

**SERVICE QUALITY PRACTICES AND CUSTOMER SATISFACTION IN TAXI  
COMPANIES IN NAIROBI.**

**ABDIRAHMAN A. HUSSEIN**

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## DECLARATION

This research project is my original work and has not been presented for a degree in any other university or for any other award.

..... Date.....

**Abdirahman Hussein**

**D61/77364/2015**

This research project has been submitted with my approval as the university supervisor.

..... Date.....

**Dr. Stephen Odock**

Lecturer, Department of Management Science,

University of Nairobi.

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## **ABSTRACT**

The study was purely motivated by the fact that there's limited research carried out in the taxi industry in Kenya at large. The concept of service quality and customer satisfaction in the taxi industry in Kenya has not been examined at all. The study determined the extent to which service quality practices are adopted by taxi firms and also established the relationship between service quality and customer satisfaction in the taxi companies in Nairobi. The area of study was Nairobi County and a cross sectional descriptive survey design was used to collect data on service quality and customer satisfaction simultaneously at one point in time. Primary data was collected from both the managers of taxi companies and also clients (riders) using a Likert type scale questionnaire. The target population for the study was taxi industry managers and their customers. A sample of 40 managers and 120 customers which is equivalent to 3 customers from every company was randomly selected from the total taxi firms and their respective customers. Data was cleaned and edited to eliminate errors and omissions then coded to assign numbers to responses and were arranged against each research question. The data was analyzed using descriptive statistics and inferential statistics and was presented using graphs, charts, tables and even using narrations. The result indicated Majority of the customers are satisfied with the taxi companies and thus are just loyal to the taxi company services they have subscribed to and this might be due to quality services offered to them (customer satisfaction). Also, the practice of Service quality dimensions was found to be different among different taxi companies in Nairobi. The study recommended that the managers of taxi companies should pay keen attention to service quality and other factors which lead to customer satisfaction.



# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

In these modern times, firms are exposed to various macro environment forces which include fierce competition, globalization, rapid changes in customer preference and taste, changes in technology and swift innovation. To cope with these challenges firms should pursue to establish and maintain loyal customer base through customer satisfaction. To achieve this, firms need to understand customer's specific requirement, improve on existing service feature, and adopt new or unique ways of service delivery. Service quality can be defined as the degree to which customers' perceptions of service either meets and/or exceeds their anticipation (Zeithaml, Parasuraman & Berry 1990). On other hand, customer satisfaction refers to the customer's attitude and emotional response towards the service provider that results from the difference between customer's perception and actual outcome (Hansemark & Albinson 2004).

Various theories link service quality and customer satisfaction. These include the expectancy disconfirmation theory. this theory argues that, the determination of satisfaction or measurement is by the existing difference between the expectations and desires which are examples of cognitive standards and perceived performance (Khalifa & Liu, 2003). A customer usually tries to test whether the expectations are met, when they get a service. The theory therefore affirms that satisfaction is directly proportional to the size (intensity) of the discrepancy of the continuum between the desires and expectations of the customer and the perceived performance. In short, when a customer directly interacts with products and services, that is, comparing the perceived performance of the products and services to the standards (expectations) satisfaction occurs (Mattila & O'Neill, 2003). Another theory is the attribution theory which postulates

consumers as rational decoders of information who look out for ways to tell why a purchasing result, for example dissatisfaction, has occurred. This theory further contends that if perchance the service delivery fails to match the customer's prior expectations or required standards, customers are more likely to engross in an attribution process in order to understand what has happened (Bitner, 1990).

In Kenya, the role of the taxi industry in the economy is often underestimated. According to official data, Nairobi metropolis is estimated to have 10,000 taxis and the taxi business in the capital city alone is valued at Ksh 20million a day ("Daily Nation,"2016). From early 90's to mid-2000, The taxi industry in Kenya has been in a state of confusion and disorder with no standard procedure when it comes to dealing with clients (riders) as well as erratic fare charges. However, technological innovation has revolutionized the taxi industry which has witnessed the influx of multinational and local online transport firms in Nairobi and Mombasa. The industry players are also engaged in price wars and competition is getting stiffer by the day. This has led to the exit of some players. Firms are engaging in strategies aimed at attracting and increasing their customer base while maintaining their existing clientele. To achieve this, they have to deliver unrivalled quality services to their riders. This is crucial in creating brand loyalty and cementing their position in the industry.

