of which service quality model is appropriate to use when measuring service quality.

## **2.2 Customer Satisfaction concept**

Service providers prioritise customer satisfaction as it is seen as an essential tool for retaining customers (Yadav and Dabhade; 2013). The authors adds that high levels of customer satisfaction can be achieved if an organisation knows the expectations of the customers and how they can meet those expectations. Diab et al (2012) indicates that satisfaction is an attitude that customers have after comparing the quality of service that they receive with their expectations. The authors concluded that satisfaction levels depends on the size of the difference between the expected satisfaction and the experienced.

Selvakumar (2015) believes that customer satisfaction is meant to influence buyers repurchase intention through positive word of mouth while low customer satisfaction leads to negative word of mouth and a complaining behaviour. The concept of satisfaction is referred to as a feeling of enjoyment or disappointment which results after consumers compare their expectations with the actual service (Kotler and Keller; 2012 and Bala; 2013). However Dominici and Guzzo (2010) cited in Silva (2014) views customer satisfaction as a business strategy that has a purpose of creating value to customers and also to identify, satisfy and exceed customers' needs.

Customer satisfaction plays an important role in maintaining a competitive advantage. Agbor (2011) conducted a research in the hospitality sector to identify the attributes that are

considered relevant by the tourists regarding customer satisfaction and the results showed that a number of attributes such as security, courtesy, value for money cleanliness and the friendliness of the staff were major determinants of customer satisfaction in the hospitality sector.

When organisations measure customer satisfaction they will not only have knowledge about the customer, they will also have competitors' knowledge as well (Cengiz; 2010). The author conducted a research which wanted to show the importance of customer satisfaction. The study reviewed that customer satisfaction plays an important role in an organisation and that it is a must for firms to measure customer satisfaction if they want to meet expectations of the customers.

Karna (2009) adds that customersatisfaction is clearly definedby customers and an organisation should outline the needs of the customer first so as to fully satisfy the customer. In the research done by Karna (2009) on the concepts and attributes of customer satisfaction in the construction industry, the aim was to explore customer satisfaction in the construction sector. The author's results emphasised on the importance of quality assurance.

There are three descriptors of customer satisfaction according to the study conducted by Channoi (2014) cited in Arthur et al (2016). The author emphasised that service quality, corporate image and customer perceived value are the three significant descriptors of customer satisfaction. Arthur et al (2016) adds that service quality is the most important factor of customer satisfaction while customer perceived value and service quality are both the determinants of corporate image. In the research conducted by Cameran et al (2010) to explore the impact of corporate image and service quality on customer satisfaction in the professional service industry that is the provision of audit services to companies. They used both the SERVQUAL and SERVPERF model and the results showed that customers feel more satisfied if their ideal firm was close to the actual audit firm that is in terms of being competent, organised and compassionate. The results also showed that customer loyalty is to a greater extent linked to satisfaction.

Various investigation has been done on service quality dimensions effect on customer satisfaction and in the study conducted by Appiah et al (2011) cited in Arthur et al (2016) on their research to find out the role of service quality dimensions in enhancing customer satisfaction. The results reviewed that service quality variables such as responsiveness and

empathy have the most impact on customer satisfaction. The authors used multiple regression analysis to find the impact of service quality.

In another research reliability, empathy, assurance and responsiveness had a significant effect on customer satisfaction while tangibles were found with no effect on customer satisfaction. This was proved in the research conducted by Niveen et al (2013) on their research to find the factors affecting customer satisfaction on service quality and they used the factor analysis to measure the determinants of service quality.

### **2.3 Impact of Service Quality on Customer Satisfaction**

An evaluation of literature indicates that service quality is one of the main influence of customer satisfaction. Markovic and Jankovic (2013) suggests that higher service quality will most likely to increase customer satisfaction. The relationship between service quality and customer satisfaction was investigated in different service industries and various empirical studies have shown that there is a positive relationship between service quality dimensions and customer satisfaction. Selvakumar (2015) researched on how service quality can influence customer satisfaction in public and private banks and found out that customer satisfaction towards banking services is influenced by assurance, tangibility, empathy, reliability and responsiveness. The author concluded that assurance has the most major impact on customer satisfaction and responsiveness has the least impact.

In the findings of Mang'anyi and Govender (2014) in their research to identify the critical dimensions of university service quality, the study reviewed that service quality dimensions have an influence on customer satisfaction. In their research they used the HEdPERF model to find the dimensions of quality that contribute to customer satisfaction. It showed that the academic and non-academic aspects were the strongest reflectors of service quality. That is access and reputation.

In the restaurant sector the researchers used different service quality models to measure customer satisfaction. In a research conducted by Shaikh and Khan (2011) to investigate how service quality can influence customer satisfaction in the Pakistan restaurant, it was proven that all the dimensions of service quality have an impact on customer satisfaction with varying degrees. The authors concluded that service responsiveness has the greatest impact



than tangibles and they used the SERVQUAL model to identify the most important dimensions of service quality on customer satisfaction.

On the other hand the research conducted by Diab et al (2015) to investigate the impact of service quality on customer satisfaction and loyalty in the restaurant sector proved that assurance, empathy, tangibility and reliability have the greatest impact on customer satisfaction, while assurance, empathy and tangibility have a positive effect on customer loyalty. The authors used both the SERVQUAL and DINESERV model. Markovic and Jankovic (2013) also explored the relationship between service quality and customer satisfaction in the hotel industry and they found out that higher service quality will most likely increase customer satisfaction. Their results reviewed that reliability, empathy and competence of staff and tangibles are the most important dimension that influence customer satisfaction

Several researches proves that there is a relationship between service quality and customer satisfaction. In the study of Ojo (2010) cited in Iddrisu et al (2015) to examine the connection between service quality and customer satisfaction in the telecommunication industry, the results proved that there is a positive relationship between service quality and customer satisfaction. The author emphasised that customer satisfaction helps in customer loyalty and customer retention.

In the service industries customer satisfaction is an important aspect as it has a strong relationship with service quality (Al-Hawary et al 2011). In the study of Silva (2014) to examine how service quality can impact customer satisfaction in a Dublin hostel, the results proved that tangibility and assurance have the most influence on customer satisfaction. The author suggested that managers should place more emphasis on tangibility and assurance and should train employees on communication skills so that they can improve the level of empathy.

Customers are the most important stakeholders in organisations and organisations should make it a priority to satisfy them (Agbor 2011). The author conducted a research on the relationship between customer satisfaction and service quality on three service sectors and the group results reviewed that service responsiveness, empathy and reliability were related to customer satisfaction. The researcher concluded that service quality is related to customer satisfaction.

In the railway service sector the relationship between service quality and customer satisfaction has also been tested. Noorzain (2013) conducted a research to investigate the relationship between railway service quality and customer satisfaction. The study focused on determining the influence of railway service quality and customer satisfaction in both the urban and rural passengers. The results proved that connection and convenience have a direct influence on satisfaction while other variables were found with no relationship with satisfaction. The results also showed that dwelling areas does moderate the effect of railway service quality and satisfaction.

Service quality and customer satisfaction are also important in the non-profit sector (Markovic et al; 2014). The authors conducted a study to investigate the impact of service quality on customer satisfaction in the health care industry and they found out that patients were satisfied with the health care quality across all SERVQUAL dimensions. The authors added that the SERVQUAL model is very useful despite all the criticism, they say it is useful in terms of its reliability in measuring quality in the health sector.

There is little research done in the tobacco auction floor and the research that has been done focused more on employee satisfaction and customer satisfaction (Katsamudanda; 2014). On the other hand, Moyo (2014) undertook a research to determine if there was a significant difference between contract and non-contract farmers. However in the tobacco industry particularly the tobacco auction floors there is no service quality model that has been crafted to measure the level of customer satisfaction. This research aims at investigating the key service quality dimensions that have a strong influence on customer satisfaction in the tobacco auction floors.

#### **2.4 Effect of Service Responsiveness on Customer Loyalty**

Shaikh and Khan (2011) states that the moments of interaction between customers and service providers has become the new focus of promoting service quality. They added that service quality is becoming an interactive quality and any effort to attract customers and gain sustainable competitive advantage service firms should maintain an interactive service quality to ensure that customers acquire active service experience. Customer loyalty is in two ways according to Iddrisu et al (2015), firstly they view it as an attitude and they believe that different feelings can develop customers overall attachment to a service or a product. Secondly they believe loyalty is behavioural and it is seen in the continuous purchases.

Organisations operating in the service sector are urged to create customer loyalty as their major objective as it is more beneficial to maintain existing customers than attracting new ones (Diab et al; 2012). According to Robert et al (2003) cited in Rizka and Widji (2013) suggested that there are six indicators that can be used to measure customer loyalty which are, share of information, saying positive things, recommending friends, continue purchasing, purchase additional service and testing new services.

