

**THE IMPACT OF SERVICE QUALITY ON CUSTOMER
SATISFACTION: A CASE OF INTERCITY STC COACHES
LIMITED.**

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School of Business

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DECLARATION

I hereby declare that this dissertation is my own work towards the MBA and that, to the best of my knowledge, it contains neither material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

This work is dedicated to the honour of my children; Amanda and Denzel. It is also dedicated to my wife, Baaba for her unflinching support and love throughout my studies.

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ACKNOWLEDGEMENT

Special thanks go to God Almighty for bringing me this far.

Admittedly, this work could not have been possible without the help and encouragement from various people.

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Finally, I express my gratitude to my colleagues for their input, especially Mr. Odame of Faculty of Agric, KNUST.



ABSTRACT

This study represents an empirical assessment of service quality and customer satisfaction in ISTC. The general purpose of this study was to examine the current perceptions of ISTC bus service quality of customers. It was also to examine the service parameters that delivers satisfaction to customers and to examine the extent to which ISTC have delivered these parameters.

SERVQUAL, an instrument frequently employed to assess the quality of customer services was used in ISTC, a road transport organization to identify the factors that impact on customer satisfaction.

In addition, the study explored the impact of service quality delivery on customer satisfaction, as well as the implications of perceived service quality on ISTC's business and recommended options to retaining and growing repeat patronage of ISTC service. The study used the survey method to elicit the appropriate responses from respondents. Respondents were customers of ISTC from selected regions of Ghana where the company provides service.

The results indicate that the SERVQUAL instrument with five-dimensions provides good measurement of service quality in the context of the transportation business.

Secondly, service quality had a positive impact on customer satisfaction. The impact on satisfaction was service expectation, reliability, recent service experience and more especially safety. This shows that safety is ISTC's most important factor to customer satisfaction. It can also be inferred that respondent's attitude towards ISTC was favorable because of the safety factor and that there is the need to seriously improve on reliability,

customer relations and the systematization of service delivery – the processes, procedures, systems and technology that make a service faultless.

The results also indicated that the two constructs (quality and satisfaction) are indeed independent but are closely related, implying that an increase in one is likely to lead to an increase in another.

The study concluded that service quality dimensions are direct antecedents to customers' satisfaction and that when improved can serve as a differentiating tool for the service provider vis-à-vis competitors.

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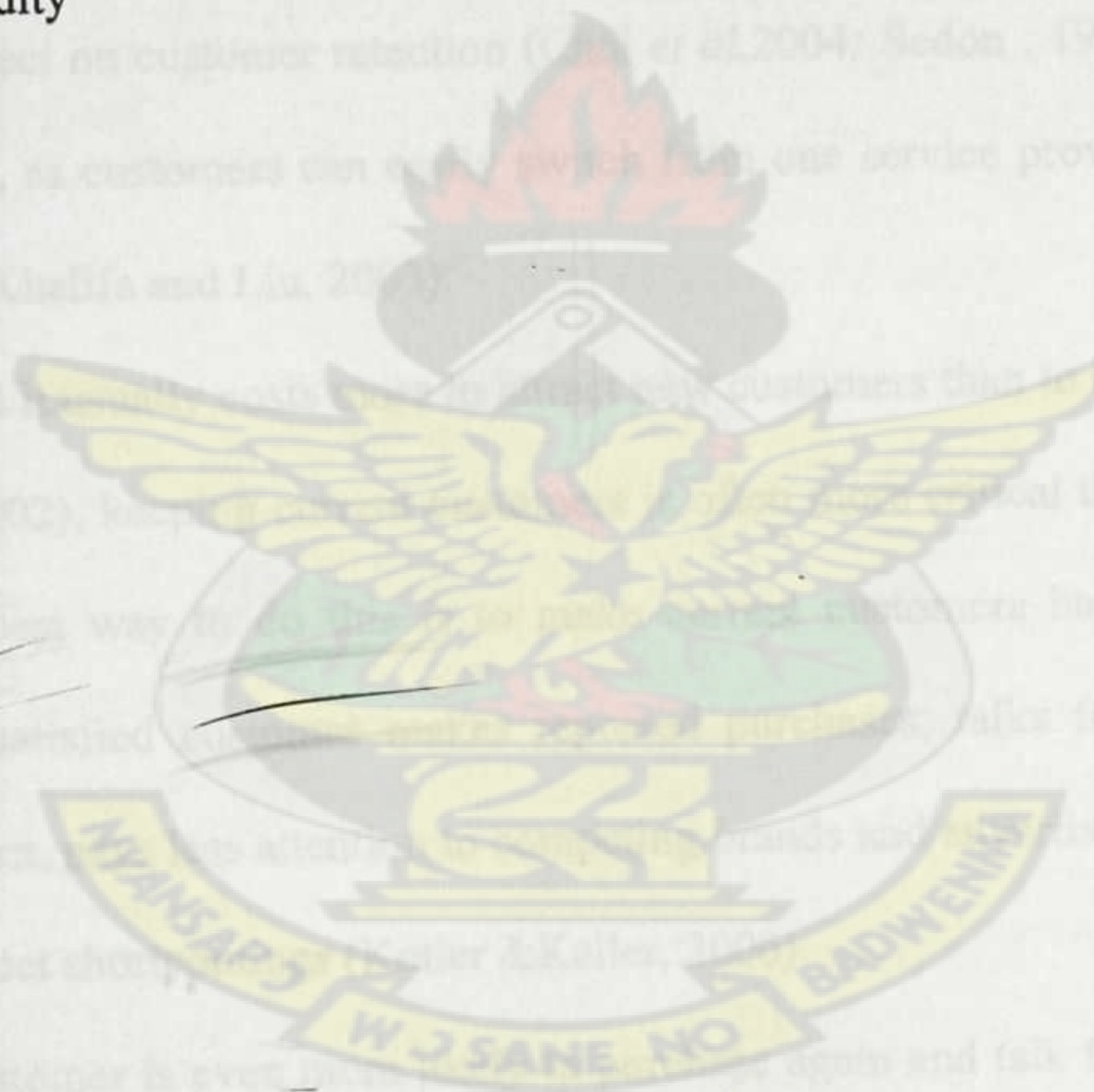
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CHAPTER ONE

INTRODUCTION

1.1 Background to the problem

In the competitive market place, understanding customer's needs is an important factor in satisfying the customer. As a result, many firms throughout the world have moved from the product concept to being customer-centric or the marketing concept. (Kotler 2002).

Satisfaction and service quality are also of great interest to service providers because of its important effect on customer retention (Choi *et al*, 2004; Sedon , 1997). Retention is a major challenge, as customers can easily switch from one service provider to another at low or no cost (Khalifa and Liu, 2003).

Considering that it usually costs more to attract new customers than to retain current ones (Kotler *et al*. 2002), keeping current customers is often more critical than attracting new ones, and the best way to do this is to make current customers happy. Studies have proved that a satisfied customer makes repeated purchases, talks favorably to others about the product, pays less attention to competing brands and advertising and sometimes overlooks product shortcomings (Kotler & Keller, 2006).

A delighted customer is even more likely to purchase again and talk favorably about the product and the company. However, a dissatisfied customer responds differently, whereas on the average, a satisfied customer tells just 3 people about a good product experience, a dissatisfied customer complains to about eleven people. In fact, in one study it was revealed that 13 percent of customers who had a bad experience with a company, complained about that company to more than 20 people (*ibid*). This is a clear indication

that negative word- of- mouth travels farther and faster than positive word –of –mouth and can quickly damage consumer attitudes about a company and its products (Sciffman & Kanuk, 2006).

Research has also shown that 96 percent of disgruntled customers never tell the company about their problems. (.Kotler *et al* 2002) It is therefore a wise decision for companies to measure customer satisfaction on a regular basis. This means that companies who set up customer feedback mechanisms to encourage customers to complain are more likely to generate ideas from such complaints and respond constructively to meeting consumer needs, which eventually leads to customer retention, Kumar, (2002).

1.2 Problem statement

Most firms practice the Selling concept with the aim to sell what they make rather than make what the market wants; (Lovelock & Wirtz 2007). Though this practice has some tactical advantages, the practice comes with high risks as it focuses on realizing short term sales transactions rather than on building long term, profitable relationship with customers. The practice of the selling concept as a business strategy assumes that customers who are persuaded to buy a product or service will like it, or if they don't like it, they may forget their disappointments and buy later. Studies have shown that dissatisfied customers don't buy again (Kotler & Keller 2006).

Intercity STC Coaches Ltd began in 1909 as a Government Transport Department to cater for the needs of the Central Government. It was later incorporated to run commercial passenger service by 1965 (www.IntercitySTC.com). The Company has over the years served its diverse customer base with the best service possible. It offered

convenient and regular scheduled service, and was relatively well organized with relatively competent staff and suitable coaches. Its reliable bus service schedule, afforded customers the luxury of planning their travel. The bus type that the company maintained then was deliberately designed to afford customers, the safety, comfort and the reliability necessary to make travel a delight for the customer. As a result, ISTC earned itself a positive corporate image, leading the passenger market segment with superior travel services delivery.

However, the above notwithstanding, by 2007, the perceived ISTC service quality had declined attracting negative anecdotal comments from a cross-section of customers and the Ghanaian press. In 2007, for instance, the July 30th issue of The Independent news paper, carried a headline captioned ‘STC services are a total disaster’. The writer compared the current service quality delivery to what the company used to offer.

The types of buses maintained currently by the company no longer provide customers with the standards of safety, comfort and reliability necessary for delighting travellers. Scheduled services are unnecessarily delayed, and when they come on, buses often break down en-route creating extreme annoyance and dissatisfaction to travellers.

The conduct of some staff has also attracted customer disaffection. While this deterioration was seeping in, the quality of service delivered by GPRTU and other private investment improved significantly in terms of coach quality, route scheduling, execution and customer care. These dynamics in the road travel service delivery eroded ISTC’s market leadership driving low patronage of its services and business profitability.

ISTC annually plans to deliver quality service as a route to growing business volume and profitability. On the contrary, this business has been in decline. Central to ISTC's business demise is the deterioration in the demand for its passenger travel service as a result of sustained customer dissatisfaction.

Anecdotal information links customer dissatisfaction to the quality of service delivered by ISTC as a business. It would appear that much as ISTC stretches itself to satisfy its customers through good service quality, ISTC has not been able to appreciate and deliver those service quality elements or the parameters from the customer's perspective. This paper therefore seeks to investigate service quality parameters that resonate with ISTC customers and delivers customer satisfaction as a route to building business success and profitability.

1.2.1 Objectives

1.2.2 Main objective

The main objective is to investigate current customer perception of ISTC bus service quality and its impact on customer satisfaction

1.2.3 Specific objectives

The other objectives as per this study are as follows:

- ✓ To understand or establish the current consumer profile of ISTC bus service users
- ✓ To examine the bus service parameters that deliver service satisfaction to customers.
- ✓ To establish the extent to which ISTC has delivered these quality parameters.

- ✓ To investigate the impact of ISTC bus service quality delivery on customer satisfaction.
- ✓ To explore the implications of perceived service quality on ISTC's business and recommend options to retaining and growing ISTC service repeat purchases

1.3 Justification

Intercity STC since its inception has dominated the commercial passenger service in Ghana because of its unique positioning of offering convenient and regular scheduled service that had safety as its hallmark. It has been the standard for quality in road transport service in Ghana.

However in recent times, it has been saddled with numerous problems ranging from managerial to operational inefficiencies, as reflected in unsuitable coaches, poor customer care, and frequent departure delays and en-route breakdowns, among others. This has led to low patronage, resulting in low profits and an ultimate dent on the company's corporate image.

Considering that running such a company requires huge capital investment and the fact that the company seldom makes any meaningful profits, it has become necessary to salvage the Company from an imminent collapse.

In addition, this study will serve as a reference document for students in marketing.

1.4 Organization of work

The work is presented in five main chapters. The first chapter consists of background to the problem, problem statement, objectives of the study, justification of the study and organization of the work.

Literature with respect to the study is reviewed in chapter two and deals with the following subheadings: What is quality, characteristics of service, services, service quality, determinants of service quality, customer satisfaction, determinants of customer satisfaction, customer satisfaction is multi-faceted, five factors of customer satisfaction and conceptual framework

Chapter three gives the overview of population, sampling and sampling procedure, measures used and data analysis.

Chapter four presented the research findings in figures and tables in a quantitative form.

Chapter five was devoted to summary recommendations and conclusion based on findings.



CHAPTER TWO

2.1 Literature Review

In the marketplace where the customer is the focus, delivering quality service is considered an essential strategy for success and survival in today's competitive environment (Dawkins and Reichheld, 1990; Parasuraman *et al.*, 1985; Reichheld and Sasser, 1990; Zeithaml *et al.*, 1990). What constitutes service quality has attracted the attention of researchers all over the world. Even as researchers continue to debate the determinants of service quality a few important issues remain unanswered. Is there a universal set of determinants that determine the service quality across a section of services. Does the service attribute get reflected in what customers expect out of delivery of a particular service?

