THE IMPACT OF PERCEIVED SERVICE QUALITY ON EMPLOYEE SATISFACTION AND CUSTOMER SATISFACTION RELATIONSHIP. A CASE STUDY OF BOKA TOBACCO FLOORS.

BY

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The undersigned certify that they have read and recommended to the Bindura University of Science Education for acceptance, a project entitled, “The impact of perceived service quality on employee satisfaction and customer satisfaction relationship, submitted by KATSAMUDANGA ESTER in the partial fulfilment of the requirements of the Bachelor of Business Studies (Honours) Degree in Marketing.

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(Signature of Supervisor)        Date

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(Signature of the Chairperson)        Date

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(Signature of the Examiner (s))        Date
DEDICATION

I would like to dedicate this research project to my parents Mrs. W. and the late Mr. Katsamudanga my brother Antony and my sister Elene.
ABSTRACT

In today’s world, companies who do not provide value to their customers bring an opportunity for the competitors to steal these customers. Hence this research focuses on finding the impact of perceived service quality on employee satisfaction and customer satisfaction relationship at Boka Tobacco Floors. Boka Tobacco Floors has been facing a severe decrease in the number of transactions handled. The purpose of the study is to establish the relationship between employee satisfaction and customer satisfaction, to establish the relationship between perceived service quality and customer satisfaction and to determine the mediation effect of perceived service quality on employee satisfaction and customer satisfaction relationship. A causal research design was used, so as to test the relationship between variables. A sample size of 217 interactions between the employees and customers was used. The main source of data was primary data and the data collection tool used was self-administered questionnaires. These were distributed at Boka Tobacco Floors to employees and customers and were collected in a dyadic form matching each employee to the customer he or she has served. To analyze and interpret data, Statistical Packages for Social Sciences (SPSS 16.0) used and tables were used to represent the data the hypotheses. The study revealed that employee satisfaction has a positive relationship with customer satisfaction, there is a positive significant relationship between perceived service quality and customer satisfaction. More so, perceived service quality partially mediates the relationship between employee satisfaction and customer satisfaction. The study concludes that there is a positive relationship between employee satisfaction and customer satisfaction. Perceived service quality and customer satisfaction has a positive significant relationship. From the findings it can also be concluded that perceived service quality partially mediates the relationship between employee satisfaction and customer satisfaction. More so, in order to improve customer satisfaction, management needs to increase the levels of employee satisfaction which will in turn impact positively on the levels of perceived service quality and subsequently customer satisfaction.
ACKNOWLEDGEMENTS

I am sincerely grateful to the Lord Almighty who is the fountain of knowledge. To Him is the glory now and for evermore Amen. Most gratitude is extended to my mom; Mrs. Katsamudanga and my siblings Antony and Elene for their unwavering support which made this study much more possible to carry out. Special thanks to Mr. Mukucha my project supervisor, I thank him for the time he spared and patience in his business schedule to read, correct and offer suggestions in the write up of this project. I am highly indebted to him for his guidance and assistance. My profound gratitude goes to all the workers of Boka Tobacco Floors and the farmers for their unconditional support. I would also want to give many thanks to my friends for their time and effort to help me out in the completion of this project.
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<td>Boka Tobacco Floors</td>
</tr>
<tr>
<td>CS</td>
<td>Customer Satisfaction</td>
</tr>
<tr>
<td>ES</td>
<td>Employee Satisfaction</td>
</tr>
<tr>
<td>PSQ</td>
<td>Perceived Service Quality</td>
</tr>
<tr>
<td>PTSF</td>
<td>Premier Tobacco Sales Floor</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>TSF</td>
<td>Tobacco Sales Floor</td>
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CHAPTER I

INTRODUCTION

1.0 Introduction

This chapter looks at the background of the study, statement of the problem, objectives, research questions, research hypothesis, delimitations, and scope of the study and limitations of the study. This chapter contains chapter summary which states the layout of the project.

1.1 Background of the Study

Boka Tobacco Floors (BTF) is a subsidiary of Boka Investments. It was established in 1995. Its core business is to provide the auctioning services of tobacco. It is neither a buyer nor a seller of tobacco. BTF is the largest tobacco auction floor in Zimbabwe. It has a capacity to hold more than fifteen thousand bales per sale. Competition in the industry has resulted in BTF losing customers to its competitors such as Premier Tobacco Sales Floor (PTSF), Tobacco Sales Floor (TSF). Hence this has lead to a decrease in the market share of this company as shown in the table below.

Table 1.1: Market share of Tobacco Industry in Zimbabwe

<table>
<thead>
<tr>
<th></th>
<th>BTF</th>
<th>PTSF</th>
<th>TSF</th>
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<tbody>
<tr>
<td>2011</td>
<td>60%</td>
<td>30%</td>
<td>10%</td>
</tr>
<tr>
<td>2012</td>
<td>50%</td>
<td>35%</td>
<td>15%</td>
</tr>
<tr>
<td>2013</td>
<td>30%</td>
<td>40%</td>
<td>30%</td>
</tr>
<tr>
<td>2014</td>
<td>20%</td>
<td>45%</td>
<td>35%</td>
</tr>
</tbody>
</table>

Source: BTF statistics
In 2011 the market share of BTF was on top with 60% followed by TSF with 30% and Premier with 10%. 2012 showed a decrease in the percentage of market share, BTF was 50%, TSF 35% and PTSF was 15%. The decrease continued in 2013. There was a huge decrease of BTF market share by 20% from the previous year and also noting that the market share of the competitors continued to increase TSF 40% and PTSF 30%. In 2014 season BTF had 20% of the total market share and TSF 45% and PTSF 35%. Naseem, Sheikh, Khusro and Malik (2011) proposed that the key for satisfying customers better than competitors is to offer service quality which is better than rivals’ efforts. BTF has been facing great challenges in satisfying its customers due to many complaints from customers pertaining services offered by employees. In relation to its competitors such as PTSF and TSF the services offered by BTF are of poor quality.

Customers faced challenges in retrieving their bales when they are not sold because of mixing different grades (mixed hands). When a customer’s bale in the auction floor is not sold because of mixed hands the bale is sent for rehandling which is done by BTF employees. This enables the customer to resell their bale. In the process of this transaction BTF employees would bring back the bales with few kilograms compared to the bale that was sent for rehandling at first. Therefore this has made the researcher to explore if this behavior by employees is caused by employee dissatisfaction about their work. This has caused the customers to opt for the company’s competitors who give the farmer the kilograms for his or her bale after rehandling. In addition, customers took a long period of time before getting their money after a sale. Processing of cheques after a sale should take at least 1-2 hours before the customer get hold of their money. The stages of processing cheques at BTF are slower as compared to that of its competitors. It takes 4-6 hours before the customers get their money.

In addition, customers face a challenge of missing bales. When the bales have been delivered for sale, the bales can be misplaced or even changed the grower number into an employee’s grower number; this only happens at BTF compared to its competitors. More so, the processes of attending to queries at BTF are too long. The customer would take five days following the query especially of missing bales, hence this lead to customer dissatisfaction. The issue of service quality is now of great importance to the company as
this affects customer satisfaction and ability to gain competitive advantage (Gronroos, 2007).

Naseem et al (2011) propounds that employee satisfaction does not only enhances the productivity but it also increases the quality of work. Therefore, it is necessary for a company to perceive what the employees feel, think, desire along with discovering how the workforce devotion and commitment can be improved. The level of employee turnover is increasingly getting higher each and every year which has led to poor service delivery. The decrease has been noted in the past three years that permanent employees where leaving their jobs. In 2012 they were 50 employees, in 2013 they had decreased to 44 and in 2014 season the employees were 37. This might be due to unfavorable working conditions and lack of motivational tools such as poor salary and lack of fringe benefits. The continuous decrease of permanent workers has caused BTF to compromise the perceived service quality through employing temporary workers with no experience of how work should be done. Since the environment is changing on each and every second, so is the tobacco industry, which means it keeps on changing with the passing of time.

1.2 Statement of the Problem

Boka Tobacco Floors has been facing a severe decrease in the number of transactions handled. This might be due to poor service quality like long processing of cheques, unanswerable loss of kilograms of customer bales, missing bales in the auction floor and delay in the attendance of customer queries which have been fully explained in the background. These service quality problems reflect employee dissatisfaction which manifested in the form of high employee turnover which has been fully highlighted in the background of the study. Customer dissatisfaction is likely to have been caused by service quality problems as evidenced by the fact that customer satisfaction is a function of service quality. A deficiency in the services delivery through unsatisfied employees and in the service quality have caused dissatisfaction among the customers and this has led them to switch over to the competitors thereby causing a decrease in the number of bales sold in 2014 compared to 2013 sales. The total bales sold in 2013 where 480 000 bales
and in 2014 where 420 000 bales leading to 87.5% of the total sales and a decrease of 12.5% from the 2013 sales.

1.3 Research Objectives

The objectives of the research are:

• To establish the relationship between employee satisfaction and customer satisfaction.

• To establish the relationship between perceived service quality and customer satisfaction.

• To determine the mediation effect of perceived service quality on employee satisfaction and customer satisfaction relationship.