Improving service quality is now being considered as an effective way to improve customer loyalty. In the research of Du and Tang (2014) to review the mechanism between service quality and customer loyalty, the authors divided the effect that service quality has on customer loyalty into direct and indirect effect. They added that the indirect part is when one or two intervening variables are introduced such as customer satisfaction, trust or customer perceived value while the direct part is when variables have a direct influence on customer loyalty like service quality. Iddrisu (2015) et al investigated the relationship between service quality and customer loyalty in the cellular industry and they used the SERVQUAL model. The findings proved that service quality dimensions have a direct influence on customer loyalty through customer satisfaction.

The importance of Service quality dimensions vary from one service organisation to another. The research conducted by Shaikh and Khan (2011) showed that responsiveness is more important than tangibles in the restaurant industry and they suggested that firms in the restaurant sectors should prioritise responsiveness and then work on tangibles as it has a significant impact on customer satisfaction. China and Tsaib (2013) cited in Diab et al (2015) research was also in the restaurants sector but on luxurious restaurants in international hotel chains. The authors argued that reliability is the most important dimension and that responsiveness has no significant influence on customer satisfaction and loyalty. Other researchers (Selvakumar 2015; Yadav and Dabhade; 2013, Markovic and Jankovic; 2013) suggest that there is a positive relationship between service quality dimensions and customer satisfaction except for responsiveness.

Customer satisfaction assists in customer loyalty, and in the research done by Kheng et al (2010) to evaluate the impact of service quality on customer loyalty in the banking sector. Customer satisfaction was used as an intermediary and the results reviewed that improved service quality will enhance customer loyalty. Reliability, assurance and empathy were found

as the most significant service quality dimensions that play an important role. The authors encourage a relationship between the customer and the service employees as it influences the development of customer loyalty.

In the Greek banking sector a research was conducted by Kranias and Bourlessa (2013) to explore the relation between service quality and loyalty. The study assessed the level of service quality being provided by eight Greek banks and the results reviewed that only one bank was perceived by its customers as a bank with service quality in all of the dimensions. The dimensions include employee competence, product innovativeness, physical evidence, reliability and convenience. The study showed that convenience dimension of quality has a strong influence on customer loyalty. The authors concluded that banks should consider the location of their branches as the Greek customers will become loyal to banks that are close to their workplaces and the city centre.

In the findings of Mahamad et al (2010) in their study to find how service quality can impact customer loyalty. The authors focused their research on the changing role of the banking system and financial market. They used the SERVQUAL model in evaluating the impact if service quality and customer satisfaction was used as an intermediary. Their results showed that high levels of service quality enhances customer loyalty and the most significant dimensions are empathy, reliability and assurance.

In the telecommunication sector Dubey and Srivaatava (2016) did a research on the influence of service quality on customer loyalty. They wanted to identify the impact that service quality has on customer relationship management and as well as customer loyalty. A SERVQUAL model was used and the results reviewed that service quality has a positive impact on customer relationship management and loyalty. It showed that tangibility and assurance has the most impact on customer loyalty. The authors encouraged the service providers to upgrade their technology and serve customers with modern equipment.

In the research of Rai and Medha (2013) they were exploring customer loyalty in the life insurance sector. The study explored the extent to which customer loyalty brings out seven variables which are responsible for formation of customer loyalty. The study reviewed that the seven factors which act as antecedents of customer loyalty are service quality, customer satisfaction, trust, commitment, switching costs, communication and corporate image. The results proved that service quality is the most important factor for customers when taking

decisions of binding their loyalty with a life insurer. The level of commitment and trust of customers in the life insurer determines their loyalty status.

Trust has been recognised as one of the antecedents of customer loyalty and a lack of trust hinders loyalty formation (Rai and Medha; 2013). In the study of Kassim and Abdullar (2010) cited in Rai and Srivatava (2013) found out that there is a link between trust and customer loyalty, their study was to find if there is any link between the two variables. To add on, the research of Nguyen and Leclerc (2011) suggested that customers develop a positive behavioural attitude towards the brand they trust. Other researchers perceive trust as a positive marker of customer loyalty (Shainesh; 2012, Castaneda; 2011).

Customer satisfaction and customer loyalty are two important aspects in the success of an organisation (Long and Khalafinezhad; 2012). To achieve customer loyalty and customer satisfaction the authors believe that there should be a positive impact of customer relationship management. Long and Khalafinezhad (2012) in their study to find how customer relationship management can influence customer satisfaction and loyalty the authors found out that certain elements linked closely with both customer satisfaction and customer loyalty which are the development of relationships, the overall behaviour of employees, interaction management and the quality of customer service.

Effective customer loyalty programmes inspires customers to purchase more from the organisation (Vasconcellos and Botelho; 2014). The authors conducted a research on the aspects that encourages loyalty in supermarkets and they found out that loyalty programs are not effective in supermarkets. The authors added that ambience and the quality of service provided by supermarkets improves the perception of store value and it was also reviewed that the program card loyalty has no relation with the perceived store value.

Service quality dimensions vary from one industry to another and service providers' should focus on the right service dimensions to ensure that customers will be loyal (Rizka and Widji ;2013). In the tobacco auction floors there is a high degree of interaction between the farmers and the employees, and there have been countless complaints of farmers spending days at the auction floors without being served, and farmers not being assisted as soon as they are faced with a problem. This shows that the tobacco farmers need prompt services and TSF should be willing to provide the required customer service without any inconvenience as this will strongly influence the level of customer satisfaction and customer loyalty.

## **2.5 Impact of Service Assurance and Customer retention**

Service quality has become an important factor of customer retention (Nsiah and Mensah 2014). The authors researched how service quality can influence customer retention in the banking sector and they used the SERVPERF model. Their research proved that empathy and responsiveness have more impact on customer retention than assurance. The authors recommended that banks should place more emphasis on being empathetic and responsive in their service delivery if they are to retain their customers.

Service firms should increase employee satisfaction and enhance interactions between employees and customers so as to provide the service quality that customers expect (Dawes; 2009). The provision of high service quality by a firm enables it to retain its customers which as a result leads to higher levels of customer commitment and loyalty (Nsiah and Mensah; 2014). In the research conducted by Zangmo et al (2015) to find how service quality can influence customer retention in the airline industry, the study reviewed that service quality plays an important role in retaining customers and has a positive impact on customer retention. The authors suggests that firms in the airline industry should improve their service quality so as to retain their customers.

Customer retention is being used as a strategy to protect and hedge a firm against competition (Molapo and Mukwada; 2011. In their study to find the importance of customer retention strategies in the telecommunication sector, the authors found out that the most effective customer retention strategies was service quality and the ability to offer services at lower prices. The authors stated that customer retention strategies differ with the type of industry.

In the professional service sector a research was conducted by Mascareigne (2009) to find the influence of customer retention. The author discovered that the quality of service, involving and satisfying customers have a strong influence on retaining customers. The author further insisted on professional service firms to develop personal trustworthy relationships with their customers so that they can be able to retain them. The author believed that the use of relationship marketing is crucial.

Many research has been conducted on customer retention strategies and in the study of Moyo and Makore (2013) have proven that retention can be achieved only when customers are highly satisfied and delighted that is meeting and exceeding their expectations and the provision of great customer service. The authors believe that if customers experience or have

a good encounter with the service provider there is a higher probability of them coming back to do business with the service firm.

In the banking sector customer retention has been linked to relationship marketing. In the study of Rootman et al (2011) states that relationship marketing and customer retention work hand in hand as relationship marketing is defined as a strategy of developing and retaining customer relationships. It also focuses on developing and maintaining relationships between the firm and the customers. Whereas customer retention aims at keeping the firms customers for a long period of time and that can only be achieved if there is a relationship between an organisation and the customer. The study revealed that in the banking sector relationship marketing and customer retention can be influenced by fee structures and ethical behaviours.

Customer retention is highly influenced by customer relationship management Ghavami and Olyaei (2006). In their research to find out how customer relationship management can influence customer retention they found out that customer relationship management (CRM) has a positive influence on customer retention. The authors stated that CRM improves customer retention and loyalty as the firm will be monitoring its relationship with its customers. The authors added that since the firm will be monitoring and managing its customers they will have enough knowledge about their customers through the customer database, and this database will assist them in customising and satisfying the needs of each customer. Organisations that have the knowledge of who their customers are will set customer retention strategies that will cause the customers to stay loyal and longer (Mascareigne; 2009 and Zeithaml and Bitner; 1996).

On the other hand another author states that one of the customer relationship management strategy is customer retention (Nataraj; 2010). The author reviewed that customer retention programs can be used to enable the management to identify the different kinds of customers they have and then segment them according to their profitability then satisfy them so that they become loyal.