Is there an inbuilt difference in services because they must be delivered in a particular way and does that have a bearing on what becomes important for the customer? Practitioners continue to look for advice and suggestion as to what constitute service quality for their offers and furthermore, if they tend to reposition their offers by varying some characteristics of their offers, for example, by increasing or reducing tangibility or one principal way in which a service firm can differentiate is by delivering consistently higher quality than its competitors.

Service quality and customer satisfaction are inarguably the two core concepts that are at the crux of the marketing theory and practice (Spreng and Mackoy, 1996). In today's world of intense competition, the key to sustainable competitive advantage lies in delivering high quality service that will in turn result in satisfied customers (Shemwell *et*

al., 1998). The prominence of these two concepts is further manifested by the cornucopia or abundance of theoretical and empirical studies on the topic that have emanated over the past few years. Therefore, there is not even an iota of doubt concerning the importance of service quality and customer satisfaction as the ultimate goals of service providers.

Perceived service quality is also one of the highly debated and researched topics in marketing theory, the *prima facie* evidence for which is exhibited by the considerable academic attention that it has got from researchers across the world (Asubonteng *et al.*, 1996).

Similarly, the need for striving for customer satisfaction lies in its ability to result in economic success. Customer satisfaction is considered a prerequisite for customer retention and loyalty, and obviously helps in realizing economic goals like profitability, market share, return on investment, etc. (Sureshchander *et al.*, 2002).

Service quality has been described as a form of attitude – a long-run overall evaluation, and the two constructs (service quality and attitude) are viewed as similar (Parasuraman *et al.*, 1988; Zeithaml, 1988; Olorinniwo *et al.* 2006). Allport (1935) defined attitude as “a learned predisposition to respond to an object in a consistently favourable or unfavourable way”. As perceived service quality portrays a general, overall appraisal of service, i.e. a global value judgment on the superiority of the overall service, it is viewed as similar to attitude. Perceptions of service quality could occur at multiple levels in an organization – e.g. with the core service, physical environment, interaction with the service providers, etc. (Bitner and Hubert, 1994). On the other hand, the customer's

overall satisfaction with the services of the organization is based on (or a function of) all the encounters/experiences of the customers with that organization. Similar to service quality, customer satisfaction can occur at multiple levels in an organization, e.g. satisfaction with the contact person, satisfaction with the core service and satisfaction with the organization as a whole.

2.1.1 What is Quality?

The word quality defies easy definition; it means different things to different people. David Garvin identifies five perspectives of quality (Lovelock and Wirtz, 2007).

These perspectives are as follows:

- ✓ The transcendent view of quality is synonymous with innate or inborn excellence: a mark of uncompromising standards and high achievement. This view point is often applied to performing and visual arts. It argues that people learn to recognize quality only through the experience gained from repeated exposure. This suggests that managers and customers will know when they see it is not very helpful.

- ✓ The product –based approach

This approach sees quality as a precise and measurable variable. It argues that a difference in quality is reflected in the differences in the amount of an ingredient or attribute possessed by the product.

- ✓ User – based definition

Starts with the premise that quality lies in the eyes of the beholder. This definition equates quality with maximum satisfaction. It recognizes that different customers have different wants and needs.

✓ Manufacturing –based approach

This approach is supply-based, and is concerned primarily with engineering and manufacturing practices. In services it could be said that quality is operation- driven. It focuses on conformance to internally developed specifications, which are often driven by productivity and cost -containment goals.

✓ Value-based definitions

Define quality in terms of value and price. By considering the trade-off between performance (and conformance) and price, quality comes to be defined as “affordable excellence”.

2.1.2 Characteristics of service

According to the prevailing Japanese philosophy, quality is "zero defects- doing it right the first time." Crosby (1979) defines quality as "conformance to requirements." Garvin (1983) measures quality by counting the incidence of "internal" failures (those observed before a product leaves the factory) and "external" failures (those incurred in the field after a unit has been installed).

Knowledge about goods quality, however, is insufficient to understand service quality. Five well documented characteristics of services-intangibility, inseparability, variability, perishability and lack of ownership must be acknowledged for a full understanding of service quality.

First, most services are intangible (Kotler 2002, Lovelock 2007). Because they are performances rather than objects, precise manufacturing specifications concerning

uniform quality can rarely be set. Most services cannot be counted, measured, inventoried, tested, and verified in advance of sale to assure quality. Because of intangibility, the firm may find it difficult to understand how consumers perceive their services and evaluate service quality (Zeithaml 2000).

ISTC passengers have nothing but a ticket and the promise that they would depart and arrive safely at an intended destination at a particular time. Therefore to reduce the uncertainty resulting from customer's inability to evaluate service before purchase, buyer look for service quality signals by drawing conclusions about quality from the place, people, equipment, communication material and price that they can see

Second, services are first sold, then produced and consumed at the same time and in the same place. In other words, services cannot be separated from their providers, whether people or machines. If a service employee provides the service, then the employee is a part of the service. Thus, it is important for service staff to be trained to interact well with clients. Another feature of service inseparability is that other customers are involved or present. For example, other passengers are present while an individual consumer is consuming the service and their behavior can determine the satisfaction that the service delivers to the individual customer.

Similarly, departing from literature into the context of the study which is on a road transport firm, index for quality will among others include reliable service, roadworthy coaches, comfortable seats, safety of passengers, clean terminus and polite staff.

Third, service variability means the quality of service depends on who provides them, as well as when, where and how they are provided. The quality of a single employee's service varies according to his or her energy and frame of mind at the time of each customer contact.

Fourth, service perishability means that services cannot be stored for later sale or use. The perishability of a service is a problem when demand fluctuates. For example public transport owners like ISTC have to own much more equipment because of rush-hour demand than they would if demand were even throughout the day.

Lastly, service products lack ownership. The service consumer has access to the service for a limited time. Because of the lack of ownership, service providers must make a special effort to reinforce their brand identity and affinity with the consumer by one or more of the following methods:

- Offering incentives to consumers to use their service again, as in the case of frequent flier schemes promoted by British Airways
- Create membership clubs or associations to give an impression of ownership

2.1.2 Services

According to Kotler & Keller (2007), service is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything.

Generally, a company's offering to customers often includes some services. The service component can be a minor or major part of the total offering. As a result, there is rarely such a thing as a pure service or pure good. In trying therefore to distinguish between goods and services, it may be appropriate to consider the notion of a goods-service continuum, with offerings ranging from tangible-dominant to intangible-dominant.

Firms can create differential advantage by moving along the range or continuum, seeking to alter the balance of tangible and intangible elements associated with their offering.

Five categories of offerings can be distinguished, (Kotler et al, 2002). These are:

1. The offering consisting of a pure tangible good, such as soap, toothpaste or salt; no services accompany the product.
2. The offering consist of tangible good with accompanying services- the sales of technologically sophisticated products such as computer and cars are often dependent on the quality and availability of accompanying customer services(e.g. display rooms, delivery, repair and maintenance, user training programmes, installation advice and warranty fulfillment.
3. Many service providers also supply physical products along with their basic service. A hybrid offer consists of equal parts of goods and services. For example people patronize restaurants for both their food and service.
4. A service with accompanying minor goods consists of a major service along with supporting goods. For example, British Airways and other airline passengers primarily buy transportation service, but the trip also includes some tangibles such as food, drinks and an airline magazine.
5. The offering is a pure service, consisting primarily of a service such as a massage, babysitting, a doctor's examination or transportation services.

Services generally have five characteristics namely intangibility, inseparability, variability, perishability and lack of ownership. Kotler et al (2002, 2006), Lovelock and Wirtz, (2007)

Johnston (1995) suggests that one of the pressing issues of services concern the identification of the determinants of service quality.

2.1.3 Service quality

Parasuraman et al. (1985) argue that service quality can be defined as the difference between predicted, or expected, service (customer expectations) and perceived service (customer perceptions).

Similarly, it is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis. (Lewis and Booms 1983).

In line with this thinking, Gronroos (1990) developed a model in which he contends that consumers compare the service they expect with perceptions of the service they receive in evaluating service quality. Smith and Houston (1982) claimed that satisfaction with services is related to confirmation or disconfirmation of expectations. They based their research on the disconfirmation paradigm, maintains that satisfaction is related to the size and direction of the disconfirmation experience where disconfirmation is related to the person's initial expectations (Churchill and Suprenaut 1982).

Many of the definitions of service quality revolve around the identification and satisfaction of customer needs and requirements (Cronin and Taylor, 1992; Parasuraman et al., 1988, 1985).

If expectations are greater than performance, then perceived quality is less than satisfactory and a service quality gap materializes. This does not necessarily mean that the service is of low quality but rather that customer expectations have not been met

which hence customer dissatisfaction occurs and opportunities arise for better meeting customer expectations.

Definitions of service quality holds that this is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Lewis and Booms, 1983; Gronroos, 1984; Parasuraman et al., 1985, 1988, 1994). Lehtinen and Lehtinen (1982) give a three-dimensional view of service quality. They see it as consisting of what they term "interaction", "physical" and "corporate" quality. At a higher level and essentially from a customer's perspective, they see quality as being two-dimensional, consisting of "output" and "process" quality. The model proposed by Gronroos (1984, 1990) highlights the role of technical (or output) quality and functional (or process) quality as occurring prior to, and resulting in, outcome quality. In this model technical quality refers to what is delivered to the customer, be it a meal in a restaurant, or facilitating the movement of people from departure to destination in the context of this study.

Functional quality is concerned with how the end result of the process was transferred to the customer. This concerns both psychology and behavioral aspects that include the accessibility to the provider, how service employees perform their task, what they say and how the service is done. Thus while technical quality can often be quite readily evaluated objectively, this is more difficult to do with functional quality. The model also recognizes that customers also have some type of image of the firm, which has a quality impact in itself and function as a filter. The customers' perceived quality is the result of the evaluation they make of what was expected and what was experienced, taking into account the influence of the organization's image.

In operationalizing the service quality constructs, Parasuraman *et al* (1985), 1988, 1994) made use of qualitative and quantitative research following generally accepted psychometric procedures. This resulted in the development of the original SERVQUAL instrument that represents one of the most widely used tool for measuring service quality. SERVQUAL has provided researchers with the possibility of measuring the performance-expectations gap ostensibly composed of the five determinants.

In practice, measuring service quality means that the service provider should determine what customers of the service perceive as quality. Literature suggests that customer assessments of service quality are the result of a comparison of what they expect with what they experience. Any mismatch between the two is a quality gap. The service quality manager's goal therefore is to narrow the quality gap, taking into account the fact that what is being measured is perceived quality, which is always a judgment by the customer.

2.2 Determinants of Service Quality

According to Cronin and Taylor, (1992), to improve quality, service marketers have to identify:

- The key determinants of service quality (that is, the key criteria customers use to judge quality);
- What target customers' expectations are;
- And how customers rate the firms' service in relation to their expectation.

Kotler *et al* (2002), highlights ten key determinants of perceived service quality, amongst which are:

- Access (is the service easy to get access to and delivered on time?);
- Credibility (is the company credible and trustworthy?);
- Knowledge (does the service provider really understand customers' needs?);
- Reliability (how dependable and consistent is the service?);
- Security (is the service low-risk and free from danger?);
- Competence (are staff knowledgeable and in possession of skills required to deliver good service);
- Communication (how well has the company explained its service?);
- Courtesy (are staff polite, considerate and sensitive to customers?);
- Responsiveness (are staff willing and quick to deliver the service?); and
- Tangibles (does the appearance of staff, the physical environment and other tangible representations of the service reflect high quality?)

The first five are concerned with the quality of the outcome of service provided, while the last five are related to the quality of the delivery process. By focusing on the dimensions that are important to customers, the service firm can ensure that customers' expectations are fully met.

Consequently, the dimensions of quality relevant to this study will be the five SERVQUAL conceptualization by Parasuraman *et al.* (1988) consisting of the following rudiments:

- Reliability
- Assurance
- Tangibles
- Empathy and

- Responsiveness

Tangibles are the physical evidence of the service (e.g. physical facilities, appearance of personnel, or tools or equipment used to provide the service), reliability involves consistency of performance and dependability (i.e. a firm performs the service right the first time and honors its promises), responsiveness concerns the willingness or readiness of employees to provide service (e.g. timeliness of service), assurance corresponds to the knowledge and courtesy of employees and their ability to inspire trust and confidence, and, finally, empathy pertains to caring, individualized attention that a firm provides its customers.

SERVQUAL consists of two sections. A 22-item section measuring the service quality expectation within a specific sector and a corresponding 22-item section measuring the perception of service quality of a particular company in that sector (Parasuraman et al., 1988, 1991).