1.4 Research Hypothesis

H₁: There is a positive relationship between employee satisfaction and customer satisfaction.

H₂: There is a positive relationship between perceived service quality and customer satisfaction.

H₃: Perceived service quality mediates the relationship between employee satisfaction and customer satisfaction.

1.5 Significance of the Study

This section provides the importance of the study to various personnel who might be interested in the study such as the company, university and the study.
1.5.1 To the company

The information and ideas gathered from this research study will be of great importance to Boka Tobacco Floors. The organization will be able to come into full realization on the concept of service quality and how customer satisfaction delivers value to the business. The research will then work as an eye opener for management to better visualize the service quality that they are providing. This will help BTF to stay abreast of competition. This document will work as a tool kit which provides vital customer satisfaction strategies and importance of service quality to BTF.

1.5.2 To the university

The research will benefit the university as the student report will be used by other students for literature review on perceived service quality and employee satisfaction on customer satisfaction. The university’s brand will be marketed in industry thus its contribution to society will be seen by the activity of the student.

1.5.3 To the student

The helped the researcher to have an insight on the importance of service quality and employee satisfaction on customer satisfaction to organizations. It is a partial fulfillment of the Bachelor of Business Studies Honors Degree in Marketing.

1.6 Delimitations of the study

The scope of the study will deal with customers served by BTF and its employees. The main focus will be on current service quality delivered by the firm and the extent to which its customers are satisfied with the firm’s service. It will also assess the roles played by BTF employees in delivering service quality and the service quality dimensions that are valued by customers. The place delimitation is the Boka Tobacco Floors in Harare which is accessible to the researcher. This research is delimited to the activities of one auction floor; this is consequent to the time constraint on the duration of this research, so that the researcher can fully investigate the problem area.
1.7 Limitations of the study

The study will be limited by constrains in organizational policies. The results of this research cannot be generalized to other companies because this is a single case study of one Tobacco Company that is Boka Tobacco Floors. No comparison has been made with other companies in the same industry. Methodologically the study is prone to common method variance. This is when two or more variables are collected from the same respondents and an attempt is made to interpret their correlation (Yee, Yeung and Cheng, 2008). Common method variance inflates parameter estimates. Thus, the relationship between customer satisfaction and service quality might be affected by common method variance.

1.8 Assumptions

It is assumed that the sampling units chosen are a true representation of the population understudy. The other variables that affect customer satisfaction are held constant.

1.9 Definition of terms

Service: It is an economic activity offered by one party to another (Lovelock and Wirtz, 2011)

Service quality: is the difference between customers’ expectation and perception of service delivered by firms (Parasuraman, Zeithaml, and Berry, 1988).

Customer satisfaction: is the degree to which product or service performance meets or exceeds customer expectations (Kotler and Keller, 2013).

Employee satisfaction: is the degree to which employees are content with their work environment and the nature of their job (Kotler and Keller, 2013).
1.10 Organisation of the study

Chapter 1 provides a background of the study, statement of the problem, research objectives, research hypothesis, and delimitations of the study, limitations of the study, importance of the study, assumptions, definition of terms, and chapter summary. Chapter 2 comprises a critical review of the literature within the context of the research being undertaken that is the theoretical and empirical evidence of the research. Chapter 3 deals with research methodology used in order to gather data. Chapter 4 gives data presentation and interpretation of research findings. Chapter 5 gives conclusion and recommendations.

1.11 Summary

The chapter discussed the background of the study and its setting, that is, aim, objectives, and research hypothesis, statement problem, significance of the study, assumptions, delimitations and possible limitations of the study.
CHAPTER II

LITERATURE REVIEW

2.0 Introduction

This review looks at studies across various places that were carried out by many authors on the impact of perceived service quality on employee satisfaction and customer satisfaction relationship. It aims to look at where these authors agree and their arguments therein. This chapter is going to look at the theoretical and empirical framework of perceived service quality, employee satisfaction and customer satisfaction.

2.1 Theoretical Framework

The following section is going to discuss the theoretical framework which shows the relationship between employee satisfaction and customer satisfaction, the relationship between perceived service quality and customer satisfaction and the mediation effects of perceived service quality on employee and customer satisfaction.

2.1.1 Employee satisfaction and customer satisfaction

This section gives the theoretical framework which supports the relationship between employee satisfaction and customer satisfaction. A satisfied customer is of important value to the organization and it therefore becomes the duty of management to put in place a system that would ultimately generate satisfaction of their customers and employees (Christina and Gursoy, 2009). The relationship between employee satisfaction and customer satisfaction is grounded on the theory of emotional contagion and balance theory.
a) Emotional Contagion Theory

The theory of emotional contagion was proposed by Hatfield, Elaine, John, Cacioppo and Rapson (1993) establishes a direct relationship between employee satisfaction and customer satisfaction. Emotional contagion is when a person’s expressions and attitude converge emotionally with those of the other person (Hatfield et al., 1993). The emotional contagion theory explains the emotions of two people (for example, the one who is delivering the service and the customer) transmit facial clues during a conversation and how these clues affect the outcome of the interaction. More so, individual differences concerning whether someone is either sensitive to emotions from others or able to transit his or her emotion onto others moderates the relationship (Hatfield et al., 1993). The contagion effect explains how satisfied employees influence others around them to feel good (Hatfield et al., 1993). This theory holds that affect transfer alone (i.e., exclusive of quality or value consideration) is sufficient to account for employee satisfaction-customer response relationship (Hatfield et al., 1993). In addition, being sensitive to the emotions of others also leads to better performance; at the same time emotional contagion leads to higher risk of burnout too (Hatfield et al., 1993). Based on this theory when customers are exposed to emotional displays of employees, they experience either satisfaction or dissatisfaction, and this shows a positive relationship between employee satisfaction and customer satisfaction (Hatfield et al., 1993).

Liao and Chuang (2004) propound that customer perceptions, attitudes and intentions are being affected by employees’ experiences and attitudes who are internal customers of the organisation. In addition, when customers are exposed to the emotional displays of employees, they experience corresponding changes in their own affective status (Pugh, 2001; Barsade, 2002). Homburg and Stock (2004) proposed that service employees with a high level of job satisfaction will appear to the customer more balanced and pleased with their environment, leading to positive influence on the level of customer satisfaction. In contrast, Homburg and Stock (2004) proposed that dissatisfied service employees are
likely to display unpleasant emotions to customers reducing the level of customer satisfaction through emotional contagion.

The theory of emotional contagion when applied to service encounters implies that customers catch the emotions of service personnel during service delivery encounters. Hatfield et al (1993) suggested that a service employee who is dissatisfied with some aspects of the job would catch those negative emotions during service encounters and consequently the customers would catch those negative emotions and this cause customer dissatisfaction. There is need to create a work environment that encourages employees to give quality service to customer needs. Satisfied employees generate customer satisfaction by excellence in performance that leads to the organizational success thus leading to higher service quality (Hatfield et al, 1993).

(b) Balance Theory

Heider (1958) developed a balance theory which shows the relationship between employee satisfaction and customer satisfaction. According to balance theory, a system of triadic relationship between two persons (employee and customer) and an object (organisation) can either be balanced or unbalanced. The theory propound that the relationship is balanced if two people have the same attitude towards the object. In an employee-customer relationship an unbalanced situation occurs when the employees work satisfaction is low and the customer satisfaction with the company is high. According to Heider (1958) key mechanism leading to attitude balance is that one person (a) actively influences the other person (b) in order to change his or her attitude. According to balance theory, activities are likely to occur to lead the system to a balanced state. This means that one of the two factors (that is the employee or the customer) will change his or her level of satisfaction.

2.1.2 Perceived service quality and customer satisfaction

This section gives the theoretical framework which supports the relationship between service quality and customer satisfaction. The relationship is established through attitude theory which is fully explained below.
a) **Attitude Theory**

Lazarus (1991) and Bagozzi (1992) proposed the attitude theory which shows the relationship between service quality and customer satisfaction. Lazarus (1991) proposed that the internal and situational conditions of the appraisal processes lead to emotional responses which induce coping activities. He suggested that the appraisal process lead to emotional response and this lead to coping. Bagozzi (1992) proposed that individuals typically engage in activities because of a desire to achieve certain outcomes. Bagozzi (1992) applied Lazarus (1991) theory of emotion and adaptation to explain how attitudes might be linked to behavioral intentions. This framework suggests that appraisal leads to emotional response, which in turn induces coping behaviors. Bagozzi (1992) proposed that individuals typically engage in activities because of a desire to achieve certain outcomes. Accordingly, if an individual’s appraisal of an activity indicates that the person has achieved the planned outcome, then desire-outcome fulfillment exists and an affective response leading to customer satisfaction.

2.1.3 **The mediation effect of Perceived service quality on the Employee Satisfaction-Customer Satisfaction relationship**

This section gives the theoretical framework which supports the relationship between perceived service quality, employee satisfaction and customer satisfaction. This relationship is grounded on the theory of Service Profit Chain and Social Exchange.