Organisations will earn good reputation if they invest in customer retention programs (Singh and Khan; 2012). The authors believe that customer retention can make an organisation to be involved in research and development so that they can improve their services or products so as to better satisfy and retain their customers. In the study of Petzer et al (2009) to find out

how the management distinguish the importance of customer retention in different sizes of hotels, the author found out that there is no major difference. The authors therefore urges the managers in the hotel industry to develop strategies that will improve customer retention by focusing more on guests who visit for holiday and business purposes. They also added that the customer database should be well maintained so that they will be aware of the customers' details and likings.

Improved customer satisfaction can cause an organisations customers to be more loyal and those loyal customers can spread a positive word of mouth about the organisation and as result the firm will earn more customers (Khan and Singh 2012). The authors' states that managers should make it a priority to highly satisfy and manage their relationships with their customers through the provision of quality services and products.

Customer relationship management (CRM) improves the performance of the business through enhancing customer satisfaction and increasing customer loyalty (Lombard; 2011). The author adds that the level of customer satisfaction increases as a result of the firms' deeper understanding of their customers' needs and wants. The author proposed that as satisfaction increases, the customer repurchase intention also increases.

Customers should be kept highly satisfied as they are the most valuable assets of an organisation (Odunlami; 2015). The author proposed that by satisfying customers' needs it creates room for retaining customers and also improve customer loyalty. In the study of Odunlami (2015) to explore how customer satisfaction can influence customer retention, the author recommended that organisations should develop positive relationships with their customers as this will lead to repeat purchases and positive word of mouth towards the services provided by the organisation.

In the telecommunication sector it is believed that when operators provides better service quality and respond to their subscribers quickly, the subscribers will spend more money purchasing the airtime of that network (Abiodun; 2008 cited in Ofori-Dwumfuo et al; 2013). In the study of Ofori-Dwumfuo et al (2013) it was proposed that for organisations to increase the level of customer retention they should invest in developing customer satisfaction. The authors added that the staff of the organisations play a more defining role than technology in terms of providing solutions and support.



There are barriers that can hinder customer retention. According to Harris (2003) cited in Ofori-Dwumfuo et al (2013) there are two types of barriers that can hinder the success of customer retention which can be classified as organisational barriers and personal barriers. The authors stated that personal barriers are those that has to do with the staff of the organisation that includes lack of communication skills, stress and bad attitude. Organizational barriers include the structures of the organisation, company policies, lack of good management and inefficient equipment.

Customer retention has three pillars according to Clow and Baack (2010) cited in Baack (2012) and these pillars are customer loyalty, then developing and keeping quality relationships with the customers and finally listening to customer complaints and respond accordingly. According to Baack loyalty is grouped into two that is emotional attachment and behavioural responses. On emotional attachment the author stated that emotional affections develop as the customers believes that their problems are being solved and behavioural responses is associated with referrals and word of mouth .

In the health care sector a research conducted by Baack (2012) to observe the different factors of customer retention found out that the health care should build on the three pillars of customer retention. The author added that for loyalty to be built proper care should be offered to the patients and positive interactions can develop good quality relationships. The author recommended that the management should conduct performance appraisals and offer reward systems for their employees.

## **2.6 The Influence of Service Empathy on Positive Word of Mouth**

Empathy is understanding the problems of others and valuing other people's opinions and feelings (Chattananon and Trimetsoontorn; 2009 cited in Kordnaeij et al; 2013). Organisations should make it a priority to understand its customers as this will make them to please their customers when delivering services (Kordnaeij et al; 2013).

Customers should feel special and unique. According to Iddrisu et al (2015) for organisations to develop empathy they should make it a priority to know their customers by name, preferences and make sure that they satisfy their needs. The authors believe that through the provision of customised services small scale firms can achieve empathy than large firms.

The provision of excellent service quality to customers increases their tendency of spreading positive word of mouth (Mousavi, Nosratabadi and Saeidi; 2015). The authors' research was to investigate how customers' word of mouth is affected by service quality in the banking sector. The study reviewed that service quality has a positive effect on word of mouth that is provision of new services and cost of delivered services have a positive effect on customers word of mouth. While other service quality dimensions such as tangibility, and access to services have no effect.

In order for firms to keep existing in the marketplace they should invest in their current customers as these will be their unpaid marketers as they will spread their word of mouth (Zamil; 2011). The author proposed that word of mouth is an important aspect. In the study conducted by Zamil (2011) to investigate the influence of word of mouth in the purchasing decision of consumers, the author found out that customers purchasing decision is positively influenced by word of mouth. The author suggested that managers should know that word of mouth is an essential aspect and should be part of the marketing strategy. The author then concluded that good relations should be developed with the customers so as to gain their loyalty and commitment to communicate positively about the organisations products and services.

Customer satisfaction influences word of mouth behaviour and repurchase behaviour (Nazwirman and Kom; 2015). The authors adds that for customers to publicise word of mouth it depends on their level of satisfaction with the service provided by the service provider. Word of mouth can be in two ways that is customers can share their experience with others if the service performance exceeds their expectations or when customers' expectations are not met they can share their negative experiences so as to express their anger (Nazwirman and Kom; 2015).

The results in the study conducted by Yen Neeng (2005) in determining the influence of DINERSERV dimensions on customer satisfaction and word of mouth in the university dining facilities, the study proved that overall satisfaction has a positive effect in determining students return intention and word of mouth endorsement. However Han and Hong (2005) conducted a research on the effects of service quality on customer retention and word of mouth and the results proved that service quality influences word of mouth behaviour.

In a service organisation, service failure is inevitable so service organisations should have service recovery strategies set in place. Bell and Zemke (1987) cited in Wahab and Norizan (2012) that service failure takes place when customers' needs are not met and when this happens a firm should rectify that problem through proper service recovery strategies so that the organisation can prevent the customer from defecting and spread negative word of mouth. Service recovery will also allow the firm to retain those customers that would have been affected by the service failure.

For organisations to build long term relationships with their customers they should make sure to get rid of the negative attitudes of their dissatisfied customers which can be achieved by having service recovery strategies that are designed to resolve the exact problem that the customer has experienced (Miller et al 2000; cited in Wahab and Norizan 2012). According to Wirtz and Matilla (2004) cited in Wahab and Norizan (2012) Organizations should make sure to be empathetic and apologise so as to make the customers feel fairly treated and this will make an organisation to achieve a sense of interactional fairness. This is important because if the service firm does not show any form of concern to their customer during the service recovery process, it will lead the customer to have negative emotions (Kennedy and Sparks; 2003 cited in Wahab and Norizan; 2012).

It is however believed that those customers that receive fair treatment of the service recovery are likely to engage in positive word of mouth and they will spread positive information about the service provider (Blodgett et al; 1993 and Maxham; 2001 cited in Wahab and Norizan; 2012). In the research conducted by Wahab and Norizan (2012) to find the effect of service recovery on word of mouth. The authors found out that if the customers are satisfied with the service recovery they will spread positive word of mouth. The authors also added that if the customers are pleased with the outcome they will spread positive word of mouth and if they are not pleased or receive unfair treatment they will spread negative word of mouth. Wahab and Norizan concluded that service providers should always include empathy and explanations and as well be polite when addressing their customers as this will make them feel appreciated by the company.

In the higher education sector a research was conducted by Li (2013) to find the relationship between service quality, loyalty and word of mouth. The author found out that for students to spread word of mouth they should be satisfied first by the service quality provided and then

create loyalty. The author also found out that service quality has no direct influence on word of mouth, it should first go through customer satisfaction and then customer loyalty in order to create word of mouth. The author recommended that the university must make their students develop positive word of mouth by providing excellent services.

In the software industry a research on the connection among service quality, repurchase behaviour and word of mouth was conducted by Samad (2014). The author examined the relationship between these variables and found out that there is a positive relation, it was also indicated that service quality dimensions have a positive effect on repurchase intention and positive word of mouth. Customer satisfaction was found to be a mediator between the variables.

Word of mouth lessens costs and it can generate more income through attracting new customers (Ashtiani; 2008, cited in Kordnaeij et al; 2013). Customers in the service industry highly trust each other than what the companies' promise them that is, customers depend on references of other people, this then shows the importance of word of mouth ( Kordnaeij et al ;2013). The author added that positive word of mouth is a valuable tool for advertising services and products and that positive word of mouth is influential in decision making.

Service quality together with customer satisfaction can influence positive word of mouth (lovelock; 1996 cited in Li; 2013). In the study conducted by Pourkiani et al (2014) to investigate how service quality can affect customer satisfaction and word of mouth. The study reviewed that all the service quality dimensions have a positive influence on customer satisfaction and customer satisfaction as a result positively impacts word of mouth.