2.3 Customer Satisfaction

The expectancy /disconfirmation paradigm in process theory provides the basis for the vast majority of satisfaction studies and encompasses four constructs,(Mohr, 1982):

- Expectations;
- Performance
- Disconfirmation; and
- Satisfaction

Disconfirmation/ confirmation arise from discrepancies between prior expectations and actual performance. This conceptualization is reflected in definition of satisfaction by Tse and Wilson (1988, p204) as:

The consumer's response to the evaluation of the perceived discrepancy between prior expectations (or some form of performance) and the actual performance of the product as perceived after its consumption.

At face value, this definition is very similar to that put forward for service quality. However, a number of distinctions are often made between customer satisfaction and service quality. Satisfaction is a post decision customer experience while quality is not (Bolton and Drew, 1991; Boulding *et al*, 1993; Cronin and Taylor, Oliver, 1980, 1993; Parasuraman *et al*, 1988).

Oliver (1981) argues that satisfaction is characterized by the surprise a customer experiences after a purchase (i.e., a service encounter) and that this surprise eventually becomes an input to a less dynamic attitude. Consequently, satisfaction can be considered to influence the customer's evaluation of service quality, purchase intentions, and behavior (LaBarbera and Mazursky 1983). Customer satisfaction or dissatisfaction (CS/D) is a function of the disconfirmation arising from discrepancies between prior expectations and actual performance (Oliver 1980). The CS/D literature demonstrates that expectations and perceptions of performance levels affect customer satisfaction directly, as well as indirectly via disconfirmation. For example, Tse and Wilson's (1988) experiment showed that perceived performance exerts a direct influence on CS/D, in addition to the influences from disconfirmation or expectations.

Expectations, performance evaluations, and disconfirmation do not necessarily have independent additive effects for every product or service. Churchill and Surprenant

(1982) found that CS/D with a nondurable good is a function of all three constructs, whereas CS/D with a durable good is solely a function of performance evaluations. Consequently, expectations, performance evaluations, and disconfirmation are *potential* antecedents of CS/D with a service.

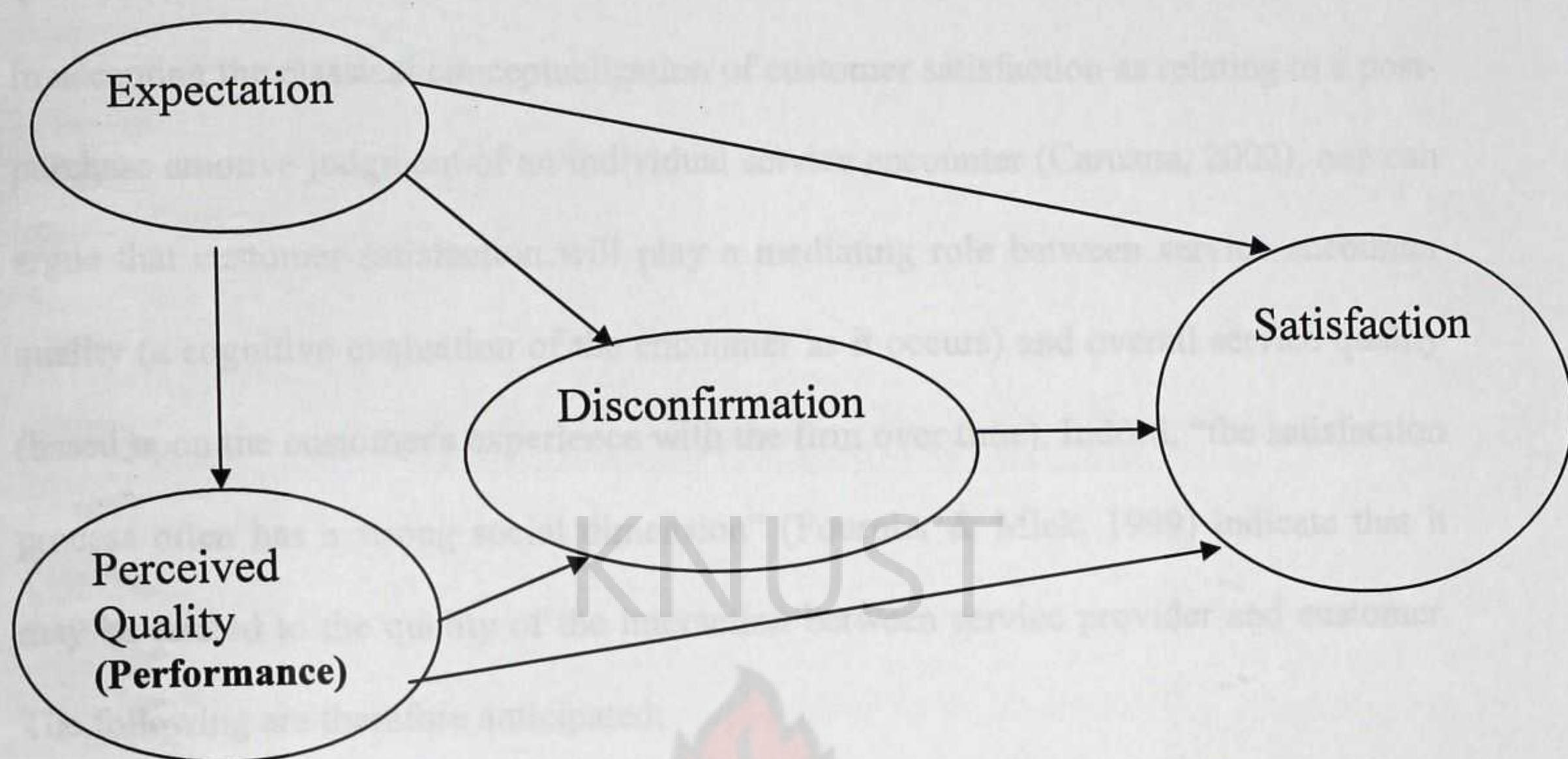
Literature has revealed that the disconfirmation theory emerges as the primary foundation for satisfaction models (McKinney et al, 2002). According to this theory, satisfaction is determined by the discrepancy between perceived performance and cognitive standards as expectations and desire (Khalifa and Liu, 2003). Customer expectation is the customer's pretrial beliefs about a product (McKinney et al, 2002). expectations are viewed as predictions made by consumers about what is likely to happen during impending transaction or exchange (Zeithaml & Berry, 1988).

Perceived performance is the customer's perception of how a product's performance fulfils their needs, wants and desires (Sultan et al, 2000).

Oliver (1980) describes the process by which satisfaction judgments are reached in the expectancy- disconfirmation framework.

Figure 2.1 below shows how satisfaction judgment is related to expectancy – disconfirmation approach.

Figure 2.1



Source: Ali Dehghan (2006)

Giese and Cote (2002) describe customer satisfaction as a summary affective response of varying intensity, with a time-specific point of determination and limited duration, directed toward focal or central aspects of product acquisition and or consumption. This definition can be used to develop context relevant definitions. For the purpose of this study, the definition for customer satisfaction in the passenger transport services will constitute intention to re-patronize ISTC service, overall perceived performance, customer experience and negative word –of – mouth. In the context of this study also, waiting time is another element affecting customer satisfaction (Katz *et al.* 1991) wrote that .waiting time is considered to be a negative factor for customers' satisfaction.

Thus, it is expected that:

H1. Service encounter quality perceptions will be positively related to overall service quality evaluations.

In accepting the classical conceptualization of customer satisfaction as relating to a post-purchase emotive judgment of an individual service encounter (Caruana, 2002), one can argue that customer satisfaction will play a mediating role between service encounter quality (a cognitive evaluation of the encounter as it occurs) and overall service quality (based upon the customer's experience with the firm over time). Indeed, "the satisfaction process often has a strong social dimension" (Fournier & Mick, 1999) indicate that it may be related to the quality of the interaction between service provider and customer.

The following are therefore anticipated:

H2. Service encounter quality perceptions will be positively related to customer satisfaction.

The literature on service quality and customer satisfaction demonstrates the interrelationships between the constructs (e.g., Voss *et al.*, 2004).

Expectations play a very important role in both constructs. Expectations can be standardized along two main themes, predictive expectations and normative expectations (Boulding *et al.*, 1993). Work carried out by Prakash (1984) suggests that customer satisfaction literature relies on expectations as a prediction of future events. Normative expectations of future events are operationalized as either desired or ideal expectations (Sultan *et al.* 2000). This is the standard typically used in the service quality literature (Parasuraman *et al.*, 1988). Yet, there is a clear difference between overall quality as opposed to satisfaction/dissatisfaction with a specific incident (Boulding *et al.*, 1993).

Paulin *et al.* (2000) depict the sequential chain of reactions to a successful business-to-business service encounter: "being very satisfied, rating service quality highly, intending

to continue purchasing the services, desiring to purchase new services and willing to recommend the firm to others". In addition, recent work by Olorunniwo *et al* (2006) demonstrates that the quality of an individual service experience predicted satisfaction, which in turn predicts overall service quality. Hence, this study expects to see a positive relationship between transaction specific satisfaction and overall service quality evaluation, as follows:

H3. Customer satisfaction will be positively related to overall service quality perceptions.

Research on consumer loyalty in a services marketing context reports a high positive correlation between satisfaction, quality and loyalty (Ali Dehghan, 2006; Cronin *et al.*, 2000; Dabholkar *et al.*, 2000; Farrell *et al.*, 2001; Zeithaml *et al.*, 1996).

Boulding *et al* (1993) explain that the greater the perceptions of overall service quality, the more likely the customers will engage in behaviors beneficial to the firm, such as loyalty to the organization. Indeed, with service quality encompassing an assessment of the general services provided by an organization rather than an individual service transaction (Boulding *et al.*, 1993), it seems likely that it will be related to loyalty to the organization. When a customer uses service quality as their frame of reference, they consider the whole organization, including the employees, who are seen to represent it (Bitner *et al.*, 1994). In a series of studies, Parasuraman *et al.* (1988, 1991, and 1994) found a positive and significant relationship between customers' perceptions of service quality and their willingness to recommend the company. Overall service quality has a significant effect upon customers' intention to repeat purchase (Cronin *et al.*, 2000), and on general customer loyalty (McMullan, 2005). Equally, equity theory suggests that

providing superior service quality leads to repurchase intentions (Mittal and Lassar, 1998), in a business-to business setting as well (Bendapudi & Leone, 2002).

2.3.1 Determinants of Customer Satisfaction

Although there is a general conformity on the distinctiveness of service quality and customer satisfaction from a conceptual point of view, the operationalization of customer satisfaction is somewhat unclear. For instance, Cronin and Taylor (1992) defined and measured customer satisfaction as a one-item scale that asks for the customers' overall feeling towards an organization. By using a single item scale to measure customer satisfaction, Cronin and Taylor's approach fails to do justice to the richness of the construct, as it has failed to acknowledge that, like service quality, customer satisfaction is also likely to be multidimensional in nature. Bitner and Hubert (1994) used four items to measure the customers' overall satisfaction with the service provider. The authors introduced the concept of encounter satisfaction, and devised a nine-item scale to measure the same (i.e. the customers' satisfaction with a discrete service encounter).

2.3.2 Customer Satisfaction is Multi-faceted

Other works have emphasized the multi-faceted nature of customer satisfaction and have used multiple item scales to measure customer satisfaction (Oliver *et al.*, 1992). In a recent effort, Sureshchandar *et al.* (2002) used a five-item scale to model customer satisfaction. Olorunniwo *et al.* (2006) measured service satisfaction by using a six-item scale, while studying the structural model of the relationships among the service provider performance, affective response and service satisfaction. From the growing body of literature on customer satisfaction, one can easily observe that there has been

some research works on specific encounters, known as transaction-specific/encounter-specific customer satisfaction. Researchers have also acknowledged the multi dimensional nature of customer satisfaction and have come out with global measures (capturing the satisfaction at multiple levels in the organization), that view overall satisfaction as a function of satisfaction with multiple experiences or encounters with the service providers.

The present study takes a slightly different approach and views customer satisfaction as a multi-dimensional construct, but the underlying factors/items of customer satisfaction are the same as the ones by which service quality is measured. In other words, the current work argues that customer satisfaction should be operationalized along the same dimensions that constitute service quality and by the same items that span the different dimensions.

Such an approach was also pronounced by Bitner and Hubert (1994) who argued that although the SERVQUAL items of Parasuraman *et al.* (1988), when measured at the level of the firm's services, appear to be good predictors of service quality, it is also possible that the 22 items of SERVQUAL, when measured as a function of multiple experiences with the firm, may be good predictors of overall service satisfaction.

2.3.3 Five Factors of Customer Satisfaction

By this factor/item specific approach, it is posited that a more meaningful comparison/relationships of the service quality and customer satisfaction constructs can be made. Therefore, it is postulated that customer satisfaction also comprises of the following five factors:

1. (1) core service or service product;
2. (2) human element of service delivery;
3. (3) systematization of service delivery: non-human element;
4. (4) tangibles of service – servicescapes;
5. (5) Social responsibility.