(a) **Service Profit Chain Theory**

According to Brown and Lam (2008) propounds that service-profit chain framework shows that employees who are satisfied are more productive than those employees who are less satisfied. Heskett, James, Sasser, Earl, Schlesinger and Leonard (1999), postulates that operations to the profits of a service via the following chain of logical deductions that is (1) profit and growth are stimulated primarily by customer loyalty; (2) loyalty is a direct result of customer satisfaction; (3) customer satisfaction is largely
influenced by the value of the services provided; (4) value is created by satisfied, loyal
and productive employees; and (5) employee satisfaction, in turn, results primarily from
high-quality support services and policies that enable employees to deliver results to
customers. Heskett et al (1999) suggested that the relationship between employee
satisfaction and customer satisfaction is shown by the “satisfaction mirror” which shows
that business success results from employee satisfaction being “reflected” in terms of
customer satisfaction. The theory holds that satisfied employees provide better service
quality and value than less satisfied employees, leading to enhanced customer perceived
service quality and customer satisfaction. The theory of service-profit chain implies that
providing employees with a superior internal working environment will lead to satisfied
employees who are both loyal to the organizational and able to provide the customer with
an excellent service experience, which will result in satisfied customers (Heskett et al,
1999). Based on this theory perceived service quality mediates the relationship between
employee satisfaction and customer satisfaction.

2.1.3.2 Social Exchange Theory

The theory stresses the relationship between employer practices, customer satisfaction
and employee satisfaction (Blau, 1964). This theory postulates that the employer should
build long term relationships with his employees by offering them favorable working
conditions and in turn the employees will perform their jobs perfectly. Social exchange
theory postulates that satisfied employees are committed to their work and they are
service oriented to offer high level of quality service to their customers. This will lead to
customer satisfaction and an increase in the perception of service quality (Blau, 1964). In
the relationship of social exchange, if the service organisation has developed a long term
relationship with the customers through providing high quality services to the customer
and providing employee satisfaction this will lead the customer to make a repeated
purchase (Blau, 1964). In the basis of social exchange theory, customers feel more
satisfied with the service if they perceive a higher level of quality in the service. Based on
this theory of social exchange, they posit that there is a positive relationship between
perceived service quality, employee satisfaction and customer satisfaction. Hence
perceived service quality mediated the relationship between employee satisfaction and customer satisfaction.

2.2 Empirical Framework

The following section is going to discuss the empirical framework which shows the relationship between employee satisfaction and customer satisfaction, the relationship between perceived service quality and customer satisfaction and the mediation effects of perceived service quality on employee and customer satisfaction. It will illustrate what other researchers have found in relation to the particular study.

2.2.1 Employee satisfaction and Customer satisfaction

The relationship between employee satisfaction and customer satisfaction is considered as a cause and effect relationship (Schmitt and Allscheid, 1995). The relationship between, employee satisfaction and customer satisfaction has received an overwhelming support from previous researchers like Bulgarella (2005); Reynierse and Harker (1992); Schneider and Bowen (1985); Schneider, White and Paul (1998) and Wiley (1991). Efforts to enhance customer satisfaction have been considered critical by many organizations, particularly in the service sector (Schmitt and Allscheid, 1995) and hence, have been researched by numerous studies. Despite vast research previously conducted on the relationship between the employee satisfaction and customer satisfaction, Schmitt and Allscheid (1995) assert that further conceptual and empirical evidence is needed to reveal the relationship between employee satisfaction and customer satisfaction.

In a research conducted by Naseem et al (2011), an attempt was made to address two research questions. They sort to find the relationship between employee satisfaction and customer satisfaction and to examine the impact of both on organizational success. This study used qualitative research methodology. The data was collected through self-administered questionnaire from a sample size of 175. A total of 150 questionnaires were collected from customer and 25 questionnaires were collected from employees. The questionnaire survey was conducted using five point Likert scale data was analysed using
principle component analysis (PCA) based on correlation matrix. The study confirmed that there is a positive direct relationship between employee satisfaction and customer satisfaction. The study confirms that there is an indirect relationship between organizational success and employee satisfaction which is mediated by customers. However, this study had a weakness in the sample size which was unrepresentative compared that the data was collected from 12 five star hotel in 4 big cities of Pakistan. The study also has a weakness in the validity and reliability of the measurement scale since it was not shown in the research.

In the study carried out by Berhardt, Donthu and Kennett (2000) on the relationship between customer satisfaction and employee satisfaction proved that there is a positive correlation between employee satisfaction and customer satisfaction. The study was carried in the banking sector in India. The study adopted descriptive survey design where a self-completion questionnaire with a total of 40 closed questions was developed to gather field data. The researcher collected data from subscribers who visit the banking hall. The methods used to gather and analyze data were relevant to the study. The study was mainly focusing on relationship between employee satisfaction and customer satisfaction. The study found out that employee satisfaction has a significant and positive effect on customer satisfaction in India. They agree on the fact that satisfied employees experience interactional justice and they deliver good service, that is, satisfied employees have enough emotional resources to show empathy, respect, understanding and concern. However the results have a limitation of geographical location it was more concentrated in Asian countries so the results cannot be generalized to Africa context.

The relationship between customer satisfaction and employee satisfaction is the one relationship that provides positive relationship (Christina and Gursoy, 2009). To test the proposed hypothesis and relationship between the constructs structural equation modeling was used. As suggested by the service-profit chain, providing employees with superior internal working conditions or environment will lead to satisfied employees who are both loyal to the organization and able to provide the customer with an excellent service experience which will result in satisfied customers. They hypothesized that there is a direct relationship between employee satisfaction and customer satisfaction which was
supported by (completely standardized b=0.340, t-value=5.93). The limitation of this study is that customer satisfaction and employee satisfaction were examined as a uni-dimensional constructs instead of multi-dimensional constructs. The research is also limited to a single sector (hospitality sector) so results cannot be generalized to other sectors of the country.

Some supporting literature came from Mukucha (2013) who also give an empirical confirmation on the relationship between employee satisfaction and customer satisfaction in all the state universities in Zimbabwe. The sample size was chosen using judgemental and convenient sampling technique. The hypothesis proved that there is a high and significant positive relationship between the constructs as is evidenced by a standardized regression coefficient of 0.928, p=0.000. The study also tested convergent and discriminant validity of the measurement scale and the results proved that they are valid. However, the sample size was unrepresentative of the state universities compared that the population size is known. The sample size was not representative per unit probably they should have used a larger sample so as to make the results generalisable. The sample size of 1200 is small is unrepresentative for 9 universities in the whole country it’s small even for 2 universities therefore a sample size which is much bigger than this would have been representative.

### 2.2.2 Perceived service quality and Customer satisfaction

The relationship between service quality and customer satisfaction has been received an overwhelming research from many researchers which include (Agbor, 2011; Elangeva and Sabitha, 2011; Suneeta and Koranne, 2014; Parasuraman et al, 1988; Vanpriya and Gonguly, 2010; Wang and Shieh, 2006). Prior studies have considered service quality as an antecedent of customer satisfaction (Cronin and Taylor, 1992). Empirical findings show that there is a positive relationship between perceived service quality and customer satisfaction (Boulding, Karls, Staelin and Zeithaml, 1993; Parasuraman et al, 1988). They also noted that perceived service quality is an important determinant of customer satisfaction.
In addition to what the other researchers have found out from customer satisfaction and service quality, some other authors Wang and Hing-Po (2002), went into details to bring in customer value in the study of the relationship between customer satisfaction and service quality. Their study used SERVQUAL model in measuring service quality in China’s mobile phone market, but with modification on the basis of focus group discussions and expert opinions to reflect the specific industry attributes and the special culture of China. Emphasis was then paid to the study of the dynamic relationships among service quality, customer satisfaction and their influences on future behaviors after the key drivers of customer value and customer satisfaction were identified. All of them were based on the development of structural equation models using PLS-GRAPH Package. This study posits a positive relationship between these variables.

Complimentary to the above, Vanpriya and Gonguly (2010) carried a study in Taiwan on the relationship between perceived service quality and customer satisfaction in restaurant industries. The study was concerned with the service quality dimensions like assurance, responsiveness, empathy, reliability and tangibles as the determinants of customer satisfaction. The findings indicated that the overall service quality has a significant relationship with customer satisfaction ($r=0.538$, $p=0.001$). The results are significant in the restaurant service industry, however the results also concur with the research carried in Pakistan in the telecommunication industry carried out by Ugboro and Obeng (2000) on the impact of service quality on customer satisfaction ($r=0.643$, $p=0.001$). The results suggested that service quality has a positive and significant correlation with customer satisfaction. The regression results concur because of the measurement scales used proved to be reliable and valid in all the researches carried out.

Elangeva and Sabitha (2011) investigated the idea that service quality has a positive relationship with customer satisfaction in the financial sector in United Kingdom. The research noted that responsiveness, assurance and reliability are highly significant to customer satisfaction. This was supported by the study carried out Lai (2004) as they yield the same results of the relationship between service quality and customer satisfaction ($r=0.435$, $p=<0.001$). However Elangeva and Sabitha (2011)’s study design have a weakness of common method variance since the data for all constructs were
collected from customers. This weakness was mitigated through the use of Harman’s one-factor test.