Word of mouth is important for service organisations because their offerings are intangible and their customers depend on the recommendations and suggestions from those who have experienced it (Taghizadeh et al; 2013). In the study of Uen et al (2009) to find how word of mouth can impact the attractiveness of an organization. The study focused on MBA students that will be looking for jobs. The study reviewed that word of mouth has a positive influence on organisational attractiveness. The authors stated that positive word of mouth is an influential source in external communication and they concluded that firms should improve their attractiveness so as to recruit the desired applicants.

Empathy is a skill that can be developed through education and practice (Bonnette; 2014). The author added that empathy is the ability of understanding other people's emotions and

have the skill to treat them according to their emotional reactions. In the study of Mousa (2015) to figure out the level of empathy the nursing students have towards the mental illness patients. The author believes that empathy is one skill that psychiatrist nurses should poses and that empathy allows nurses to create trust and enables them to understand the origins of a patient health problems. In the study the author found out that the nursing students attained high levels of empathy after they experienced the psychiatric and mental health education.it was concluded that empathy helps nurses to be focused on the patient.

The attention that the organisation gives to its customers is regarded as empathy and it is also seen when the service provider understands the customer (Auka et al; 2013). The authors states that when customers feel the empathy they will continue doing business with the organisation. The authors further states that the ability of the employees to respond to the customers' requirements knowledgeably is the most critical aspect in empathy. In their study Auka et al (2013) to find the relationship between service quality and the customer loyalty in the banking sector, the authors recommended that the banks should invest in their staff and send them for training so that they can be equipped with essential knowledge and skills when dealing with the customers.

Word of mouth (WOM) is the communication tool that highly influence people's reactions towards a brand (Hanaysha; 2016). In the study that the author conducted to examine the relation between brand equity and WOM the author found out that there is a relation between the two variables. The author further specified that there is a relationship between word of mouth and the overall brand equity that is brand image, brand loyalty, brand preference and brand leadership.

Hanzaee and Alinejad (2012) in their study to identify how service quality can influence word of mouth, it was reviewed that improved service quality and the way the service is delivered has an influence on word of mouth. The author also added that technical service quality is a driver of word of mouth

In the fast food restaurant sector Anwar and Gulzar (2011) conducted a research to find how perceived value can impact word of mouth and satisfaction. The results reviewed that satisfaction and word of mouth have a positive relation and the repurchase intentions is the mediator between the two variables. The author found out that young adults of both sexes dine out a lot and their study reviewed that the physical environment, the food and the service

offered are the aspects that can satisfy customers. It is through this satisfaction that word of mouth is created and it can further be improved by building relationships with the customers which will then lead to customer loyalty (Anwar and Gulzar; 2011)

## **2.7 Chapter Summary**

The chapter outlined the service quality models that were designed for certain service industries, it also provided a clear review on the customer satisfaction concept, the effects of service responsiveness on customer loyalty, the impact of service assurance on customer retention and also the influence that service empathy has on positive word of mouth. The chapter also provided a clear understanding of the relationship between service quality and customer satisfaction.

## CHAPTER 3

### METHODOLOGY

#### 3.0 Introduction

This chapter consists of how the information was gathered by the researcher. This chapter provides the research design and the reason behind the choice of the research design. It consists of the research design, research population, research sample, data collection procedures, data presentation, analysis and findings.

#### 3.1 Research Design

Kotler (2012) states that there are three types of research designs namely descriptive, casual and exploratory. The researcher used both the descriptive and exploratory research design since the scholar wants to collect qualitative information. These research designs will assist the researcher in determining the relationship between service quality and customer satisfaction.

##### 3.1.1 Descriptive Research Design

This research seeks to find the impact of service quality on customer satisfaction and this has led the researcher to use the descriptive research design as it used in determining the relationship between two variables (Shukla; 2010). This research design allows room for the researcher to get precise information on determining the effect of service responsiveness on customer loyalty and to also determine the influence of service empathy on positive word of mouth. The researcher also chose this research design because it is conclusive in nature and it also helps to better define and measure the situation at hand.

##### 3.1.2 Explorative Research Design

Exploratory research deals with exploring into the research problem Shukla (2008). Mahotra & Birks, (2006) states that an exploratory research clarifies concepts, gathers details, and it eliminates unrealistic ideas, and articulates hypotheses. This research design assisted the researcher to gather precise information on the customers' perception and management perception of service quality. The researcher explored the management perception of service

quality and this research design assisted the researcher in finding out the service quality gap that is hindering the delivery of high service quality.

### **3.2 Target Population**

The targeted population in this study consists of management staff, employees and customers of Tobacco Sales Floor. The target population consists of 15 employees that is 11 employees from the customer service department and 4 top management staff. The target population also consists of 60 tobacco farmers from Beatrice that are registered at Tobacco Sales Floor. The researcher will include both the commercial farmers and the small scale farmers from the Beatrice region.

### **3.3 Sample Size**

A sample is a subgroup of the population the researcher is interested in (Kumar 2011). The researcher adopted Lucy's formula to derive the sample size. According to Lucy (2006) if the population is below 200, only 40% of the target population should be sampled. The target population is therefore (40% of 75) and the researcher used a sample size of 30 respondents.

**Table 3.1 Sample composition**

RESPONDENTS	SAMPLE SIZE SELECTED
Management	2
Customer service employees	8
Customers	20
Total sample units	30



### **3.4 Sampling Methods**

To collect the data required the researcher considered the probability and non-probability sampling methods. These methods gives room for the researcher to make personal judgement on the research as well as judging the reliability and validity of the findings. From probability sampling method the researcher used simple random sampling and stratified random sampling and on non-probability sampling method the researcher used judgemental sampling.

#### **3.4.0 Management**

The researcher used judgemental sampling on the selection of the management since the researcher wanted to find out the management perception on service quality. The researcher then chose the respondents that would be well qualified and experienced in the area of research as they will be in a better position to provide the required information to solve the problem at hand.

#### **3.4.1 Employees**

The aim of the researcher is to find the extent to which the front line employees are knowledgeable, skilled and as well know their abilities to instil trust and confidence in customers. The researcher therefore used simple random sampling such that anyone will have a chance of being selected (Kumar 2011). The method is free from and bias.

#### **3.4.2 Customers**

The researcher used the stratified random sampling and grouped the farmers into commercial farmers and small scale farmers and then used a simple random sampling in each strata. Stratified sampling allows the researcher to get precise information on what the farmers consider as important in terms of service quality and the researcher will also be provided with different views from the farmers since all the groups will be represented.

### **3.5 Data Source**

The data was collected from both primary source and secondary source. The sources provides accurate information that is needed to solve the problem at hand. The research instrument used in this study are questionnaires and interviews. The researcher chose these instruments with the aim of getting information that will provide answers to the research questions and hence achieving the research objectives.

### **3.6 Research Instruments**

#### **3.6.1 Questionnaire**

A questionnaire is a formalised set of questions involving one or more measurement scales designed to collect specified primary data (Shukla; 2008). The questionnaires were developed basing on the research objectives of the study. The researcher used both structured and unstructured questionnaires so as to get the appropriate and precise information. Open ended questionnaires, were used so that the researcher can get information regarding management perception of service quality and this assisted the researcher to establish the service quality gap. These questionnaires allowed the researcher to get more information regarding the way the management perceive service quality and how they measure and maintain service quality.

For the employees and the tobacco farmers the researcher used a likert scale of 1-5 that is a scale from strongly disagree to strongly agree and the scale made it easy for the researcher when compiling data. The researcher chose questionnaires because they ensure standardisations and uniformity in the data collection process.

#### **3.6.2 In-depth interviews**

The researcher used less structured interviews so that the respondents can provide much information and it will also allow the researcher to obtain the values and attitudes of the respondents (Greener; 2008). The researcher conducted some interviews with the management with an attempt to get in depth understanding of their views and perception of service quality and its impact on customer satisfaction. These interviews helped the researcher to fully understand and fully explore on the research objectives. The researcher chose in-depth interviews as they create room for respondents to be open and honest. It is also flexible as the researcher followed the flow of the interview. The interviews also allowed the researcher to fully explore more on the views of the management regarding service quality and satisfaction, it allowed the researcher to dig deeper so as to fully understand the root cause of the problems being faced at Tobacco Sales Floor. The researcher noted down all the responses of the managers when conducting the interviews.

### **3.7 Data Collection Procedure**

The researcher handed out questionnaires to respondents and waited for fifteen minutes to collect the questionnaires. This allowed the researcher to assist the respondents in clarifying the questions and provide explanation for the customers who did not understand the

questions. The researcher made an appointment with the management two days before the interview.