2.4 Conceptual Frame work

To identify the key determinants of service quality as perceived by the customer the SERVQUAL model developed by Parasuraman et al (Zeithaml *et al*, 1990) was used.

This is because the SERVQUAL model is the most widely used instrument for measuring service quality and assessing customer satisfaction (Zeithaml et al, 1988).

The foundation of this model is a set of gaps initially identified by Zeithaml, Berry and Parasuraman. These were five gaps within service Organizations. However, Christopher Lovelock (1994) extends and refines their framework to identify a total of seven types of gaps (figure 2.2) that occur at different points during the design and delivery of a service performance. These gaps are as follows:

- The knowledge gap- the difference between what service providers believe customers expect and customers' actual needs and expectations.
- The standard gap- the difference between management's perceptions of customer expectations and the quality standards established for service delivery.
- The delivery gap- difference between specified delivery standards and the service provider's actual performance on these standards.

- The internal communication gap- difference between what the company's advertising and sales personnel think are the product's features, performance, and service quality level and what the company is actually able to deliver.
- The perception gap- difference between what is, in fact delivered and, and what customers perceive they receive (because they are unable to evaluate service quality accurately).
- The interpretation gap- the difference between a service provider's communication efforts (in advance of service delivery) actually promise and what a customer thinks was promised by these communications.
- The service gap- difference between what customers expect to receive and their perceptions of the service that is actually delivered.

Gaps 1, 5, 6, and 7 present external gaps between the customer and the organization. Gaps 2, 3, and 4 are internal gaps that occur between various functions and a department within the organization. The service gap (7) is the most critical; hence the ultimate goal in improving service quality is to close or narrow this gap as much as possible.

The SERVQUAL instrument has five generic dimensions (Ali Dehghan 2006), and these are: Tangibles, Reliability, Responsiveness, Assurance and Empathy.

Early work by (Gronroos, 1982, 1984; Lewis and Boone, 1983) conceptualized service quality as a disconfirmation process.

However, even though, it is considered the most widely used instrument, several authors have noted conceptual, theoretical and measurement problems with the disconfirmation model (Churchil and Suprenant (1982), Teas, 1994).

Other SERVQUAL detractors consider it as being overly complex, subjective and statistically unreliable. Francis Buttle, (1996), notes particularly that SERVQUAL's five dimension are not universal and that it fails to draw on establish economic statistical and psychological theory. Although SERVQUAL's face and construct validity are in doubt, yet it is the widely used instrument in published forms to measure customer expectations and service quality,

This study intends to develop an adopted version of the SERVQUAL instrument to measure service quality and assess customer satisfaction in a road transport service sector. The work by Ali Dehghan (2007) carried out in a private safety inspection organization in New Zealand conceptualized service quality to represent a customer's assessment of the overall level of service offered by an organization on the basis of perceptions formulated during service encounters.

Caruana, (2002) conceptualized customer satisfaction as relating to a post purchase emotive judgment of an individual service encounter.

Zeithaml & Bitner (1996) in their model of customer perceptions of quality and customer satisfaction, hypothesized that satisfaction is more of an attitude which influences perceptions of service quality, which in-turn will influence purchase intentions. According to them, failure to provide reliable service may result in customer dissatisfaction and possible defection.

This study therefore will conceptualize service quality to be a function of customer's perception of reliability, responsiveness, tangibles, empathy and assurance. And customer satisfaction would be measured by evaluating these constructs.

Service quality = f (Reliability, Assurance, Tangibles, Empathy, Responsiveness)

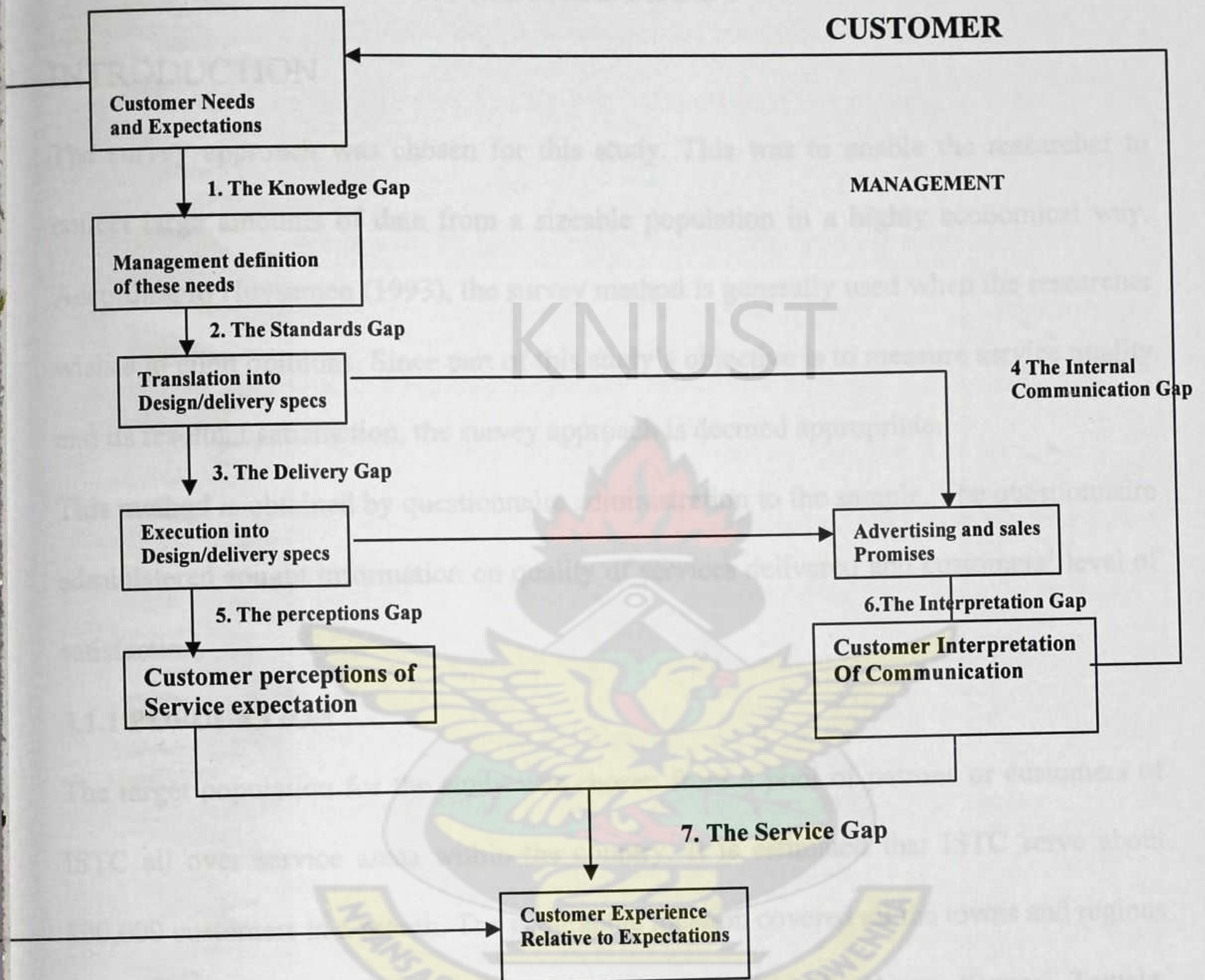
This current conceptual framework lends support to the model used by Hong and Wu (2003). The model is shown in Figure 1. This model begins with SERVQUAL measurement scale, consisting of five-dimensional structure (responsiveness, assurance, empathy, tangibles, and reliability), to assess service quality.

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Source: The 7 Gap model by Christopher Lovelock (2001)

Figure 2.2



Source: The 7 Gaps model by Christopher Lovelock, (2007).

CHAPTER THREE

3.1 METHODOLOGY

INTRODUCTION

The survey approach was chosen for this study. This was to enable the researcher to collect large amounts of data from a sizeable population in a highly economical way. According to Huysamen (1993), the survey method is generally used when the researcher wishes to elicit opinions. Since part of this study's objective is to measure service quality and its resultant satisfaction, the survey approach is deemed appropriate.

This method is obtained by questionnaire administration to the sample. The questionnaire administered sought information on quality of services delivered and customers' level of satisfaction.

3.1.1 POPULATION

The target population for the study was chosen from a pool of patrons or customers of ISTC all over service areas within the country. It is estimated that ISTC serve about 800,000 customers in a month. The geographic location covered all the towns and regions that the company plies trade. These included regional cities like Accra, Kumasi, Tamale, Takoradi, Cape coast, Aflao, Bolga, Ho, Hohoe among others. The international routes included Abidjan, Coutonou, and Ouagadougou.

3.1.2 SAMPLING AND SAMPLING PROCEDURE

To obtain acceptable levels of confidence and accuracy, a sample size of 300 was used. The response was estimated to be 95 percent, and the estimated period for administering questionnaires was two weeks (14 days).

Statisticians have proved that the larger the absolute size of sample the more closely its distribution will be to the normal distribution and thus the more robust it will be (Saunders et al, 2007).

Similarly, Stutely's (2003) advice of a minimum number of 30 or more (*ibid*) provided a useful rule of thumb for selecting a sample of 300 for this study in order to make it more robust.

Having determined a sample size, the convenience sampling technique was used to select the sample size. This was so because; the targeted population was easier to reach at the various ISTC termini where customers converged to board buses. The selection process continued at the various termini until the required sample size was attained.

After this, a pilot study was conducted by pre-testing the questionnaire on 15 colleagues who have used the services of ISTC or are still patrons. This was done to determine whether the questions were simple and straight to the point, or whether colleagues were in readiness to provide the requested information. In addition, it was to raise the efficiency and reliability of response which was also to help solicit comments and feedback.

The questionnaire was then revised, and out of the 300 questionnaires, 250 were distributed among managers of the various regions with an accompanying cover letter.

The managers in turn administered the questionnaire in their respective regions or stations and the remaining 50 were administered in Kumasi. The questionnaire was administered in two ways:

First, to customers waiting for their turn to board a bus and second, to passengers aboard a bus almost at their destination. The latter was to allow a first timer an opportunity to

express his or her candid opinion about service experience and the former was obvious for old users.

The questionnaire included structured and unstructured questions, together with dichotomous questions, all of which sought to solicit responses that would help achieve the objectives of the study.

Some difficulties encountered during data collection included refusal by some potential respondents to take part in the survey probably because they were disgruntled one way or the other.

The questionnaire was designed to measure the dimensions of service quality and customer satisfaction in Intercity STC Limited.

A total of five dimensions of quality management practices in service organizations were measured using the five-point Likert scale. These dimensions include Reliability, Responsiveness, Tangibles, Empathy and Assurance. Customer satisfaction was measured by the five-point Likert scale (1=very dissatisfied, 5=very satisfied). It was necessary to ascertain the reliability and validity of the measurement items (scales). Cronbach's alpha is a widely used measure of scale reliability, and the accepted value for alpha is at least 0.60 (Nunnally, 1978). Cronbach's alpha was computed for each scale using the SPSS statistical package. All the five dimensions (scales) were found to have acceptable alpha value. The scale must have validity in addition to possessing reliability. Validity of a measure refers to the extent to which it measures what it is intended to measure.

Several methods to establish validity were used. They are content validity, construct validity, and criteria related validity. Content validity is the extent to which a scale

measures the concept it is intended to measure or, in other words, whether the scale is truly a comprehensive measure of quality management. These dimensions have content validity since they were derived from a comprehensive review of the literature that was reviewed by the researcher of the study.

3.1.3 MEASURES USED

The literature review discussed in the background section, provided the basis for the items used to measure the constructs.

Key variables used for measuring service quality and satisfaction included en-route breakdown, delayed departure and road worthiness of buses.

Other variables include staff attitude towards customers, response time, and hygiene of equipments and office premises. In addition, variables such as lead time, that is, the period between when a service is utilized and actual delivery of it, willingness to recommend service to others was used.

3.2 DATA ANALYSIS

The Statistical Package for Social Science (SPSS) software was used to analyse responses from respondents and are presented by percentages, charts and tables. All data was coded, and transcribed.

The Dependence technique which is a multivariate statistical technique was used to select data for analysis. This is so because it is an appropriate tool to use when one or more variables are identified as dependent variable and the remaining ones independent variable, i.e. it examines the degree of relationships among variables.

As a result, regression analysis is a statistical technique which examines the relation of a dependent variable (response variable) to specify independent variables (explanatory variables) which were engaged for data analysis.

According to Malhotra and Birks(2007), Regression analysis is a procedure for analysing associative relationships between a metric dependent variable and one or more independent variables. It can also be used in the following way:

- To determine whether the independent variables explain a significant difference in the dependent variable: whether a relationship exists
- To determine the strength of the relationship
- To determine the structure and form of the relationship: the mathematical equation relating the independent and dependent variables.
- To predict the values of the dependent variable
- To control for other independent variables when evaluating the contributions of a specific variable or set of variables.

Although the independent variables may explain the variation in the dependent variable, this does not necessarily imply causation.