The study carried out by Yee et al (2008) in high contact service industries in Hong Kong on the impact of employee satisfaction on quality and profitability. The research used structural equation modeling to find the hypothesized relationship between perceived service quality and customer satisfaction. The results showed that service quality has a direct positive influence to customer satisfaction. They proposed that customers who are satisfied with the perceived service quality will have a favorable emotional response that is, customer satisfaction. However the research sample size was encompassing all high contact service industries which have different perceived service quality to low contact service industries.

In the literature it is recognized that service quality has a positive relationship with customer satisfaction. Bolton and Drew (1991) suggested that quality has a long term impact on the satisfaction of customers. Khan and Shaikh (2011) claim that creating value and offering quality of service offered to customers creates customer satisfaction. However, Turel, Serenko and Bontis (2007) argue that customer satisfaction is determined by price, social, emotional, and quality delivered by the service provider. These researches have researched the relationship between service quality and customer satisfaction using the SERVQUAL dimensions that is assurance, responsiveness, empathy, tangibles and reliability. Cavana, Carbett and Lo (2007) proposed that the servqual dimensions should be considered as significantly for quality concepts. However, this study is going to find the relationship of the whole perceived service quality on customer satisfaction compared on dimension on customer satisfaction.

In the study carried out by Munusamy, Chelliah, and Mun (2010) in Malaysia about service quality and its impact on customer satisfaction in the banking sector proposed that there is a positive relationship between the constructs. In order to measure the relationship between service quality and customer satisfaction they used the SERVQUAL model of Parasuraman et al (1988). Among the data analysis the study shows that empathy, assurance, tangibles and responsiveness has a positive relationship but no significant
impact on customer satisfaction. Reliability has negative relationship but it has no significant impact on customer satisfaction. The data was collected through survey questionnaire and this was conducted via face to face interview. The results of the research showed that 62.1% of the servqual dimensions have an effect on customer satisfaction. However, the limitation of this study is that the servqual dimensions also differ with the environmental variables and their influence in shaping service quality so the results cannot be generalized in the African context.

More so, Maddern, Maull, Smart and Baker (2009) carried out a research on customer satisfaction and service quality in United Kingdom financial services. The research proposed a positive relationship between customer satisfaction and service quality. The research differentiated the service quality construct into functional and technical service quality. The results proved that technical quality is more important in shaping customer satisfaction evaluations than technical quality as is evidenced by a beta coefficient of 0.59 for technical compared to 0.18 for functional quality. The research was more concentrated in the financial services of UK however this research is going to be more concerned with service quality in tobacco auctioning industry of Zimbabwe.

Furthermore, the effects of service quality dimensions on customer satisfaction have received an overwhelming response. Lien and Kao (2008) conducted the research on this topic in Taiwan and it investigates on the importance of service quality dimensions on customers’ satisfaction across utilitarian and hedonic services. The research used two dimensions of service quality which are technical quality and functional quality which were proposed by Gronroos (1995). Evidence shows that customer satisfaction is a function of both technical and functional performance (Gronroos, 1995). A pilot study was conducted with 60 participants and across 40 service industries was conducted. A convenience sample of 570 graduate students from a main university in Taiwan was surveyed. Measures in this study were adapted from extant scales. The constructs used a 7 point Likert scale and a cronbach’s coefficient was used. However the results showed that technical quality is considerably more important in shaping satisfaction evaluations than functional quality. In contrast my research aims to find the impact of service quality on
customer satisfaction using the servqual dimensions and was greater analysis is taken using statistical methods to show the relationship like regression and correlation.

In addition, Ahmed, Nawaz, Usman, Shaukat, Ahmad, and Iqbal (2010) conducted a research in telecommunication industry on the impact of service quality on customer satisfaction in Pakistan. The measure of dimensions of customer satisfaction and retention instrument was adopted from the research work of (Lai, 2004) customer satisfaction and retention instrument were measured through the instrument of Yu, Wu, Chiao, and Tai (2005). Data was analysed using the Microsoft excel 2007 and SPSS. The results showed that respondents are more with service quality dimensions such as tangibles, responsiveness and moderately satisfied with assurance and reliability and less satisfied on empathy. Pearson correlation coefficient was applied to test the correlations and the results indicated that service quality has a significant relationship with the customer satisfaction \( r = 0.538, p < 0.001 \). The correlations show that dimension empathy is negatively related with satisfaction while other four dimensions tangibles, responsiveness, assurance and reliability are positively related with the satisfaction.

2.2.3 The mediation effect of perceived service quality on the employee satisfaction-customer satisfaction relationship

The positive relationship between perceived service quality, employee satisfaction and customer satisfaction has received empirical support (Parasuraman et al, 1988; Schmitt and Allscheid 1995; Yee et al, 2008).

As suggested by the service profit chain, if employees feel that the company takes good care of them, they are, in return likely to take time to provide better service to meet customer expectations or even exceed them. The relationship between employee satisfaction and customer satisfaction is likely to be indirect and this indirect relationship is mediated by perceived service quality which is based on how the organization has treated the employees.

According to the study carried out by Mukucha (2013) on the mediation effects of perceived service quality on the relationship between employee satisfaction and customer
satisfaction the results showed that perceived service quality partially mediates the relationship between customer satisfaction and employee satisfaction. This was evidenced by a reduction in the association between employee satisfaction and customer satisfaction from 86.11% reported when customer satisfaction was the sole predictor of customer satisfaction to 33.64% when customer satisfaction and perceived service quality were joint predictors of customer satisfaction. The researcher used Baron and Kenny (1986) procedures for testing the mediation effect which is also going to be used in this research to test the mediation effect.

Maddern et al (2009) also looked into the relationship between perceived service quality, employee satisfaction and customer satisfaction in the banking sector in UK. The relationship is often described as the ‘satisfaction mirror’ reinforcing the idea that the business success results from employee satisfaction being reflected in terms of customer satisfaction (Schlesinger and Heskett, 1991; Maddern et al, 2009). The service profit chain posits a positive relationship between employee satisfaction, service quality and customer satisfaction. Within the service profit chain literature, the satisfaction mirror simplifies this relationship suggesting that employee satisfaction is a direct driver of customer satisfaction. According to Maddern et al, (2009) he suggested that the simple linear linkage between employee satisfaction, service quality and customer satisfaction is challenged since there is no evidence which supports the relationship. The results of Maddern et al (2009) differs from the results of Anand and Selvaraj (2012) because the research where carried in two different environments. Maddern et al (2009) carried the research in Europe whereas Anand and Selvaraj (2012) carried the research in Asia and they also use the different methods of collecting and analyzing the data.

Previous researchers have covered a lot of study on the impact of employee satisfaction on customer satisfaction in different industries which consist of telecommunication, banking and hospitality. Most of these researches hypothesize employee satisfaction and customer satisfaction, few researches were carried on the impact of perceived service quality on employee satisfaction and customer satisfaction relationship in the tobacco auctioning industry. Most of the researches have been carried in Europe and Asia and they mostly concentrated in hospitality sector and the researcher is going to focus in the
African context in the tobacco auctioning industry sector which was not taken into consideration by many researchers.

2.3 Summary

The chapter looked at theoretical framework and empirical evidence of the impact of perceived service quality and employee satisfaction on customer satisfaction. The gaps in literature review are that the main studies on customer service and service quality have been confined to the services organizations.
CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter the researcher discussed the research design, research instruments sampling procedures and data collection procedure, target population, sample size, data presentation and analysis, validity and reliability of data, and sampling techniques.

3.1 Research Design

Bryman and Bell (2003) propounds that a research design as the format in which the researcher use to ensure that the information collected is relevant to the study. Zikmund (1997) suggested that a research design is a strategic framework or plan that guides research activity to ensure that sound conclusions are reached. The study is going to use the causal research design in order to gather the data. Casual research design seeks to determine how the independent variable influences the dependent variable (Bryman and Bell, 2003). This research seeks to find the effect of perceived service quality on employee satisfaction and customer satisfaction relationship and hence this has led to a decision to use the casual research design.
3.2 Target Population

A population consists of all possible observations of the random variable under study, and about which one is trying to draw conclusion in practices (Cooper and Schindler, 2005). It is a study of a group of individuals taken from the general population who share a common characteristic, such as age, sex, or health condition (Zikmund, 1997). The targeted population size of this research is 1000. This research targeted the employees and customers of Boka Tobacco Floors who are the farmers.

3.3 Sample size and Sampling techniques

Zikmund (1997) defines a sample as a randomly selected group of people or objects from a larger group which can be used to ascertain data on the composition of the group. The choice of sample size depends on what the researcher wants, that is confidence level, preferred error rate, type of analysis and the size of the population from which the sample is drawn (Zikmund, 1997). Saunders, Lewis and Thornhill (2005) proposed the sample sizes as shown by the diagram in Appendix 1 testing at 95% level of certainty.

The sample size is 217 dyads of interactions between employees and customers of Boka Tobacco Floors testing at 95% level of certainty adapted from (Saunders et al, 2005). The dyadic relationship between employees and customers is the unit of analysis in this research. The researcher used probability sampling method of simple random sampling method to collect the required data. This sampling procedure was adopted because it is free from subjectivity and free from personal errors because all respondents have got equal chance of being selected. It involved a random selection of the farmers as they were served by the employees.