### **3.8 Validity and Reliability of Findings**

By testing validity the researcher is able to decide if the scale is measuring what it is meant to measure (Shukla; 2008). The author adds that reliability relates to consistency of results over a period of time. The researcher undertook pre-tests to the questionnaires, the questionnaires were given to colleagues to attempt to fill and this assisted the researcher in clarifying aspects on the questionnaire and avoid ambiguity to the questions.

The researcher also used the SPSS system to analyse and present the data that was collected. The system made it easier for the researcher to compile the data and this assisted the researcher in avoiding errors and any form of bias.

### **3.9 Chapter Summary**

The chapter reviews the steps, tools and procedures taken by the researcher in gathering data appropriate for the study. This chapter outlines the research design, sampling techniques, target population, data collection procedures and the reliability of the findings.

## CHAPTER 4

### DATA ANALYSIS AND PRESENTATION

#### 4.0 Introduction

This chapter reviews the analysis, presentation and interpretation of the data collected in chapter three. To analyse the quantitative information gathered the researcher used the SPSS statistical package so as to get the information about service quality and customer satisfaction.

#### 4.1 Respondents Rate

The researcher handed out 20 questionnaires to the tobacco farmers that are registered with TSF and 8 questionnaires to TSF employees in the customer service department. The researcher also conducted interviews with the management. The researcher attained a favourable response rate from the employees and the customers as shown in the diagram below:

**Table 4.1 Questionnaire Response Rate**

Respondents	Instrument used	Targeted	Received	Response rate
management	Interviews	2	2	100%
Employees	Questionnaires	8	8	100%
Customers	Questionnaires	20	20	100%
Total		30	30	100%

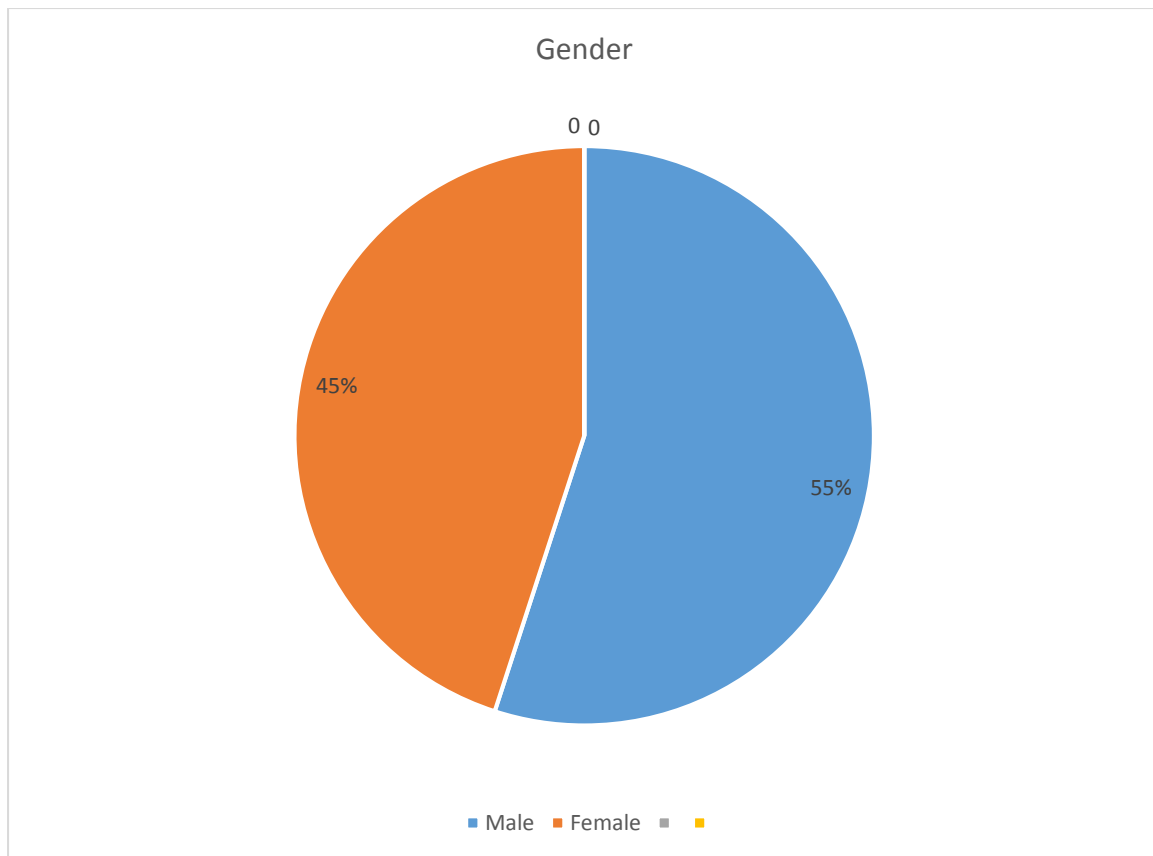
Source: Primary data

The table shows that the researcher managed to get 100% response rate because enough time was allocated to the respondents so that they can fully answer the questionnaires.

#### 4.2 Respondents Demographics

The customers were asked to review their gender, age, status and their frequency of visits to the auction floors. The researcher wanted to have the background information about the TSF customers so that the researcher can easily identify their different kinds of needs and that

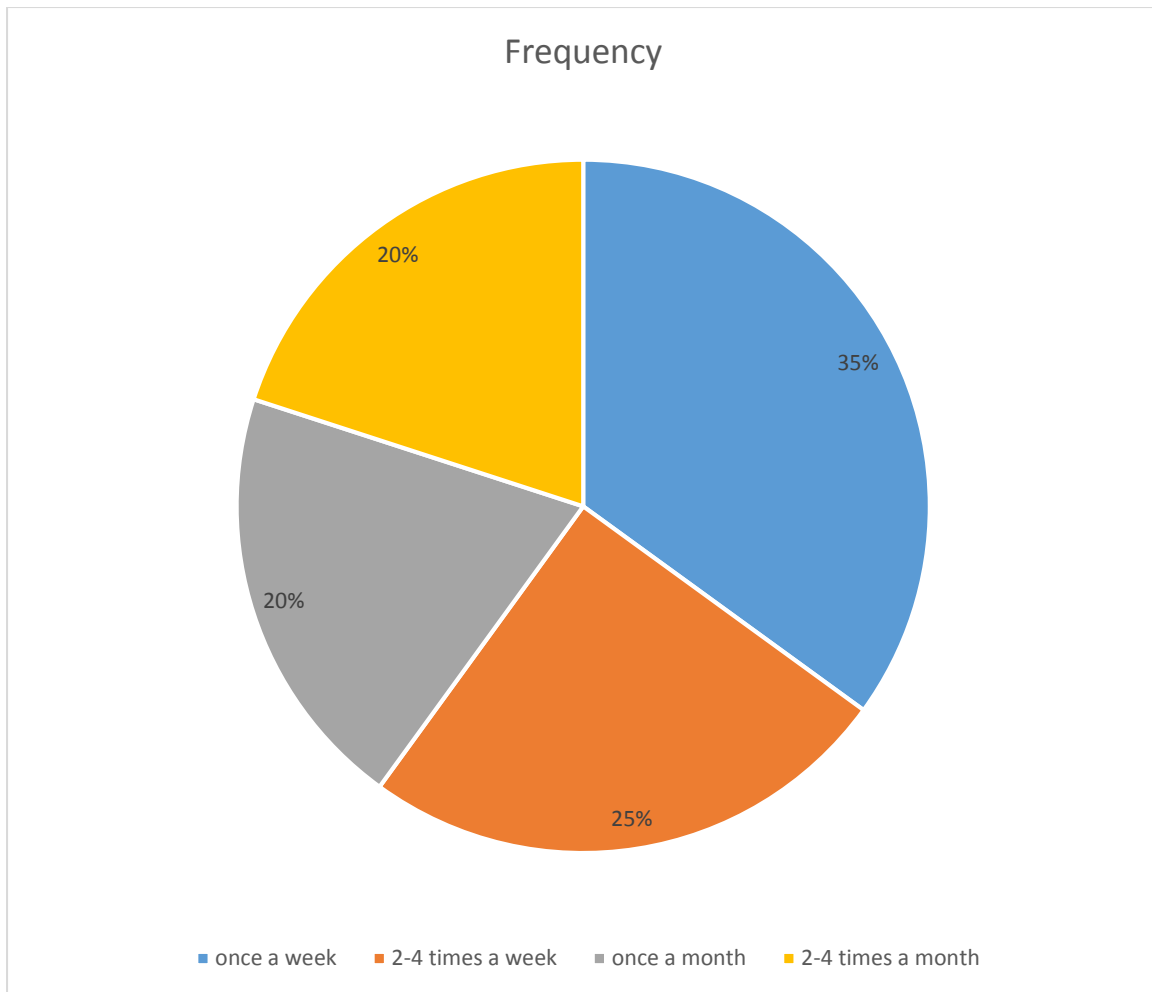
effective recommendations will be provided for different types of farmers so that they will all be highly satisfied. The pie chart was then used by the researcher to present the gender of the respondents as shown in the diagram to below.