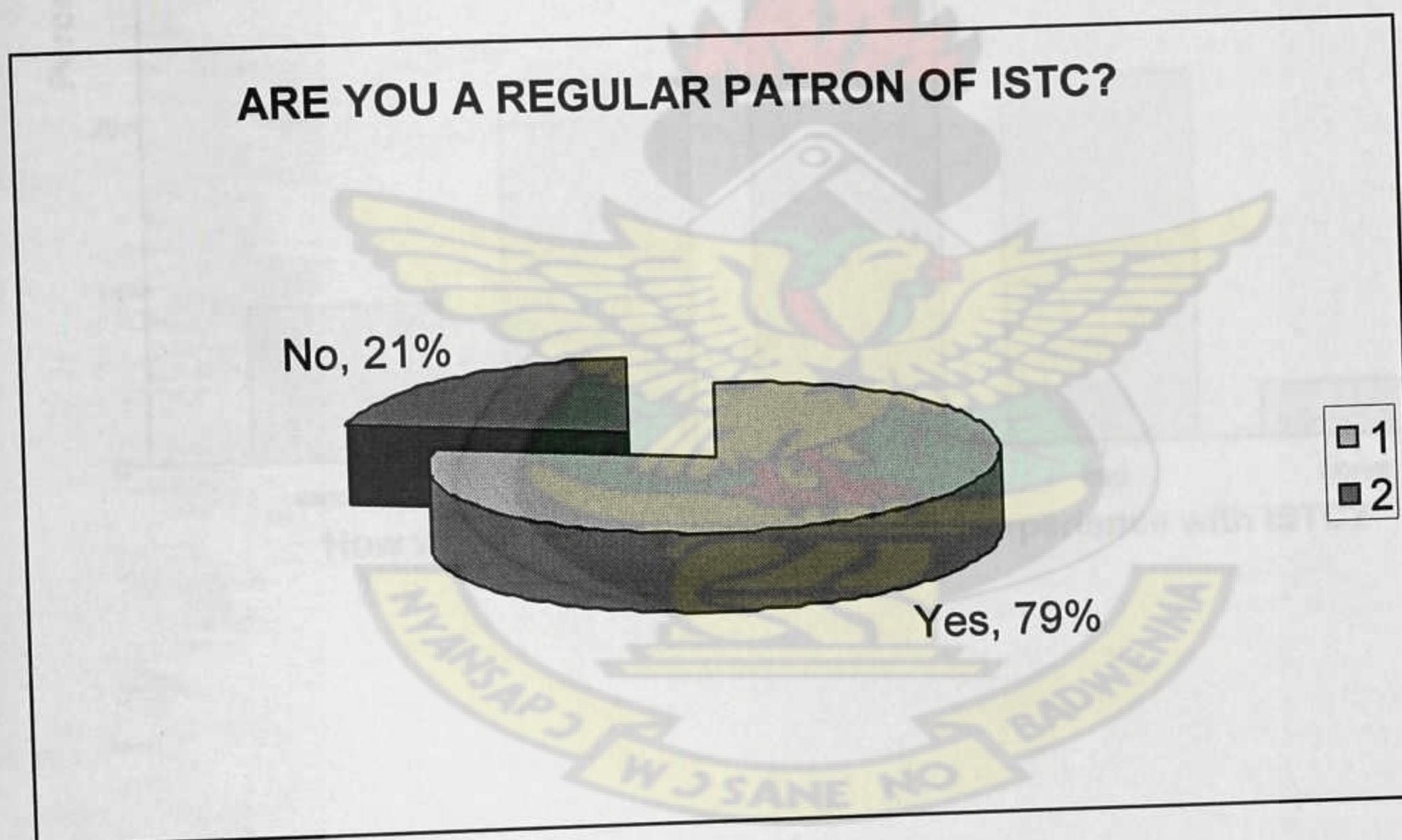
CHAPTER FOUR

4.0 Data Analysis and Presentation

This chapter summarizes the results obtained from questionnaires administered to respondents' in order to ascertain the impact, if any, of service quality on customer satisfaction in Intercity STC Coaches limited. As provided below, Figure 4.1 indicates that out of a total of 300 questionnaires administered, 79% of respondents were regular patrons of ISTC whiles the remaining 21% were either once a while user or first time users.

4.1 FIGURES AND TABLES

Figure 4.1.1



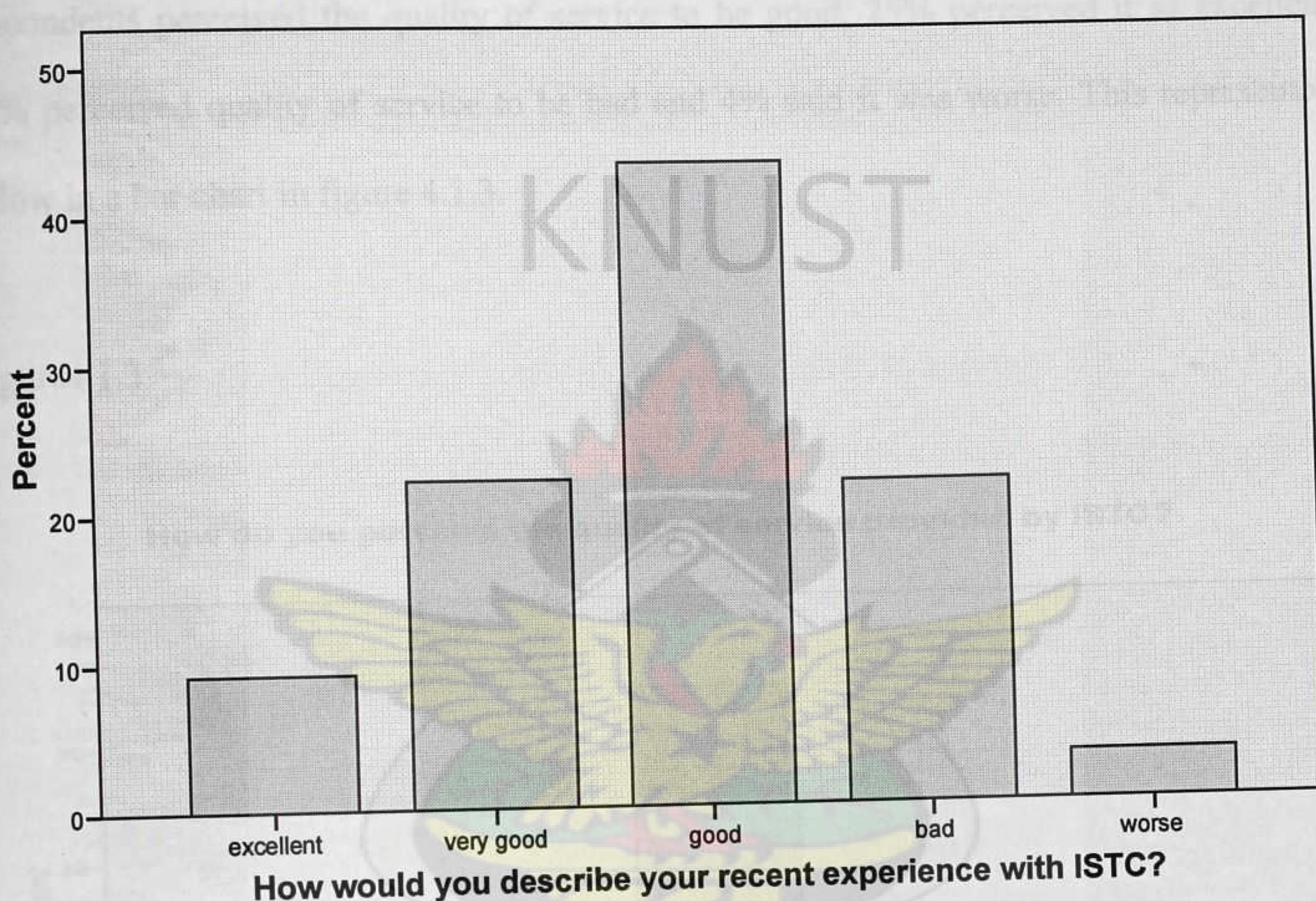
Source: Research survey 2008

Recent service encounter experiences from respondents were also varied. Out of the number surveyed, 44% described their experience as good; 22% said it was bad and very

good respectively, 9% said their experience was excellent and 3% accounted for a worse experience. Figure 4.1.2 below provides a vivid picture.

Figure 4.1.2

How would you describe your recent experience with ISTC?



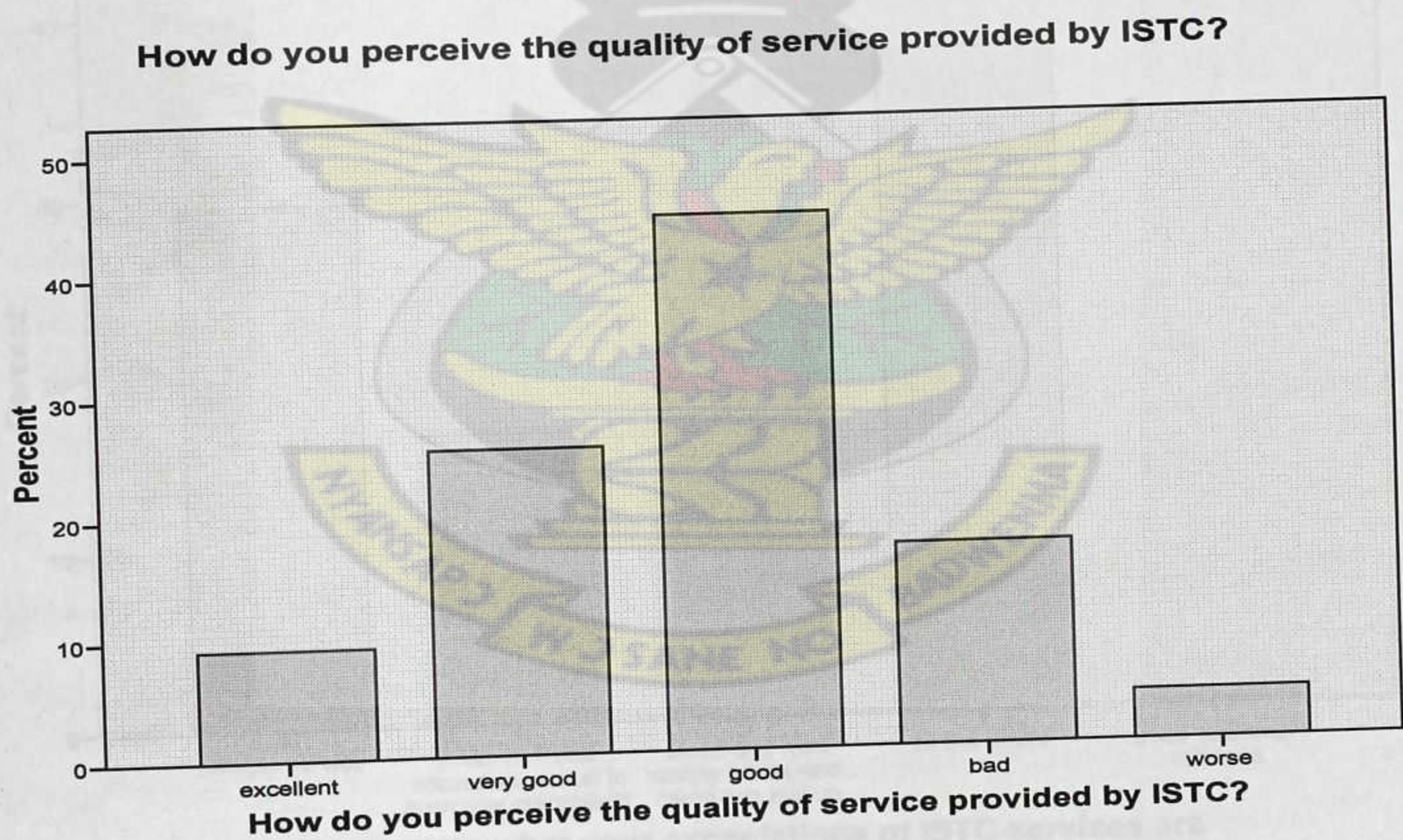
Source: Research survey, 2008

Respondents cited various reasons for their experiences with the company.

Out of the number, 57.3% of respondents who said their experience were excellent. Very good and good gave reasons such as reliable service, safety, comfort and respectful staff as having accounted for their experience. The 43% remaining said weak buses, disrespectful staff and delayed service accounted for their bad service experience.

When asked how they perceived the quality of service provided by STC 45% of respondents perceived the quality of service to be good, 25% perceived it as excellent 17% perceived quality of service to be bad and 4% said it was worse. This represented below in a bar chart in figure 4.1.3.