3.4 Research Instrument

Data was collected from one major source that is primary data. According to Saunders et al (2005), primary data is data collected specifically for a particular study. Primary data is information collected or generated by the researcher for the purpose of the problem immediately at hand. The aim is to enable management to address a new problem with
new information. The research instrument used in this study is the self-administered questionnaire (see Appendix 2). The questionnaire was created using adopted measurement scales from the sources explained below.

**3.4.1 Employee Satisfaction**

Job satisfaction is the feeling a worker has about his job (Jacobs and Solomon, 1997). Balzer, Kihm, Smith, Irwin, Bachiochi, Robie, Sinar, and Parra (1997) developed a measurement scale of measuring employee satisfaction called the Job Descriptive Index. The measurement scale has five dimensions of job satisfaction that is satisfaction with supervision, co-workers, pay, work itself, and promotional activities. Each item was rated on a seven point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). In this research this measurement scale was adopted to measure employee satisfaction using all the five dimensions of the scale. However, this measurement scale was also used by other researchers and found it to be reliable and valid. Yee et al, (2008) tested the reliability of the measurement instrument and was found to be highly reliable and valid with cronbach’s alpha=0.857, AVE=0.859 and construct validity=0.676. Harter, Schmidt and Hayes (2002) the reliability of the measurement scale was 0.75 and the AVE of the constructs exceeded 0.50 hence establishing convergent validity they also compared the AVE and the R squared values and the R square was below the AVE showing that there is discriminant validity. Munusamy et al, (2010) tested for reliability and the cronbach’s alpha was 0.940 and the AVE=0.760. The AVE showed that there was convergent validity and they compared the R squared values with the AVE and proved that there is convergent validity as the R square was below the AVE.

**3.4.2 Perceived Service Quality**

Parasuraman et al, (1988) developed a measurement scale of measuring perceived service quality called the SERVQUAL instrument. The instrument has got five dimensions of perceived service quality which are tangibles, assurance, responsiveness, empathy and reliability. Ratings were done on a seven point Likert scale ranging from 1 (strongly
disagree) to 7 (strongly agree). In this research this measurement scale was adopted to measure perceived service quality using all the five dimensions of the scale. However, this measurement scale was also used by other researchers and found it to be reliable and valid. Harter et al., (2002) they tested the reliability of the measurement scale was 0.880 and the AVE of the constructs exceeded 0.50 hence establishing convergent validity. In order to establish discriminant validity they compared the R squared values of two constructs and the AVE. The AVE was above R square values establishing discriminant validity. Yee et al., (2008) tested the reliability of the measurement instrument and was found to be highly reliable and valid with cronbach’s alpha=0.829, AVE=0.505 and construct validity=0.833. Munusamy et al., (2010) tested for reliability and the cronbach’s alpha was 0.750 and the AVE=0.790. They also compared the AVE and the R squared values and the R square was below the AVE showing that there is discriminant validity.

3.4.3 Customer Satisfaction

Fornell (1992) defined customer satisfaction as the evaluative response a customer have from the emotional state after their experience with the service. Oliver (1997) added that these responses contains what the customers think is important in the service delivery. Oliver (1997) developed a feature performance that drives satisfaction which includes enquiry service, price, and customer service in transactions. Ratings were done on a seven point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). In this research customer satisfaction was measured against cheques delivery, bale history service, canteen service, health service and banking service. Munusamy et al., (2010) tested for reliability and the cronbach’s alpha was 0.760 and they tested for discriminant validity=0.220 and the AVE was 0.880. Some researchers also adopted this measurement scale and tested for reliability and validity and provided empirical evidence that it was highly significant. Yee et al., (2008) tested the reliability of the measurement instrument and was found to be highly reliable and valid with cronbach’s alpha=0.906, AVE=0.713 and construct reliability=0.908. Harter et al., (2002) the reliability of the measurement scale was 0.920 and the AVE of the constructs exceeded 0.50 hence establishing convergent validity. The AVE exceeded the shared R square of the construct, hence showing that there is discriminant validity.
3.5 Data collection procedures

These are basically the steps that were taken by the researcher in administering questionnaire and collection of data from respondents (Zikmund, 1997). The researcher handed out questionnaires to respondents and waited for ten minutes for the completion of answering the questionnaire. This gave the respondents time to consider their responses and was also convenient. The respondents were given questionnaire randomly as they were served by the employees. The employees were given the questionnaire to fill after they have served the customer. The researcher would follow for the responses and also provide explanation for the customers who did not understand the questions. To test the relationship between employee satisfaction and customer satisfaction, dyadic data incorporating both the customer and the corresponding employee was developed. The results were presented in a dyadic form according to the number of transactions done by the employee per day and was presented in the form of tables to show the results.

3.6 Data Presentation and Analysis

Data was analysed through the statistical package for social sciences (SPSS 16.0). According to Cooper and Schindler (2005) data analysis involves reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. Data was presented in the form of tables for easy interpretation of the data. Quantitative analysis methods where used to analyze the results from respondents and to determine the relationship between variables. Regression analysis examines the relationship between two or more variables. It also enables the use of multiple independent variables for example, customer satisfaction as related to /employee satisfaction and perceived service quality.

The researcher also analyzed the mediating effects of service quality, employee satisfaction on customer satisfaction using Baron and Kenny’s (1986) procedures. The model below shows the mediation effect of M on the effect of X and Y. According to Baron and Kenny (1986) the first step is to show that the outcome is correlated with the causal variable. This entails to use Y as the criterion variable in a regression equation and
X as a predictor (estimate the test path c in the above figure). This step establishes that there is an effect that may be correlated. The second step shows that the causal variable is correlated with the mediator. M is used as the criterion variable in the regression equation and X as a predictor (estimate and test path a).

This step involves treating the mediator as if it was an outcome variable. The third step in this analysis is to show that the mediator affects the outcome variable. This is when Y is used as the criterion variable in a regression equation and X and M as predictors (estimate and test path b). It is not sufficient just to correlate the mediator with the outcome because the mediator and the outcome may be correlated because they are both caused by the causal variable X. Thus, the causal variable must be controlled in establishing the effect of the mediator on the outcome.

3.7 Summary

In this chapter, the researcher was focusing on the research design which as used to collect data. The target population was identified, and the different methods of sampling explained. These sampling methods are the basis to come up with the sample size as cited. Different sources of data are also highlighted in this chapter. Also, the research instruments used to explain and justify, as well as how they are administered.
CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter contains data presentation, analysis and interpretation of the findings of the study. An SPSS 16.0 statistical package was used to analyze the quantitative variables in the responses and to generate the results of employee satisfaction, customer satisfaction and perceived service quality.

4.1 Demographic Profile of Respondents and Response Rate

This section shows the demographic profile of respondents and the response rate as shown below. The researcher administered 248 questionnaires to customers and 30 questionnaires to employees. These questionnaires show the dyadic relationship between the employees and the customers. The researcher had follow up of the questionnaires which enhances a favorable response rate. The response rate of customers and employees is 100% as shown on the table below. This was because the customers wanted to provide the preview of their relationship with the workers and their unsatisfactory results from the service delivered.
### Table 4.1: Questionnaire Response rate

<table>
<thead>
<tr>
<th>RESPONDENTS</th>
<th>ISSUED</th>
<th>RETURNED</th>
<th>RESPONSE RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUSTOMERS</td>
<td>217</td>
<td>217</td>
<td>100%</td>
</tr>
<tr>
<td>EMPLOYEES</td>
<td>30</td>
<td>30</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>247</td>
<td>247</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Source: primary data**

The customers were cooperative in answering their questionnaire because they wanted to show their status in relation with the service being provided. Employees’ response rate was favorable for results analysis as they showed their dissatisfaction with their work.

The table 4.2 below shows the demographic data of customers and employees of Boka Tobacco Floors. BTF customers’ age group varies, according to the table below it shows that customers with the age group between 31-40 years contribute 33% of the total population followed by 26% of the customers aged between 41-50 years. Customers with the age group between 18-30 years contribute 17% of the population of BTF. This shows that the active groups of the population are the main growers of tobacco compared to a small percentage of the inactive group which contributes 24% of the whole population. This is due to the fact that the old people are not patient to wait in queues and also their age makes the coordination of their bales from one point to another difficult.

Table 4.2 below also shows that among the customers 79% of them are married and 21% are single. Males contributed a greater percentage of customers who visited the auction floor with a percentage of 65% of the total population compared to female who has 35%. This is because most of the land owners are men and are registered to grow tobacco.