**Figure 4.1: Customers Gender Responses**

The diagram shows that 55% are male farmers and 45% are female farmers, this reviews that the greater number of TSF customers in the Beatrice region are males than females. This is because most of the females are married and they cannot obtain their own grower number under their own names so they just use their spouse's grower number this was confirmed in one of the interview with the customer service Liaison.

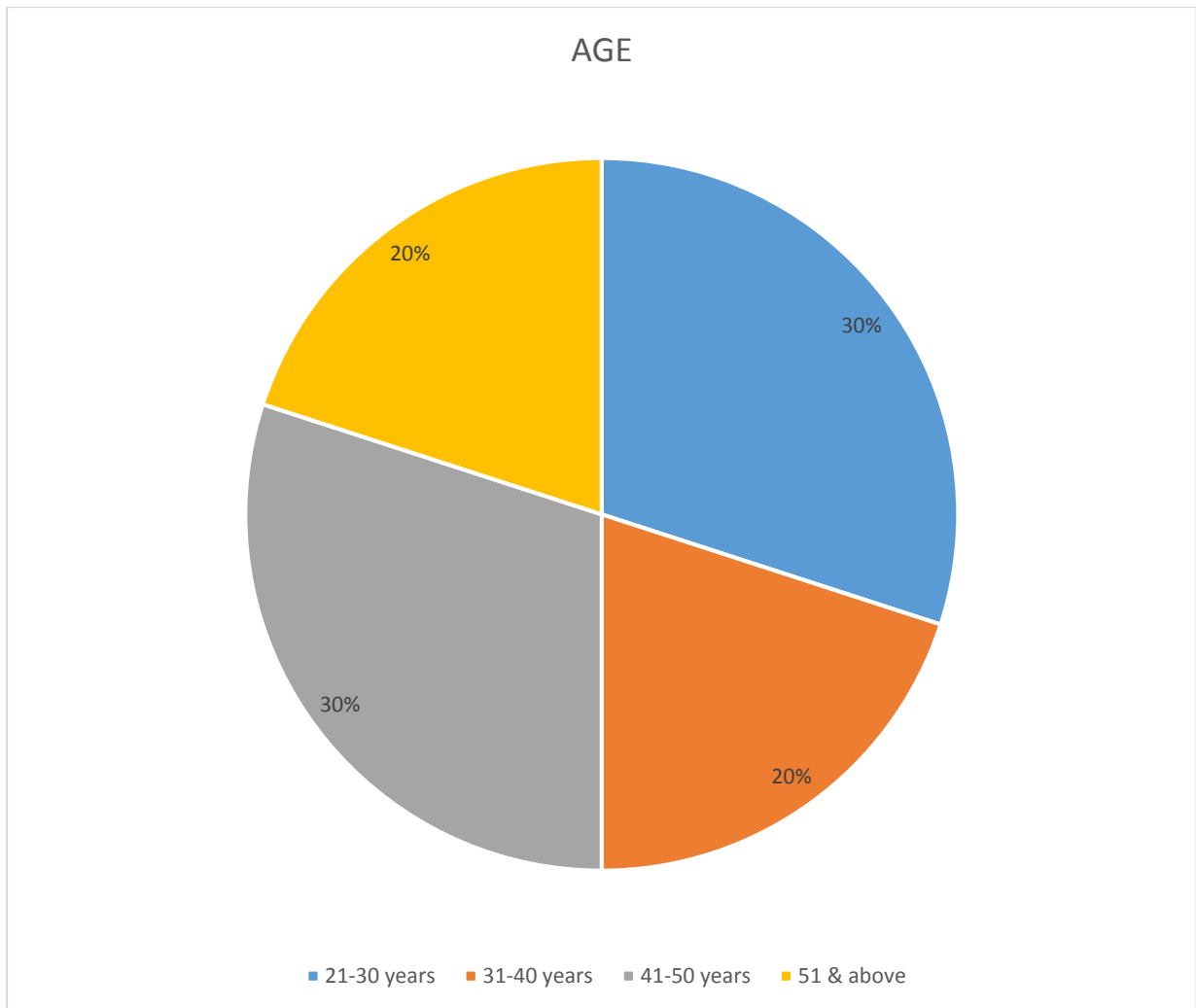
The customers were also further asked by the researcher to show their frequency of visit to the auction floors and the responses are shown in the pie chart.



**Figure 4.2: Frequency of Visits**

The diagram shows that 35% visit at least once a week, 25% visit at least 2-4 times a week, 20% visit at least once a month and 20% visits 2-4 times a month. This presentation shows that those that visit once a week poses the greater number and according to Nataraj (2010) the management should be able to identify their different types of customers and then segment them in a way that they will meet the needs of each segment.

The researcher also wanted to have an idea of the age group that come and sell at TSF, so the customers were asked to review the range of their ages. This information is presented in the chart to follow.



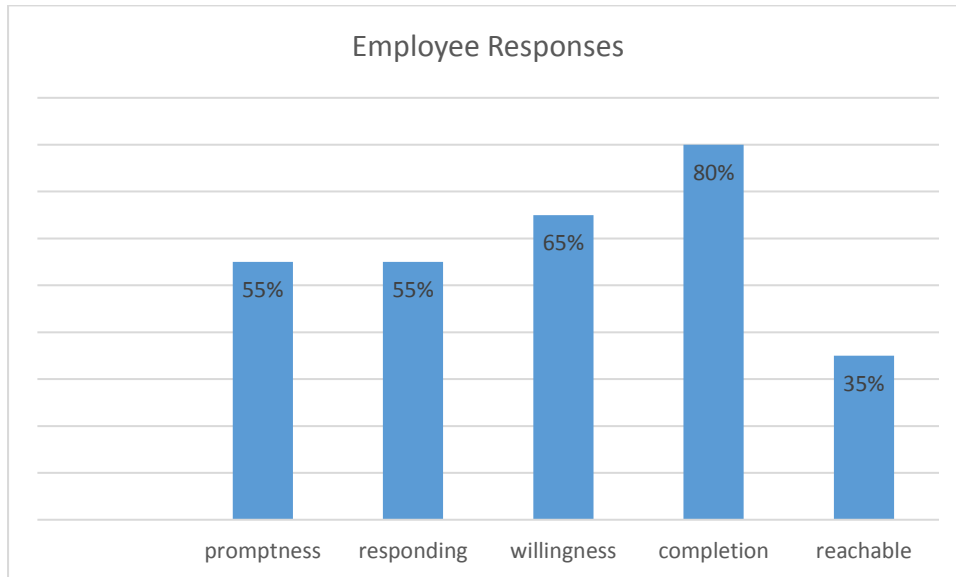
**Figure 4.3: Age Responses**

The diagram shows that 30% of the customers are from 21-30 years and also from 41-50 years. 20% are from ages between 31 to 40 and 51 and above respectively. In one of the interview conducted with the marketing manager it was reviewed that the number of farmers from ages between 25 -45 was constantly increasing as many people in those age groups were laid off at work as some companies were shutting down due to the economic crisis that took place in Zimbabwe in 2015, so some of those people acquired land and became tobacco farmers.

#### **4.3 The Effect of Service Responsiveness on Customer Loyalty**

The researcher wanted to determine the effect of service responsiveness on customer loyalty so the researcher asked the customers and employees to shows how they perceive service

responsiveness with regards to loyalty, the diagram to follow reviews the customers' responses.



**Figure 4.4: Service Responsiveness and Customer Loyalty**

The diagram shows that 80% of the tobacco farmers strongly agreed that if they are provided with specific times for service completion they will become loyal customers of TSF while the 20% disagreed. 65% of the customers suggested that they will become loyal if the employees are always willing to assist them whenever they encounter a problem and 35% disagreed. The other 55% of the farmers agreed that if TSF provides prompt services and respond to their complaints as soon as possible it will make them loyal while the 45% disagreed. Only 35% of the farmers agreed to become loyal if they can be able to reach the customer service personnel at any time and 65% strongly disagreed.

On the other hand 75% of the employees believe that customers can become loyal if they show that they are willing to assist the farmers when they are faced with problems and if they are quick in responding to their complaints while the 25% strongly disagreed. The other 50% strongly agreed that promptness and customer loyalty programs can make the farmers to be loyal and the other half disagreed.