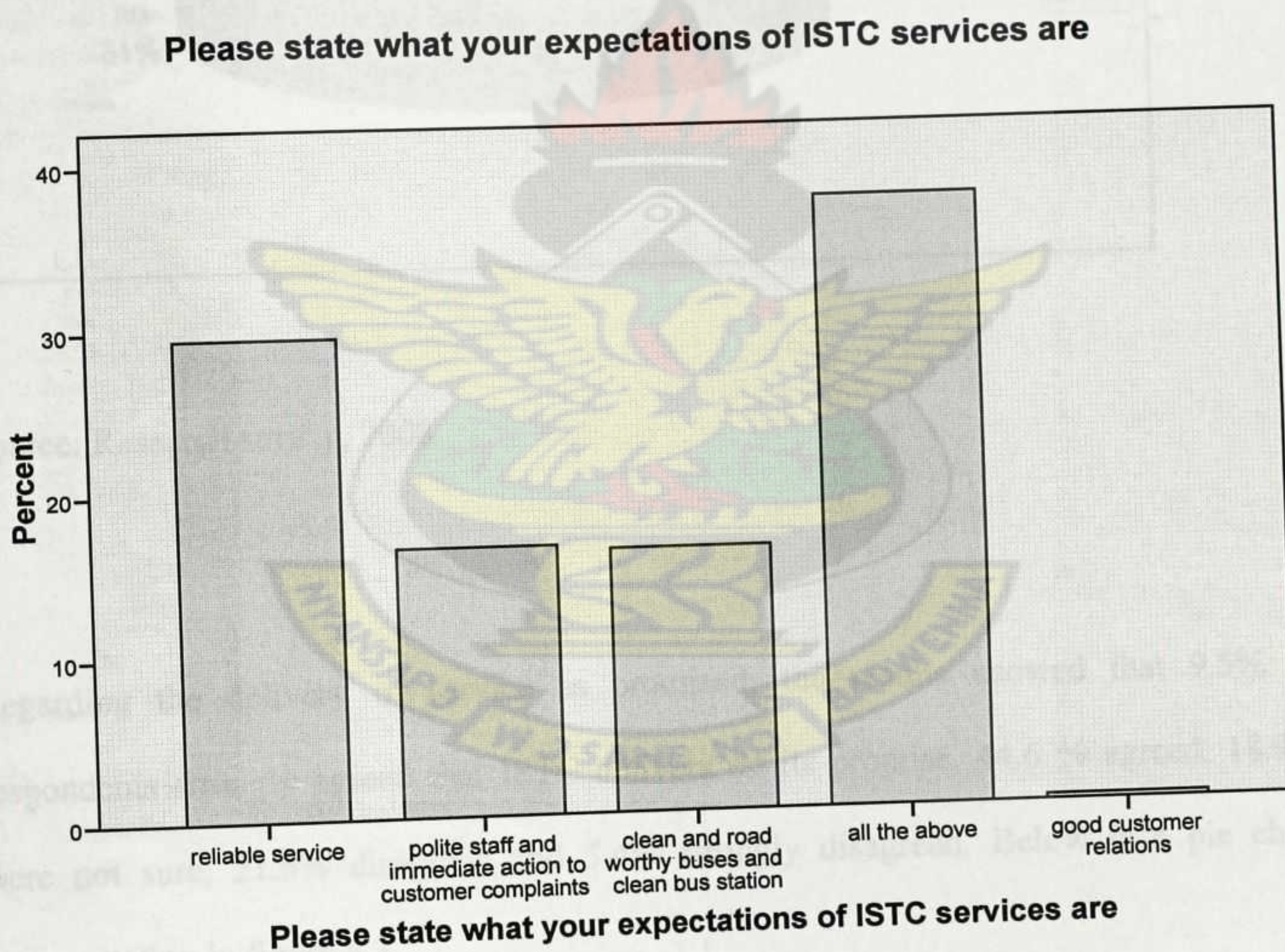
Figure4.1.3



Source: Research survey, 2008

The results also show that 30% of respondents stated their expectations to be reliable service, 19.5% had their expectations to be polite staff and immediate action to customer complaints, 19.2 % expected road worthy buses and clean bus station, 37.6% indicated all the above and 0.3% expected good customer relations. Additionally, 49.5% pointed out that their expectations have been met and 50.5%

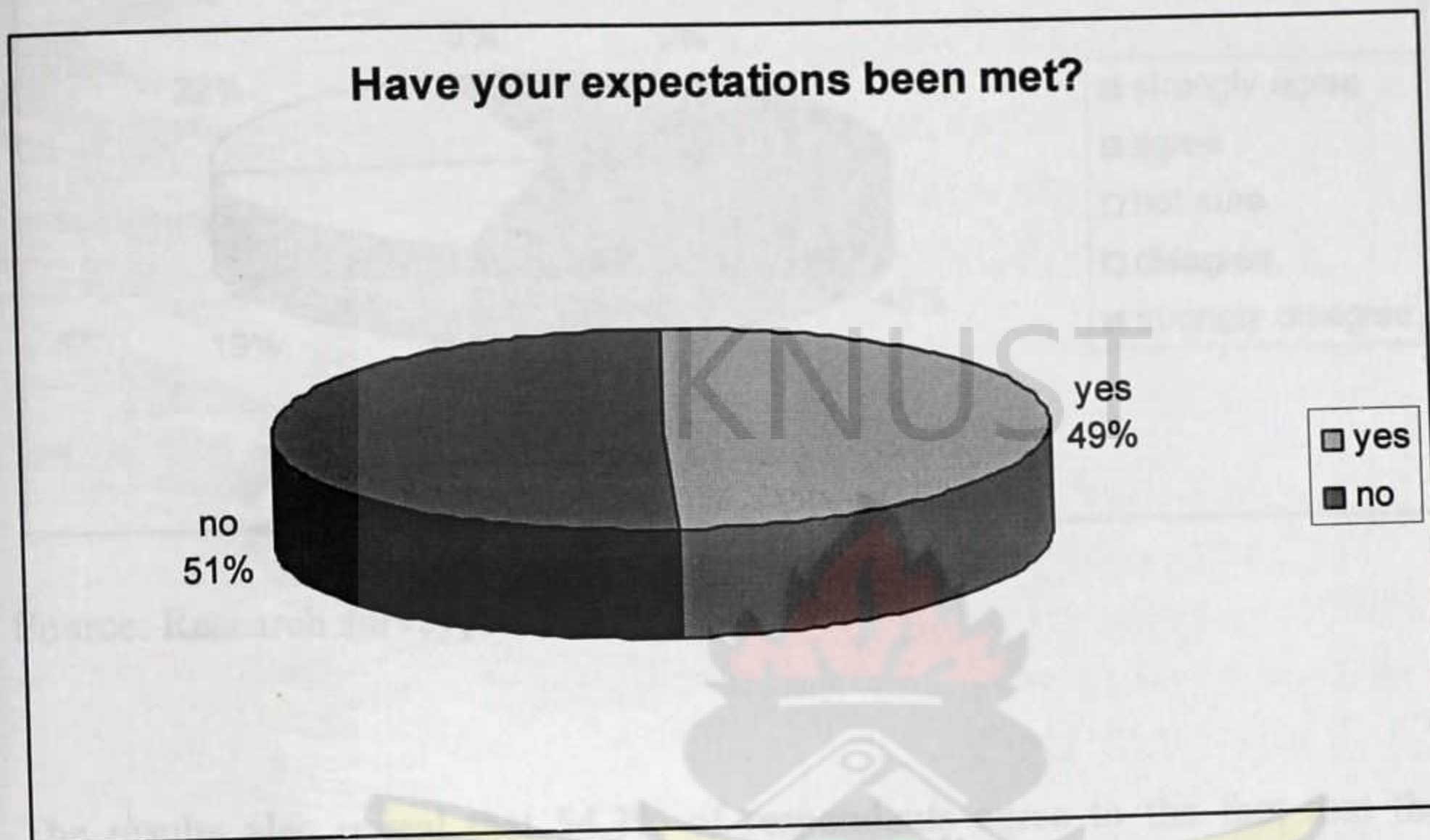
Figure4.1.4



Source: Research survey, 2008

indicated otherwise, that their expectations have not been met. Figure 4.1.4 and 4.1.5 show respondent's expectations and their positions respectively.

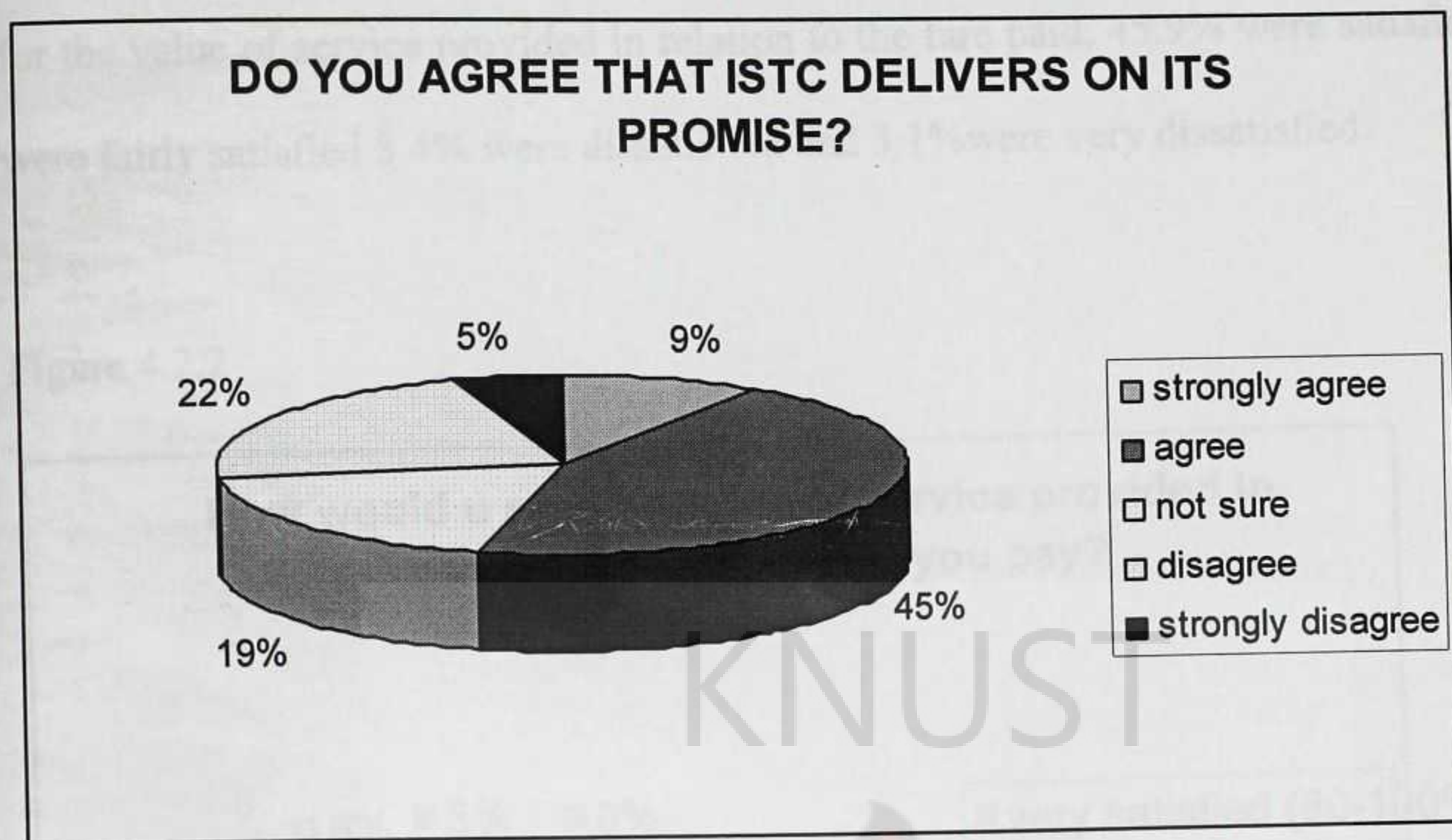
Figure 4.1.5



Source: Research survey, 2008

Regarding the delivery of service as promised, the results showed that 9.5% of respondents strongly agreed that ISTC delivers on its promise, 44.6 % agreed, 18.9% were not sure, 21.6% disagreed and 5.4% strongly disagreed. Below is a pie chart representation in figure 4.2.

Figure 4.2.1



Source: Research survey, 2008

The results also reveal that 54.3% of respondents agree to the fact that the company moves in time to resolve a problem when it arise. On the other hand, 5.9% were of the view that they strongly disagree and 21% were not sure if the company moves in time to resolve a problem when there is one.