Frequency of farmers who visited the auction floor in 2014 is also shown on the table 4.2 below. It shows that most farmers visited the auction floor once per month with a percentage of 31% and once per week with a percentage of 21%. Few farmers visited 4 to 5 times per week and they contribute 13% of the total population.
Table 4.2: Demographic profile of respondents

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>RESPONSES OF CUSTOMERS</th>
<th>PERCENTAGE</th>
<th>NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) GENDER</td>
<td>Male</td>
<td>65%</td>
<td>141</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>35%</td>
<td>76</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100%</td>
<td>217</td>
</tr>
<tr>
<td>2) AGE</td>
<td>18-30 years</td>
<td>17%</td>
<td>38</td>
</tr>
<tr>
<td></td>
<td>31-40 years</td>
<td>33%</td>
<td>71</td>
</tr>
<tr>
<td></td>
<td>41-50 years</td>
<td>26%</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>51 years and above</td>
<td>24%</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100%</td>
<td>217</td>
</tr>
<tr>
<td>3) MARITAL STATUS</td>
<td>Single</td>
<td>21%</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Married</td>
<td>79%</td>
<td>172</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100%</td>
<td>217</td>
</tr>
<tr>
<td>4) FREQUENCY OF VISITS TO THE FLOORS</td>
<td>4-5 times a month</td>
<td>8%</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>4-5 times a week</td>
<td>14%</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>2-3 times a month</td>
<td>17%</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>2-3 times a week</td>
<td>18%</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Once a month</td>
<td>26%</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>Once a week</td>
<td>17%</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100%</td>
<td>217</td>
</tr>
</tbody>
</table>

RESPONSES OF EMPLOYEES

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>RESPONSES OF EMPLOYEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) GENDER</td>
<td>Male</td>
</tr>
<tr>
<td></td>
<td>Female</td>
</tr>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>2) AGE</td>
<td>20-35 years</td>
</tr>
<tr>
<td></td>
<td>36-45 years</td>
</tr>
<tr>
<td></td>
<td>46-55 years</td>
</tr>
<tr>
<td></td>
<td>56-65 years</td>
</tr>
<tr>
<td></td>
<td>&lt;66 years</td>
</tr>
<tr>
<td></td>
<td>Total</td>
</tr>
</tbody>
</table>
3) ACADEMIC QUALIFICATION

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Percentage</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary level</td>
<td>30%</td>
<td>9</td>
</tr>
<tr>
<td>Advanced level</td>
<td>13%</td>
<td>4</td>
</tr>
<tr>
<td>Diploma and Degree</td>
<td>57%</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>30</strong></td>
</tr>
</tbody>
</table>

4) YEARS OF SERVICE

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Percentage</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2 years</td>
<td>40%</td>
<td>12</td>
</tr>
<tr>
<td>2-3 years</td>
<td>30%</td>
<td>9</td>
</tr>
<tr>
<td>3-5 years</td>
<td>30%</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>30</strong></td>
</tr>
</tbody>
</table>

Source: Primary Data

The table above also shows the customers who visited the auction floors 2 to 3 times per month contribute 12% and 2 to 3 times per week contribute 14% of the total population. The table also shows that a smaller percentage of the farmers visited the auction floors 4 to 5 times per week with a percentage of 8% of the total sample size. Table 4.2 above displays the demographic frequencies of employees used during the research in terms of gender, age, qualification and years of service. Male respondents dominate 53% and female respondents 47% of the sample. Academic qualification of respondents who participated in the research is presented in table 4.2 above.

Employees with diploma or degree contribute 57%, and 30% was dominated by ordinary level, the remaining percentage of the sample was dominated by advanced level. The statistics showed that the employees of BTF are educated and they have knowledge of their work and few of the employees are not knowledgeable of their work.

In terms of age frequency, the sample was dominated by employees aged between 36-45 years who made up 27% of the sample followed by employees aged between 46-65 years who dominates 40% of the sample and the least were the employees aged between 20-35 years and 66 years and above who dominated 17% of the total respondents respectively.

Years of service are another demographic variable which was used to differentiate employees’ responses for the study. The sample was dominated by employees ranging between 0-2 years of service which contributes 40% of the total population. Employees who had 2-3 years of service and 3-5 years of service constituted 30% each of the samples.
4.2 Reliability and Validity Test

The reliability and validity of the measurement scale of employee satisfaction, customer satisfaction and perceived service quality was tested in this research. Fornell and Larcher (1981) postulates that the alpha scores of the study variables should be above 0.7 thresholds and this indicates that all the variables of the study are reliable. The cronbach’s alpha coefficient of perceived service quality was 0.843 which indicates that a regression result of perceived service quality in this research was valid and reliable. Employee satisfaction tested at an alpha score of 0.898 which proved to be reliable and acceptable. The alpha score of customer satisfaction construct was 0.950 which indicates that the construct was reliable.

The research used factor loadings for the calculation of average variance extracted from the explanatory factor analysis factor analysis instead of confirmatory factor analysis. This is because SPSS (version 16) provide explanatory factor analysis which is more of the same with confirmatory factor analysis.

Construct validity was also assessed in this study, ensuring that there is convergent validity and discriminant validity. Fornell and Lacker, (1981) suggested that if the average variance extracted (AVE) from all constructs exceeded the minimum criterion of 0.50, hence this ensures that there is convergent validity. The table below illustrates the average variance extracted for the constructs. Appendix 5 gives a detailed calculation of convergent validity

Table 4.3: Construct correlation (below diagonal) and squares of correlations (above diagonal)

<table>
<thead>
<tr>
<th>Variables</th>
<th>AVE</th>
<th>Customer Satisfaction</th>
<th>Employee Satisfaction</th>
<th>Perceived Service Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction</td>
<td>0.708</td>
<td>1</td>
<td>0.586</td>
<td>0.530</td>
</tr>
<tr>
<td>Employee Satisfaction</td>
<td>0.719</td>
<td>0.766</td>
<td>1</td>
<td>0.638</td>
</tr>
<tr>
<td>Perceived Service Quality</td>
<td>0.779</td>
<td>0.728</td>
<td>0.799</td>
<td>1</td>
</tr>
</tbody>
</table>
The average variance extracted of all the constructs shown in Table 4.3 above exceeded the minimum criterion of 0.50, hence ensuring that there is convergent validity (Fornell and Lacker, 1981). More so, Fornell and Lacker (1981) suggested that in order to ensure that the measurement scale have discriminant validity, AVE for the two constructs should exceed the R Square of two constructs.

The table 4.3 shows the R squared values which show the construct correlations below diagonal and the squared correlations diagonal above after they have been squared. The values before they were squared for employee satisfaction and customer satisfaction, perceived service quality and customer satisfaction and perceived service quality and employee satisfaction are 0.766, 0.728 and 0.799 respectively. The above table indicates that there is discriminant validity of the measurement scales. The AVE for two constructs ranged from 0.708 to 0.779 exceeding the R square for two constructs which ranged from 0.530 to 0.638 indicating that there is discriminant validity (Fornell and Lacker, 1981).

The average variable extraction of customer satisfaction and employee satisfaction is 0.708 and 0.719 respectively exceeding the shared R square of the two constructs 0.586. This shows that there is discriminant validity. The average variance extraction for perceived service quality and customer satisfaction is 0.779 and 0.708 respectively exceeding the shared R square of the two constructs which is 0.530. These results show that there is discriminant validity between the constructs. More so, the AVE for perceived service quality and employee satisfaction is 0.779 and 0.719 respectively exceeding the shared R square 0.638 of the two constructs. These results show that there is discriminant validity between the constructs.

### 4.3 Hypothesis Testing

This section analyzes the hypothesis of this research. The proposed three hypotheses was analyzed using bivariate regression analysis. All the three proposed hypotheses were supported and the section below provides a detailed discussion of the hypothesis testing.
4.3.1 The relationship between Employee satisfaction and Customer satisfaction.

In hypothesis one, it was postulated that there is a positive relationship between employee satisfaction and customer satisfaction. The table below shows the regression coefficient results of employee satisfaction and customer satisfaction.

**Table 4.4: Regression coefficients for Employee satisfaction and Customer satisfaction**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>6.724</td>
<td>.652</td>
<td>10.309</td>
</tr>
<tr>
<td></td>
<td>EMPLOYEE SATISFACTION</td>
<td>.698</td>
<td>.199</td>
<td>.637</td>
</tr>
</tbody>
</table>

a. Dependent Variable: CUSTOMER SATISFACTION

The empirical testing supported this hypothesis as shown in the table above. The above analysis indicates that there is a positive relationship between employee satisfaction and customer satisfaction which is evidenced by a beta coefficient of 0.637 (p=0.003, t=3.510). This shows that there is a moderate relationship between employee satisfaction and customer satisfaction.

**Table 4.5: Model Summary for Employee satisfaction and Customer satisfaction**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.637a</td>
<td>.406</td>
<td>.373</td>
<td>.952</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), EMPLOYEE SATISFACTION

The model summary above shows that the R square above is 0.406. This shows that 40% variation in customer satisfaction is caused by employee satisfaction. This shows that 60% of the variation is caused by other independent variables.

4.3.2 The relationship between Perceived service quality and Customer satisfaction
In hypothesis two it was proposed that there is a positive relationship between perceived service quality and customer satisfaction. The table below shows the regression coefficient of the hypothesis.