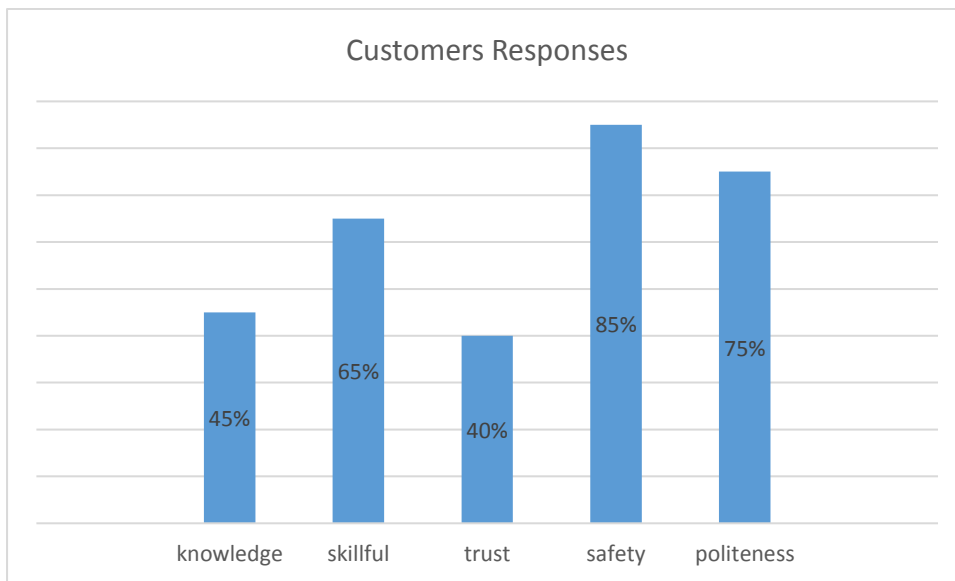
The information presented shows that both the employees and customers believe that service responsiveness has an effect on customer loyalty. This notion was supported in an interview with the manager who stated that most of the small scale tobacco farmers are not well



educated and they need constant assistance and guidance, so as a result they have recruited a number of employees who will be able to quickly respond to their needs so that they can build or increase customer loyalty.

#### 4.4 The Impact of Service Assurance on Customer Retention

The researcher wanted to find the impact of service assurance on customer retention, the following diagram shows how service assurance is perceived by the tobacco farmers.



**Figure 4.6: Service Assurance and Customer Retention**

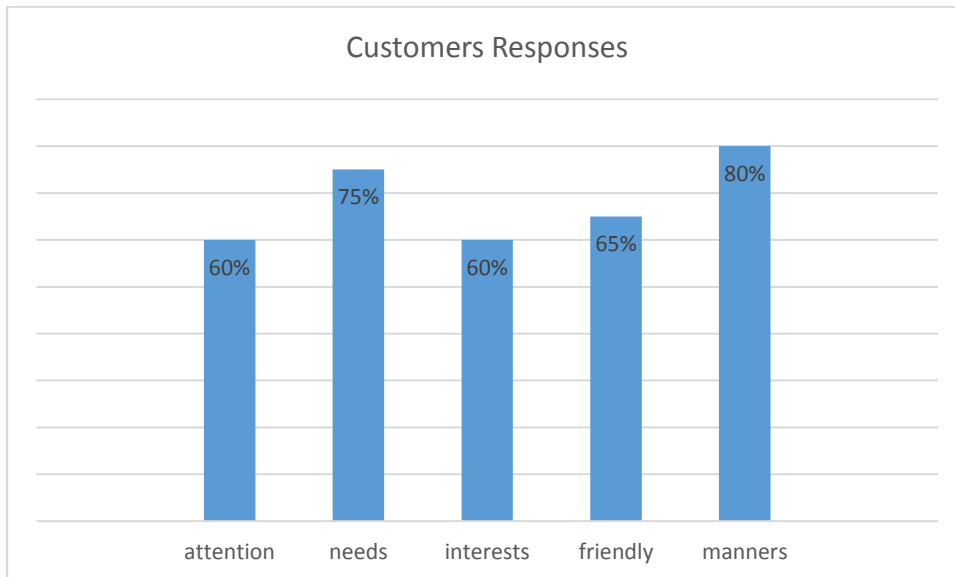
85% of the farmers believe that they can come and sell at TSF over and over again if they feel safe when they are dealing or working with the employees and the 15% disagreed. 75% suggested that they will continuously sell with TSF if the employees are always polite to them while the 25% disagreed. 65% of the farmers suggested that they will only come and sell with TSF as long as the employees are skilful and are quick in using the technology and the 25% strongly disagreed. 45% of the farmers suggested that the level of knowledge that the employees poses will retain them while 55% strongly disagreed. 40% said they can be retained if the employees are able to instil trust in them and the 60% strongly disagreed.

On the other hand 62, 5% of the employees perceive that their level of knowledge, expertise and their ability to instil trust can retain their customers and the 37.5% strongly disagreed. 50% of the employees perceive politeness as a strategy that retains their customers while other half disagrees. Nataraj (2010) insisted that the management can use customer retention

programs to identify their different types of customers and their needs, in one of the interview with the customer service liaison it was said that TSF identified that most of their small scale farmers are not able to purchase wrappers and sacks for packing their tobacco so they came up with a customer retention strategy which they refer to as “farmers advance”. This is whereby the farmers are offered with money and then pay it back after they have sold their tobacco. It was also said that the farmers can also be offered with money to purchase food while they wait for their cheques and then pay it when they receive their cheques.

#### 4.5 The Influence of Service Empathy on Positive Word Of Mouth

The researcher wanted to determine the influence of service quality on positive word of mouth, the diagram below shows the views of the respondents.



**Figure 4.7: Service Empathy and Positive Word Of Mouth**

The diagram shows that 80% of the farmers strongly agree that if the employees of TSF are not rude when they are approached they will surely spread positive word of mouth while the 20% disagreed. 75% suggested that if the personnel understand their specific needs they would recommend others to sell at TSF while the 25% disagreed. 65% of the farmers proposed that if the employees are friendly and approachable they would become the marketing evangelists of TSF and yet the 35% disagreed. Finally the 60% of the customers believed that if they are given individualised attention and if the employees have their interest at heart, they would spread positive word of mouth while the 40% strongly disagreed.

On the other hand, 87% of the employees believe that understanding the customer will cause them to spread positive word of mouth while the 13% disagreed. The 50% of the employees agreed that providing individualised attention to customers will cause the farmers to speak positively about the firm while the other half disagreed. 37 % of the employees believe that by making customers to confide in them and having their best interest at heart will cause them to spread their good experiences with others and the 63% strongly disagreed.

In an interview it was supported that the organisation interacts with its customers in the best way they possibly can. The customer service liaison added that on off seasons they host field days whereby the selling team or the auctioneers are sent to visit the tobacco farmers in different regions to educate them and attend to their needs. The farmers will be taught on how to maintain and grow the best quality tobacco and they believe that these acts makes the farmers to spread positive word of mouth and encourage others to come and sell at TSF.

#### **4.6 Chapter Summary**

The researcher used the Statistical Package for Social Sciences (SPSS) to analyse data. The researcher also made use of bar graphs and pie charts to present the data that was collected and the major findings were also stated.

## CHAPTER 5

### SUMMARY, CONCLUSSIONS AND RECOMMENDATIONS

#### 5.0 Summary

Service quality is believed to increase the revenue of service firms. Over the past years TSF has been experiencing a constant decline in its sales volume and due to these unpleasant results the researcher wanted to look at ways for this service organization to better enhance its services so that it can yield fruitful results. The researcher then aimed at finding the impact of service quality on customer satisfaction. The researcher's main aim was to find the service quality dimensions that TSF can focus on so as to keep their customers highly satisfied as this will guarantee the success of the organisation. If the organisation focus on the most appropriate service quality dimensions, it will help in highly satisfying their customers and also helps in cutting costs as they will be only focusing on strategies that will earn the organisation more revenue.

The researcher also conducted a literature review on various authors so as to identify their views on service quality and customer satisfaction. It was shown that service quality plays a major role in keeping customers satisfied, many research showed that improved service quality by organisation can lead to customers being delighted which will in turn make them loyal and make repeat purchases. It is through the literature review that the researcher managed to identify a research gap. The researcher managed to identify that in the tobacco auction floors there is little to none research conducted regarding service quality and customer satisfaction, there is also no knowledge of which service quality dimensions that are most appropriate for the tobacco auction floors.

The research designs adopted by the researcher for this study were exploratory and descriptive. The researcher used both the probability and non-probability sampling methods that is the simple random sampling, stratified random sampling and judgemental sampling. The data was collected from the customer service department and the managerial staff of TSF and also from the tobacco farmers that are registered at TSF from Beatrice region only.