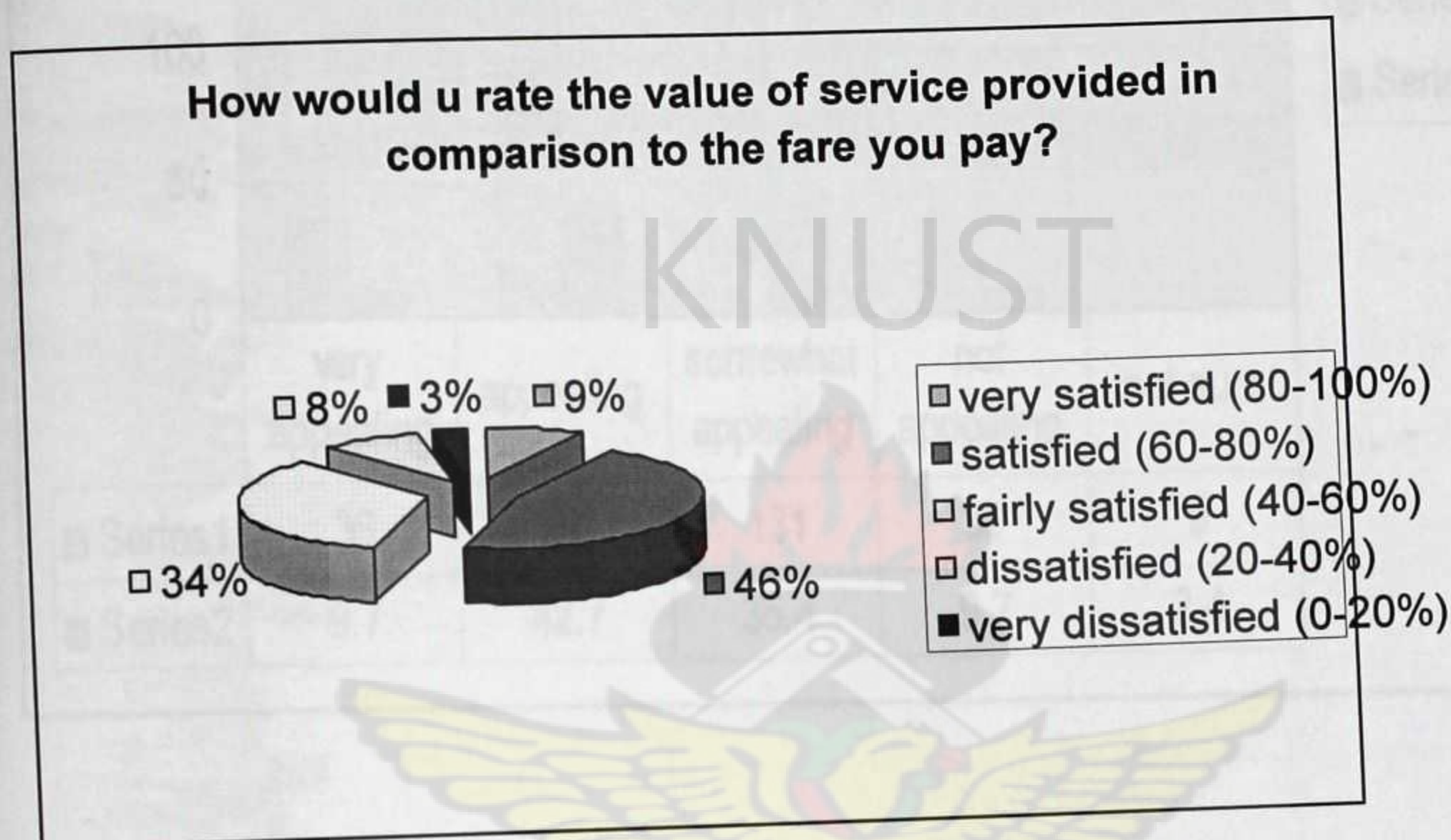
Similarly, 83% of respondents as against 17% agreed that personnel of the company are willing to listen and help when one encounters a problem.

Again, 69.2% agreed that as a matter of opinion, ISTC understands the needs of its customers, whereas 20% strongly disagreed and 10.8% were not sure if the company understood their needs.

Concerning the conduct of personnel towards customers, 82.4% indicated that personnel had a good conduct vis-à-vis 17.6% who responded a no to the question.

As shown in figure 4.2.2 below 8.6% of respondents were very satisfied in their ratings for the value of service provided in relation to the fare paid, 45.9% were satisfied. 34.1% were fairly satisfied 8.4% were dissatisfied and 3.1% were very dissatisfied.

Figure 4.2.2



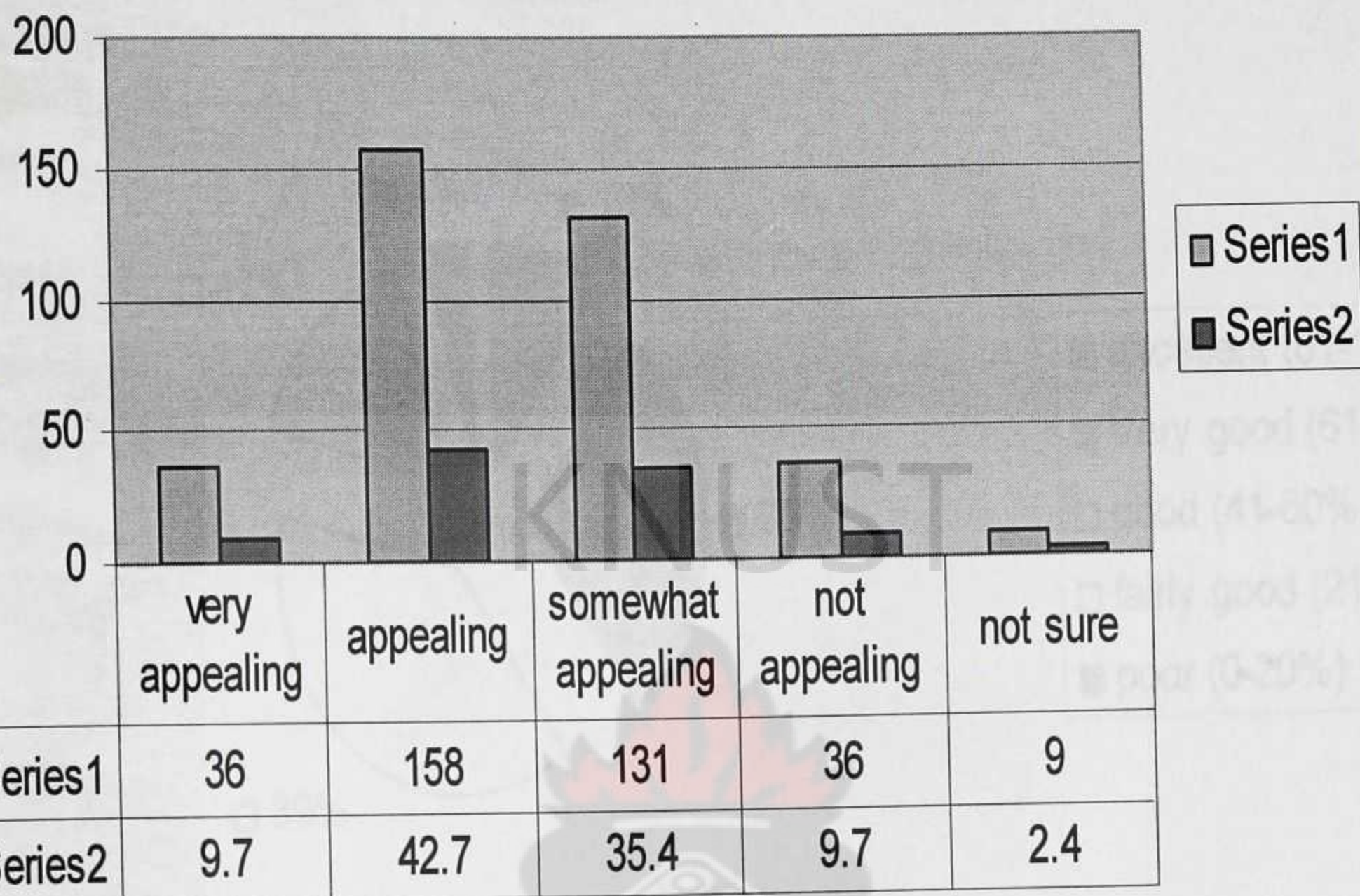
Source: Research survey

The results again revealed that respondents' opinion on the physical facility of the company was quite diverse. 9.7% pointed out that it was very appealing, while 42.7% said it was appealing. 35.4% were of the view that it was somewhat appealing, whereas 9.7% said it was not appealing and 2.4% were not sure.

This is supported by figure 4.8 below.

Figure 4.2.3

How would u describe the physical facility of ISTC

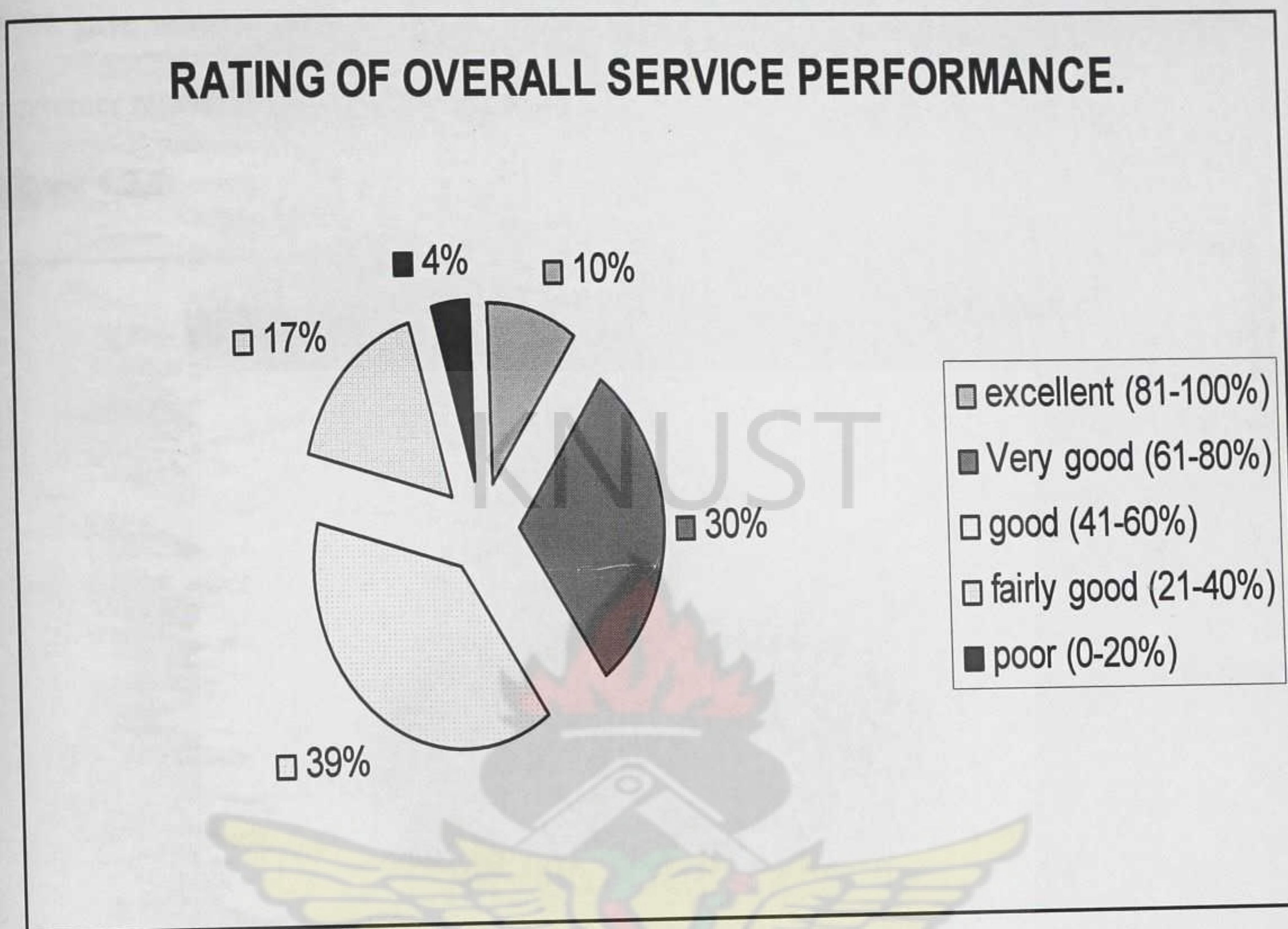


Source: Research survey

In terms of overall service performance, the results also showed that 10% of respondents indicated that the company's performance on the whole is excellent, 30.3% said that all service performance was very good while 38.6% specified it as good. Likewise, 17% of respondents pointed out that ISTC's performance as a whole was fairly good and 4.1% said it was poor.

Figure 4.2.4 below is a representation.

Figure 4.2.4



Source: Research survey, 2008

From the results, the pie chart below (figure 4.2.5) reveal that 83% of respondents were likely to recommend the company's service to a friend or colleague while 17% declined to do so. Respondents in the affirmative cited reasons such as safety, comfort, reliability, good and experienced drivers, past glory, new buses, good service delivery and customer relations. Others also gave reasons as not having a suitable choice or would recommend service only when friend or colleague is travelling on the southern route.