**Table 4.6: Regression coefficient for Perceived service quality and Customer satisfaction**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.552</td>
</tr>
<tr>
<td></td>
<td>CUSTOMER SATISFACTION</td>
<td>.832</td>
</tr>
</tbody>
</table>

a. Dependent Variable: PERCEIVED SERVICE QUALITY

The above table shows that there is a significant relationship between perceived service quality and customer satisfaction which is indicated by a beta weight of 0.728 (p= 0.000, t=15.581). The results indicate that there is a strong relationship between perceived service quality and customer satisfaction.

**Table 4.7: Model Summary for Perceived service quality and Customer satisfaction**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.728a</td>
<td>.530</td>
<td>.528</td>
<td>1.120</td>
</tr>
</tbody>
</table>

Predictors: (Constant), PERCEIVED SERVICE QUALITY

The model summary above shows that 53% of the variation in customer satisfaction is caused by perceived service quality. This also means that 47% of variation in this relationship is caused by other independent variables such as employee satisfaction.

**4.3.3 Perceived service quality mediation on the relationship between employee satisfaction and customer satisfaction.**
The mediating role of perceived service quality was determined through regressing customer satisfaction on both perceived service quality and employee satisfaction. According to Baron and Kenny (1986) in order to test the mediation effect one has to consider the following three conditions of testing the hypotheses. The first condition is to test the association between independent and dependent variable. This relationship was fully explained in hypothesis one.

The results from the first hypothesis had already proved that there is a strong significant relationship between employee satisfaction and customer satisfaction as indicated by a beta weight of 0.637 which is significant at p-value of 0.003. This shows that the first condition of Baron and Kenny (1986) which states that the independent variable must have significant association with the dependent variable is met. The second condition is to find the association between the independent variable and the mediator. This is the relationship between employee satisfaction and perceived service quality.

Table 4.8: Regression coefficient of Perceived service quality and Employee satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>4.428</td>
<td>.757</td>
<td>5.847</td>
</tr>
<tr>
<td></td>
<td>PERCEIVED SERVICE QUALITY</td>
<td>.761</td>
<td>.038</td>
<td>.761</td>
</tr>
</tbody>
</table>

a. Dependent Variable: EMPLOYEE SATISFACTION

The above table shows that there is a significant relationship between perceived service quality and employee satisfaction which is indicated by a beta weight of 0.761 (p= 0.002, t=18.842). The results also indicate that there is a strong relationship between perceived service quality and employee satisfaction.
Table 4.9: Model Summary for Perceived service quality and Employee satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.761&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.580</td>
<td>.578</td>
<td>.965</td>
</tr>
</tbody>
</table>

<sup>a</sup>. Predictors: (Constant), PERCEIVED SERVICE QUALITY

The model summary above shows that the R square is 0.580. This shows that 58% variation in perceived service quality is caused by employee satisfaction. Therefore 42% of the variation is caused by other independent variables. This shows that the second condition of Baron and Kenny (1986) which states that the independent variable must have significant association with the mediator is met.

The third condition in the Baron and Kenny (1986) involves regressing both independent and mediator on the dependent variable. That is the regressing employee satisfaction and perceived service quality on customer satisfaction. The results of this hypothesis are shown on table 4.7 below.

Table 4.10: Regression coefficient for ES, PSQ and CS

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.535</td>
<td>.105</td>
<td></td>
<td>5.098</td>
</tr>
<tr>
<td>PERCEIVED SERVICE QUALITY</td>
<td>.325</td>
<td>.052</td>
<td>.372</td>
<td>6.311</td>
</tr>
<tr>
<td>EMPLOYEE SATISFACTION</td>
<td>.420</td>
<td>.050</td>
<td>.492</td>
<td>8.349</td>
</tr>
</tbody>
</table>

<sup>a</sup>. Dependent Variable: CUSTOMER SATISFACTION

The meditational role of perceived service quality in the relationship between employee satisfaction and customer satisfaction is evidenced by the reduced level of significance from a p-value of .003 when employee satisfaction was used as the sole predictor of customer satisfaction to .000 when employee satisfaction and perceived service quality acted as joint predictors of customer satisfaction. These results show that perceived service quality partially mediates the relationship between employee satisfaction and
customer satisfaction which is evidenced by beta coefficient of both the mediator and the independent variables.

4.4 Discussion

The regression coefficient of the relationship between employee satisfaction and customer satisfaction shows that there is a moderate positive relationship between these two variables. This result got empirical support from researches done by Berhardt et al (2000); Naseem et al (2011), Parasuraman et al (1988); Reynierse and Harker (1992) and Schmitt and Allscheid (1995). These results imply that organizations in high contact service organizations should focus on improving employee satisfaction because satisfied employees will uphold the service quality and ensure customer satisfaction.

Employee satisfaction is an important factor that management should consider in order to boost service quality and customer satisfaction. When employees are satisfied this will result in low employee turnover which leads to quality service delivery since the company will be having employees with the expertise. Hypothesis one proved that there is a moderate positive relationship between employee satisfaction and customer satisfaction. The results of this research are concurring with the results of Agbor (2011); Berhardt et al, 2000; Lee, Hee, Lee, and Yoo (2000); Saravana and Rao (2007) and Wang and Shieh (2006). Wang and Shieh (2006)’s results indicated that there is a significant positive relationship between service quality and customer satisfaction ($p$-value= 0.000 and the $R^2 =0.410$) whereas this research results showed the positive relationship when $p=0.000$ and the $R^2 =0.580$. Parasuraman et al (1985) in their study, proposed that when perceived service quality is high, then it will lead to increase in customer satisfaction and this was comprehend in these studies. Spinelli and Canavos (2000) on the relationship between employee satisfaction and customer satisfaction also found a positive relationship between the variables. The research also indicated that the relationship between employee satisfaction and customer satisfaction is unilateral rather than mutual.
Thus, BTF has to aim to provide a service of high quality which will satisfy the customers in order to increase its market share.

Hypothesis two, postulates that there is a positive relationship between perceived service quality and customer satisfaction. Customer satisfaction and service quality are inter-related. The higher the service quality, the higher is the customer satisfaction (Gronroos, 1984). Service quality has become an important research topic because of its positive relationship to customer satisfaction which has been researched by researchers like Bolton and Drew (1991) and Boulding et al (1993). These results confirm the findings of Vanpriya and Gonguly (2010) and Yee et al (2008) that there is a positive relationship between perceived service quality and customer satisfaction. These results are important to the management as they will know the strategies to use in order for the organisation to be more competitive through providing improved service quality which enhances customer satisfaction. The results also have an impact in management’s decision making as they will put measures to ensure high service quality delivery which will affect customers positively.

More so, this is achieved by knowing the operational processes through identifying problems in service and defining measures for service performance and outcomes as well as level of customer satisfaction. These results differ from the research carried by Schneider, Parkington, and Buxton (1980) in the hospital sector in United Kingdom because the research was conducted in the African context where as their study focused mainly in the Europe. This study has increased the body of literature by bringing up a study in the African context which was not included in the body of literature.

Furthermore, in hypothesis three it was propounded that perceived service quality mediates the relationship between employee satisfaction and customer satisfaction. Many researchers empirically proved the positive relationship between perceived service quality, employee satisfaction and customer satisfaction (Parasuraman et al, 1988; Maddern et al, 2009; Mukucha, 2013). The results indicate that perceived service quality partially mediates the relationship between employee satisfaction and customer satisfaction. The findings of this research imply that service quality is not the only factor
that could lead to customer satisfaction in service sectors but also employee satisfaction is important. The findings suggest that to provide quality service in order to satisfy customers, organizations in service sectors need to improve on employee satisfaction.

This study contributes to existing theories by confirming and adding value to the relationships that are involved in customer satisfaction, service quality and employee satisfaction. It provides results that could be useful to managers in business organizations for strategic planning.

4.5 Summary

This chapter has discussed the results interpreted them and outlined the major findings of the study. It has also been instrumental in answering the research objectives and research hypotheses. The next chapter looks at the findings, conclusions, recommendations and conclusions of the study.
CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presented the summary of the research findings, conclusions of the findings from chapter four, recommendations to the organisation on the basis of the outcomes and further study for future researchers.

5.1 Summary of Findings

The research aims was to find out the impact of perceived service quality on employee satisfaction and customer satisfaction using a case study of Boka Tobacco Floors. A sample of 217 was used representing dyadic transactions between the employee and customer so as to test the relationship between the variables. The researcher used casual research design. Statistical Packages for Social Sciences (SPSS version 16.0) was used in analyzing and interpreting data.

The first objective of the study was to determine the relationship between employee satisfaction and customer satisfaction. The findings proved that there is a moderate positive relationship between employee satisfaction and customer satisfaction as depicted by a beta weight of 0.637 at a significant level of 0.003. The relationship also proved that 40% in the variation of customer satisfaction is caused by employee satisfaction.

The second objective was to establish the relationship between perceived service quality and customer satisfaction. The results indicated that there is a positive significant relationship between perceived service quality and customer satisfaction. This was depicted by a beta weight of 0.728 at a significant level of 0.000. The results indicated
that there is a strong relationship between the variables. It also shows that 53% of the variation in customer satisfaction is caused by perceived service quality. The third objective was to determine the mediation effect of perceived service quality on employee satisfaction and customer satisfaction relationship. The results proved that perceived service quality partially mediates the relationship between employee satisfaction and customer satisfaction.