The collected data was then presented and analysed in accordance with the research objectives that were set. The SPSS was then used to analyse the data that was collected and the researcher made use of the bar charts and pie charts so as to clearly present the data.

## **5.1 Conclusions**

### **5.1.1 The Effect of Service Responsiveness on Customer Loyalty**

The first objective was to determine the effect of service responsiveness on customer loyalty. The results reviewed that 58% of the farmers agreed that service responsiveness will make them loyal to TSF. From these findings it can be concluded that service responsiveness has an effect on customer loyalty. The organisation should therefore make sure that the farmers are satisfied first so that they can become loyal to the organisation as customer satisfaction is regarded as an intermediate between service quality and customer loyalty.

### **5.1.2 The Impact of Service Assurance on Customer Retention**

The second objective was to establish the impact of service assurance and customer retention and the research proved that 62% of the tobacco farmers will come and sell their tobacco at TSF for a very long time if there is improved service assurance. It can be concluded that service assurance has an impact on customer retention. TSF can retain their customers through customer satisfaction and improved customer service.

### **5.1.3 The Influence of Service Empathy on Positive Word of Mouth**

The last objective was to determine the influence of service empathy on positive word of mouth. The results proved that 68% of the tobacco farmers will spread positive word of mouth if there is improved service quality. From these findings the researcher concluded that service empathy has an influence on positive word of mouth and that it is the most relevant service quality dimension as the farmers will recommend others to come and sell at TSF and this will lead the organisation to acquire new farmers.

## **5.2 Recommendations**

The researcher suggests the following recommendations basing on the findings of the study. These recommendations are to assist in solving the problems being faced at Tobacco Sales Floor.

- For the organisation to be able to retain their customers they can make sure that their farmers feel safe and trust their employees, so the management can emphasise on

internal marketing to make sure that their employees are happy. They should motivate their employees through money incentives such that they will not conduct unethical behaviours such as dealing with fraudulent business people and stealing from the farmers. Internal marketing will result in employees being happy and as a result these employees will be able to respond quickly to customer complaints in a friendly manner, and they will be willing to assist customers when they are faced with a problem. Baack (2012) also stated that the management can conduct performance appraisals and offer reward systems for employees.

- The researcher further suggest that if TSF improve their service empathy they can use it as a strategy of recruiting new growers as the farmers will become the marketing evangelists for the firm and as a result TSF can then lower costs associated with acquiring new customers as their farmers will be the marketers of the TSF brand. Service empathy was found to be the most important service quality dimension that has a greater impact on customer satisfaction, the management can constantly train the front line employees as this would make the farmers to be satisfied and spread positive word of mouth. Auka et al (2013) states that the organisation should invest in their staff and send them for training.
- The TSF management can send their front line employees for communication training so that they can know how to communicate with each customer so as to identify their exact needs and be in a better position of providing each customer with their specific needs. 87% of the farmers agreed that the organisation should understand their specific needs, the management can then make it a priority to fully know who their customers are and also note their different needs as this will lead to greater satisfaction.
- The researcher recommended the organisation to set bale tracking systems that will show the movements of the tobacco bales from the moment they are booked in the system at the receiving bay up until it reaches the dispatching bay. This way it will be easier to track the record and the movement of each bale.

### **Further Research**

The research was only limited to Tobacco Sales Floor and the farmers only in Beatrice further research should look at all the tobacco farmers in the tobacco industry and to find the most appropriate service quality model that can be specifically used in the tobacco industry.

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## Appendix I: Questionnaire for Customers

I am Mandy Mutama a student at Midlands State University and currently pursuing a Bachelor of Commerce in Marketing Management (Honors) Degree. I am undertaking a research on **“The impact of service quality on customer satisfaction. A case of Tobacco Sales Floor”**. The research is done in partial fulfilment of the degree programme. I kindly ask for your assistance and response by answering the list of questions below. Your responses will be kept confidential as the research is for academic purposes only.

### Section A: Demographics

In this section please show your answer by ticking in the boxes provided.

#### 1. GENDER

Male

Female

#### 2. AGE

21-30

31-40

3

41-50

4

51 and above

#### 3. STATUS

Single

Married

#### 4. Frequency of Visits to the Auction Floors

Once a week

2-4 times a week

Once a month

2-4 times a month

**SECTION B: Service Responsiveness and Customer loyalty**

In this section please tick where applicable and rate your answer on the scale. The scale ranges from 1 – 5 which is represented by (1) strongly disagree, (2) disagree (3) neither agree nor disagree (4) agree (5) strongly agree

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>5.</b> The prompt services provided by TSF makes me to be loyal					
<b>6.</b> If the employees of TSF respond to my request as soon as possible I will become a loyal customer.					
<b>7.</b> If the personnel are always willing to assist me when I am faced with a problem I will be devoted to TSF					
<b>8.</b> If the employees always provide me with specific times for service completion I will always sell at TSF.					
<b>9.</b> If it is easy to reach the customer service personnel in person or by telephone, I will become a loyal customer					

**Section C: Service Assurance and Customer Retention**

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>10.</b> If the personnel has the knowledge to answer my questions, I will keep selling with TSF					
<b>11.</b> If the TSF employees use technology quickly and skilfully, I will always sell with TSF					

<b>12.</b> If the employees impart confidence in me I will confidently sell with TSF over and over again					
<b>13.</b> If the employees makes me feel safe when dealing with them, I will keep selling with TSF					
<b>14.</b> If the employees are always polite to me, I will continue selling with TSF.					

#### **Section D: Service Empathy and Positive Word of Mouth**

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>15.</b> If the TSF personnel give me individualised attention, I will recommend others to sell at TSF					
<b>16.</b> If the personnel understands my specific needs, I would persuade others to come and sell at TSF					
<b>17.</b> If TSF has their customers' interest at heart, I will speak positively about their services to others.					
<b>18.</b> If the employees are considerate and friendly, I would spread positive information about the organisation.					
<b>19.</b> If the employees are not rude when I ask questions, I would persuade others to sell at TSF					

## Appendix 2: Questionnaire for Employees

I am Mandy Mutama a student at Midlands State University and currently pursuing a Bachelor of Commerce Marketing Management (Honors) Degree. I am undertaking a research on **“The impact of service quality on customer satisfaction. A case of Tobacco Sales Floor”**. The research is done in partial fulfilment of the degree programme. I kindly ask for your assistance and response by answering the list of questions below. Your responses will be kept confidential as the research is for academic purposes only.

### Section A: Demographics

In this section please show your answer by ticking in the boxes provided.

#### 1. Gender

Male

Female

#### 2. Age

21-30

31-40

3

41-50

4

51 and above

#### 3. Status

Single

Married

#### 4. Years of Experience

0-5

6-10

11-15

16 and above

## Section B: Service Responsiveness and Customer Loyalty

Please tick the box that represents your answer. The scale ranges from 1 – 5 which are represented by (1) strongly disagree, (2) disagree (3) neither agree nor disagree (4) agree (5) strongly agree.

Statement	1	2	3	4	5
5. Our promptness in providing services to customers makes them loyal to us.					
6. Our quickness in responding to customer complaints makes our customers loyal.					
7 Our willingness to assist customers anytime they are faced with a problem makes them loyal.					
8 Our customer loyalty programs entice our customers to stay loyal.					

## Section C: Service Assurance and Customer Retention

Statement	1	2	3	4	5
9 The knowledge we instil in our customers makes them to come back and sell with us over and over again					
10 The confidence and trust that we impart in our customers makes them stay with us					
11Our politeness towards our customers makes them keep selling with our organisation					
12Our expertise makes our customers to constantly sell with us					

**Section D: Service Empathy and Positive Word of Mouth**

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>13</b> The way we understand our customers' specific needs makes them spread positive information about our firm.					
<b>14</b> Treating our customers like kings makes them spread their good experiences with others					
<b>15</b> Having our customers' needs at heart makes them spread positive word of mouth about our services.					
<b>16</b> The way we make our customers to confide in us makes them to speak positively about our organisation.					

## **Appendix 3: Interview Guide for Management**

### **Employee Background**

- What is your job position?
- What are your educational qualifications?
- What are your job responsibilities?
- How long have you been working for the organisation?

### **Interview Questions**

1. Do you consider your organisation as customer focussed?
2. How do you perceive service quality?
3. Do you think service quality is of any importance for your organisation?
4. What service quality attributes do you consider as most important?
5. How do you measure service quality in your organisation?
6. How often do you train your front line employees?
7. How do you deal with customer complaints?
8. What are your views on customer satisfaction?
9. How do you measure customer satisfaction in your organisation?
10. How often do you measure customer satisfaction?
11. What strategies do you employ to retain customers?
12. How do you know your customers are fully satisfied?