Respondents who declined to recommend ISTC, and those who formed the remaining 17% gave reasons such as delay service, that others are doing better than ISTC, bad customer relations, and frequent breakdowns.

Figure 4.2.5

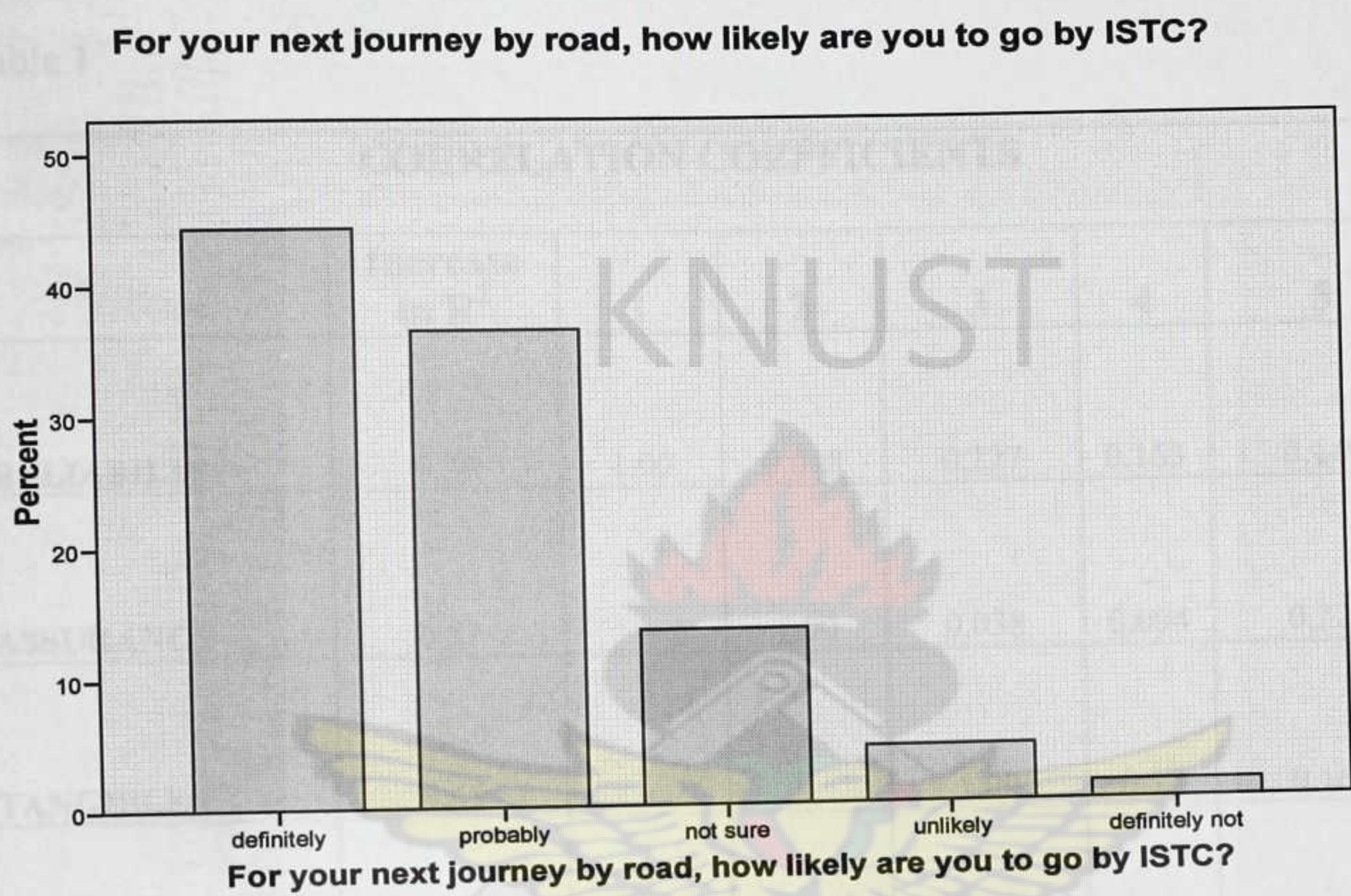


Source: Research survey, 2008.

When asked whether their next journey by road on a public transport, are they likely to go by ISTC, results revealed that 44.3% of respondents were definitely going to go by ISTC, 36.5% would probably go with ISTC, 13.5% were not sure whether they would go on ISTC, 4.3% were unlikely and 1.4% would definitely not go on ISTC for any reason.

The bar chart below expresses the information above.

Figure 4.2.6



4.2 Correlation between Service Quality and Customer Satisfaction

Further, table 1, indicates that there is significant and a positive association between service quality and customer satisfaction. Most of service quality dimensions exert significant impact on satisfaction especially reliability, assurance responsiveness and empathy. Tangibles did not seem to be so much of a determinant especially the service scape but would, in the course of time, if not improved.

In other words, managers who place premium on improving quality dimensions as determined by this study would perceive their firms to be retaining customers at a better rate than competitors with a weak service quality dimension.

Table 1

CORRELATION COEFFICIENTS						
	Increase in R ²	1	2	3	4	5
RELIABILITY	0.56	1.00	0.018	0.227	0.163	0.144
ASSURANCE	0.57	-	1.00	0.038	0.094	0.223
TANGIBLES	0.45	-	-	1.00	0.17	0.167
EMPATHY	0.30	-	-	-	1.00	0.408
RESPONSIVENES S	0.01	-	-	-	-	1.00

Source: Research survey, 2008.

4.3 Reliability Analysis

Further, in order to improve the reliability of the measures, a 5-point scale Likert scale was used for all items in the questionnaire (Churchill & Peter, 1984). Coefficient alpha scores obtained for each component of service quality are reported in Table 2. (Cronbach, 1970). All values are within acceptable range and greater than the cut-off

point of 0.7 suggested by Nunnally (1978). Additionally, the table reveals that there is little difference between alpha and the standardized alpha, supporting the constructs' reliability.

The Cronbach alpha score for each service quality dimension is either close to or greater than 0.7. This strengthens the reliability of the instrument and internal consistency of its items.

Table 2

Dimensions of Service Quality	No. of Items	Cronbach Alpha	Standardized Cronbach Alpha
1. Reliability	8	0.801	0.890
2. Assurance	4	0.864	0.890
3. Tangibles	7	0.825	0.873
4. Empathy	5	0.830	0.912
5. Responsiveness	6	0.778	0.732

Source: Research survey, 2008

4.4 Content Validity

Content validity is conditional on the extent to which the constructs items represent a scale's sphere of influence (Parasuraman *et al*, 1988) and the thoroughness with which this sphere of influence is characterized by the items that represent it (Churchill, 1979).

Service quality have been operationalised as a multidimensional concept (Vandamme and Leunis, 1993) determined by reliability, assurance, tangibles, empathy and responsiveness and which are antecedents to customer satisfaction (Parasuraman *et al.*, 1988, 1991).

4.5 Criterion Related Validity

To test for the convergence of the service quality constructs, respondents were asked to give their overall impression of the importance placed on service quality in ISTC by checking a 5 point Likert scale which ranged from 1=(poor) to 5=(excellent). A multi regression analysis was done by taking the overall impression as a dependent variable and the remaining components as independent variables.

Table3 – Dependent Variable: overall rating of service performance

Independent Variables	Coefficients	P Value
1. Reliability	0.30	0.03
2. Assurance	0.21	0.03
3. Tangibles	0.15	0.03
4. Empathy	0.12	0.04
5. Responsiveness	0.10	0.04

Rsq=.380; Adjusted R²=.370; Significance=.001

Table 3 above indicates that $R_{sq} = 0.38$ and is significant at $p < 0.001$ level. The significant coefficients associated with each service quality dimensions add support to each scale's convergent validity.

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CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS.

5.1 Summary

This study gave several insights about how service quality in ISTC impacted on customer satisfaction. The five dimensions of SERVQUAL (i.e., Responsiveness, Assurance, Empathy, Tangibles, and Reliability) were supported by the data collected. On the whole, respondents indicated that they had a favorable experience with service quality. A total of five service quality dimensions for ISTC's activities were identified for the study. These were Reliability, Assurance, Tangibility, Empathy and Responsiveness.

With regards to reliability, the findings revealed that a greater percent of respondents were satisfied and agreed that the company delivers on its promise. However most people in the sample population in this category did not hesitate to add that notwithstanding their take on reliability, the company had the habit of delaying service unnecessarily, and all they care is to get to their safe destination. From this, it can be inferred that though respondents vouched for ISTC's reliability, what they actually meant was getting to their destination safely. As a result management of ISTC must as a matter of urgency work on improving its service reliability in order not to lose the trust reposed in them by customers.

For Assurance and Responsiveness, the results showed that 54.3% of the sample population agreed that when they have a problem, personnel of the company were willing to listen and help. They also instilled confidence in customers, had knowledge to answer questions and made them feel safe in the transaction. Again, 82.4% of respondents indicated that

personnel of ISTC had a good conduct towards customers.

In terms of Empathy, the findings show that 69.2% of respondents said ISTC understood the needs of its customers; and for Tangibles, 9.7% of respondents find the physical facility of ISTC as very appealing, while 42.7% find it appealing. Yet, 35.4% find it somewhat appealing. This is consistent with the fact that a greater percent of respondents agree that ISTC's physical facility is attractive.

This study also found that a significant expectation gap does exist in the sample population. Since the average difference score was calculated by perception minus expectation (negative values imply that perceptions fall short of expectation, and positive values imply that perceptions exceed expectations), the mean score also indicates that the higher the score, the higher the level of perceived service quality. This implies that there is still room for improvement in terms of service quality.

It is clear from the findings that service quality is of supreme importance in coach services. As a result, a firm which desires to retain its customers should pay more attention to service quality instead of seeking to sell what it has on offer, irrespective of its selected market. Though the selling activity can increase profitability in the short term, this may be achieved at the expense of keeping customers, leading to the reduction of a solid customer base through the loss of loyal customers to competitors. The fine tuning of service quality dimensions (RATER) and a well executed implementation produces satisfied customers who spread the good word to other potential customers and keep patronizing the firm's offering.

The findings lends support to Kotler's (2002) opinion that meeting quality target s is likely to lead to increased customer satisfaction and customer retention.

The results of this study support several basic theoretical propositions consistent with literature concerning service quality. A key determinant of overall service quality is the

gap between performance and expectations (i.e., disconfirmation). For regular customers, perceived service quality depended on the disconfirmation elicited by perceived changes in existing service. A customer's assessment of overall service quality is also directly affected by perceptions of performance levels.

Clearly, there is an underlying consistency in the study findings for all the measures utilized. These results reinforce the arguments advanced by both service management and marketing researchers that, there is a link between service quality and customer satisfaction.

Retention and repeat purchase is a direct result of customer satisfaction and satisfaction basically influenced by the value of services provided to customers (Innis and LaLonde, 1994).

Customer satisfaction is the result of the purchaser's perception of service quality received in a transaction or relationship relative to the value expected from competitors (Zeithaml *et al*, 1990). Satisfaction has been found to lead to customer retention which involves continuous purchasing from the same source, enhanced scope of relationship and word of mouth recommendation. The consequences such as increased revenues, reduced customer acquisition costs and lower cost of serving repeat purchasers, lead to enhanced profitability (Yi, 1990). This assertion is confirmed by Reichheld and Sasser(1990) who found that a 5% growth in customer retention can improve profit levels from 25% to 85%, and reinforced by Reichheld and Teal(1996).

Undeniably, several studies have identified a significant relationship between service quality and customer satisfaction. Findings of these studies demonstrate that firms offering superior service attain higher than normal market share (Buzzell and Gale, 1987), that avenues through which service quality impacts upon profits includes

enhanced market share and premium prices (Gummesson, 1992) and that compared to their competitors, organizations in the top ten quintile of relative service quality on the average achieve an 8% higher price (Gale, 1992).

The selling activity does not seem to influence customer satisfaction and customer retention. Despite its impact on the service firm's profitability, the effect is limited when compared with service quality dimensions such as Reliability, Assurance, Tangibles, Empathy and Responsiveness.

Perhaps selling tends to concentrate on sales volume, short term strategies, individual customers and field work rather than profit planning, long-term trends, opportunities or threats, customer types or segment differences and good systems for market analysis, planning and control. Thus, short term gains are reaped at the expense of superior long-run performance.

The important point to remember is that any memorable experience can build or destroy trust

5.2 Recommendations

The results of the study have several managerial implications. Many service companies are finding that outstanding quality can give them a potent competitive advantage that leads to superior sales and profit performance. Honesty in offering greater service quality results in higher costs. However, investments usually pay off because greater customer satisfaction leads to increased customer retention and sales.

As a result, the author of this study wish to firstly recommend to the management of ISTC to adopt the strategy of exceeding the customer's service quality expectation, because it is key to the success of any business.