5.2 Conclusions

The research objective was to establish the relationship between employee satisfaction and customer satisfaction. From the findings it was concluded that there is a positive moderate relationship on employee satisfaction and customer satisfaction. This was evidenced by a beta coefficient of 0.637. This means that if employees are satisfied they will uphold their jobs and enhance customer satisfaction.

The second objective of the study was to establish the relationship between perceived service quality and customer satisfaction. The results proved that there is a strong relationship between perceived service quality and customer satisfaction as evidenced by a beta coefficient of 0.728. From the findings it was concluded that perceived service quality is important to the organisation as this will enhance customer satisfaction.

The last objective of the study was to determine the mediation effect of perceived service quality on employee satisfaction and customer satisfaction relationship. From the findings it was concluded that there is partial mediation of perceived service quality on employee satisfaction and customer satisfaction relationship. This means that both the variables are important to the organisation as they all lead to customer satisfaction and an increase in these variables will maximise customer satisfaction.
5.3 Recommendations

Based on the findings of the study, discussed below are the recommendations suggested to improve the perceived service quality, employee satisfaction and customer satisfaction on Boka Tobacco Floors. These recommendations are drawn from the findings in order to solve the problems that Boka Tobacco Floors has been facing. The organisation has been facing a decrease in the transaction handled due to poor service quality such as long processing of cheques. Management are recommended to improve the machines of processing cheques and advancing their technology. This will enable efficiency and the processing of cheques will take little time thereby enhancing customer satisfaction.

Furthermore, in this study perceived service quality was found to mediate the relationship between employee satisfaction and customer satisfaction. This, therefore means that in order improve customer satisfaction, there is need to increase the levels of employee satisfaction which will in turn impact positively on the levels of perceived service quality and subsequently customer satisfaction. Perceived service quality which is directly affected by employee satisfaction also directly affect customer satisfaction. This therefore clearly reveals that the relationship between employee satisfaction and customer satisfaction is indirect.

Therefore, the management of Boka Tobacco Floors should provide favourable working conditions and attractive salaries that motivate employees to work. This will reduce employee turnover and increase customer satisfaction. Herzberg (1968) two factor theory proposes that management should provide both the motivators and hygiene factors so as to enhance employee satisfaction.

In order to influence employees positively the management should improve the working conditions of the employees as stated by Herzberg (1968) two factor theory. Therefore, management should provide incentives for overtime staff as this will motivate staff to perform their jobs wholeheartedly. The management should also continue to upgrade the work and also implement job rotation so as to motivate employees.
More so, management is also recommended to improve the systems of bale handling and ensure securities by installing surveillance cameras so as to reduce the risks of theft as this cause customer dissatisfaction. Management should know that if the employee is satisfied this will mean that all the problems within the organizations can be mitigated through satisfying employees. Reliability will be proved through fulfillment of the promise, fair kilograms after the bales have been graded, and procedures are clearly spelt out of the bales movement from the receiving area to the dispatch area. They should put in place computerized systems to enhance efficiency so as to increase the rate at which cheques are disbursed.

Management is also recommended to ensure that the employees have attended to queries in time and also the time that is spent by the customer at the organisation is worthy for solving the problems. They should also ensure that there are fewer levels of hierarchies in solving a problem.

5.4 Further Research

Moreover, further researchers should seek to find the impact of perceived service quality and employee satisfaction on customer satisfaction on other service industries in Zimbabwe as this research is only limited to Tobacco industry particularly Boka Tobacco Floors. The results cannot be generalized to other companies like Tobacco Sales Floor and Premier Tobacco Sales Floor.
REFERENCES


APPENDIX I: Sample Size

Sample sizes of population at 95% level of certainty

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<th>2%</th>
<th>1%</th>
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<td>1067</td>
<td>2400</td>
<td>9595</td>
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</table>

Adapted from Saunders et al (2005)
Dear sir/madam,

RE: REQUEST FOR RESPONSES ON THE QUESTIONNAIRE

I am Ester Katsamudanga, a final year student at Bindura University of Science Education
doing a Bachelor of Business Studies (Honors) Degree in Marketing. I am currently
undertaking a research entitled “The impact of perceived service quality and employee
satisfaction on customer satisfaction. A case study of Boka Tobacco Floors.” This is
being done in partial fulfillment of the requirement of the degree programme. The
research is entirely academic and any information provided will be treated with utmost confidentiality.

Your contributions would be greatly appreciated. Thank you very much.

Yours Faithfully

Katsamudanga Ester

**APPENDIX III: Questionnaire for Employees**

**Section 1: Demographic Profile**

All the information provided will be kept confidential. In this section you are required to circle the number that indicates your answer

<table>
<thead>
<tr>
<th></th>
<th>GENDER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Male</td>
</tr>
<tr>
<td>2</td>
<td>Female</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>AGE</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>2</td>
<td>36-45 Years</td>
</tr>
<tr>
<td>3</td>
<td>46-55 Years</td>
</tr>
<tr>
<td>4</td>
<td>56-65 Years</td>
</tr>
<tr>
<td>5</td>
<td>66 Years and above</td>
</tr>
</tbody>
</table>

<table>
<thead>
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<th>MARITAL STATUS</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Single</td>
</tr>
<tr>
<td>2</td>
<td>Married</td>
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</tbody>
</table>

<table>
<thead>
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<th>ACADEMIC QUALIFICATION</th>
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</thead>
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<td>Ordinary Level</td>
</tr>
<tr>
<td>2</td>
<td>Advanced Level</td>
</tr>
<tr>
<td>3</td>
<td>Diploma and Degree</td>
</tr>
</tbody>
</table>
Section 2: Employee Satisfaction

In this section you are required to tick the box that indicates your answer. The scale ranges from 1 to 7 where (1) strong disagree, (2) disagree, (3) disagree somewhat, (4) undecided, (5) agree somewhat, (6) agree, (7) strongly agree.
1. I am satisfied with the salary of this company

2. I am satisfied with my nature of job at this company

3. I am satisfied with the supervision of my supervisor at this company

4. I am satisfied with my relationship with fellow workers at this company

Thank you for your contribution!

APPENDIX IV: Questionnaire for Customers

Section A: Demographic Profile

All the information provided will be kept in confidential. In this section you are required to circle the number for that shows your answer.

<table>
<thead>
<tr>
<th>a)</th>
<th>GENDER</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1 Male
2 Female

b) AGE
1 18-30 Years
2 31-40 Years
3 41-50 Years
4 51 Years and above

c) MARITAL STATUS
1 Single
2 Married

d) FREQUENCY OF VISITS TO THE FLOORS
1 4-5 Times a Month
2 4-5 Times a Week
3 2-3 Times a Month
4 2-3 Times a Week
5 Once a Month
6 Once a Week

Section 2: Customer Satisfaction

In this section you are required to tick the box that indicates your answer. The scale ranges from 1 to 7 where (1) strong disagree, (2) disagree, (3) disagree somewhat, (4) undecided, (5) agree somewhat, (6) agree, (7) strongly agree
## Section 3: SERVICE QUALITY

<table>
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<tr>
<th>ITEM</th>
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<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>This company’s appearance is neat and appropriate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This company provides the service at the time it promises to do</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This company provides prompt services to the customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This company instills trust in customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This company understands the needs of the customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Thank you for your contribution!

### APPENDIX V: Calculation of Average Variance Extracted (AVE)

\[
AVE = \frac{\sum (standardised \ loadings^2)}{\sum (standardised \ loadings^2) + \sum Ej}
\]

Where \( \sum Ej \) is the sum of indicator measurement error
Ej is calculated as $(1-\text{standardised loading})^2$

**a) Average Variance Extracted for Perceived Service Quality**

$$\frac{\sum (0.827^2 + 0.926^2 + 0.998^2 + 0.891^2 + 0.751^2)}{\sum (0.827^2 + 0.926^2 + 0.998^2 + 0.891^2 + 0.751^2) + \sum [(1-0.827^2) + (1-0.926^2) + (1-0.998^2) + (1-0.891^2) + (1-0.751^2)]}$$

Answer=0.779

**b) Average Variance Extracted for Employee Satisfaction**

$$\frac{\sum (0.887^2 + 0.816^2 + 0.929^2 + 0.693^2 + 0.895^2)}{\sum (0.887^2 + 0.816^2 + 0.929^2 + 0.693^2 + 0.895^2) + \sum [(1-0.887^2) + (1-0.816^2) + (1-0.929^2) + (1-0.693^2) + (1-0.895^2)]}$$

Answer=0.719

**c) Average Variance Extracted for Customer Satisfaction**

$$\frac{\sum (0.887^2 + 0.942^2 + 0.698^2 + 0.863^2 + 0.799^2)}{\sum (0.887^2 + 0.942^2 + 0.698^2 + 0.863^2 + 0.799^2) + \sum [(1-0.887^2) + (1-0.942^2) + (1-0.698^2) + (1-0.863^2) + (1-0.799^2)]}$$

Answer=0.708