### **1.1.1 Service Quality**

Service quality may be seen as a comparison of expectations with perceptions. A firm that emphasizes on high service quality will most probably meet its customer needs while at the same time remain economically competitive. Perhaps better service quality may probably strengthen a company's economic competitiveness. Service quality is best analyzed from the client's

perspective due to the fact that they usually have values, grounds of assessment and circumstances that are unique to each one of them (Gronroos, 2008).

Lovelock and Wirtz (2007) describe service quality to have a nature that requires a distinct model to define and also determine it. Due to intangibility and multidimensional makeup of services, it is hard to evaluate service quality as in the case when measuring product quality. Since customers are always part of the production input of a service, it is usually advised to clearly distinguish the service delivery process from the (actual) output which is often referred to as the technical quality. Some scholars argue that the quality of service refers to the net effect realized after clients critically examine their perception of service delivery with the expected outcome.

Gronroos (1984) has several definitions including Philip Crosby (1979) who describes service quality as conformance to requirements. Since services are actual performed done in the customers' presence, they have a knack of varying from one firm and situation to another. There is a possible difference between technical quality and functional service quality. Technical quality is more concerned with the actual service delivered whereas function service quality explains the manner at which a service is delivered. Also, according to Lehtinen (1991) customer quality can be described with regard to process quality— evaluation of service during that moment when service is being delivered— and output quality—post evaluation of service after delivery.

Quality is a multi-dimensional phenomenon. However, researchers including Zeithaml et al, (1990) have affirmed that service quality is best determined by closely studying the correlation between client's anticipation and desires and perceived performance of the services. Four types of service quality were identified by researchers. These four services are expected, adequate, desired and predicted services. The anticipated services by customers are referred to as expected services while the tolerable level of service is referred to as adequate. Predicted services refer to extent of service customers foresee the firm will deliver whereas desired services are those the customers wish to receive.

The SERVQUAL model uses components that can be useful while determining quality service. In each of the SERVQUAL model determinants, the consumer's anticipation and their perception of the received services are measured. the results determine the quality of the services provided. Reliability measures the ability in which the services are provided accurately and on schedule while Assurance deals with the confidence and competence of the employees in providing the services. Tangibles and Empathy are all about the physical facilities and ability to provide individualized attention to the customers respectively while Responsiveness refers to the firm's willingness to voluntarily attend to its clients by delivering efficient service (Berry & Parasuraman, 1991).

Despite the fact that the SERVQUAL model is the most reliable tool for measuring quality of services delivered to clients, it stands to be faulted mainly on its emphasis of expectation as a comparison standard. Expectations are not static and usually change depending on customers' experience and consumption. The major critique of this concept is the utilization of the RATER

in different service sectors and researchers failed to underpin the model after they carried out replication studies similar to those done by Parasuraman et al. during SERVQUAL's early stages of formulation.

Catering to the needs of customers is the key to customer retention, moreover attracting new customers in this competitive environment requires providing superior service quality. Firms that pursue the objective of delivering superior service quality are more likely to achieve performance goals in terms of brand loyalty, high customer retention as well as growth in market share (Berry & Parasuraman, 1991). In an industry with no strict barriers to entry, firms in the taxi industry should first establish what riders perceive as service quality before imposing their own understanding of service quality. For the firms seeking to leverage service quality as a competitive advantage, they should strive to exceed rider's expectation, this will help create a brand image that clients will identify with which in turn will increase the firm's profitability.

### **1.1.2 Customer Satisfaction**

The extent to which customer satisfaction can be defined is when, a customer sees that a person, company or organization has made available a product and service that conforms to the requirements of the clients such that the client is cognizant of and/or uses the service (Oliver, 1977). Fulfillment is neither customer inborn nor the good but rather is constructed social response to the relation that exists between the consumer, the good and its maker.

To the dimension that the maker can affect the various dimensions of the relation, the maker can affect the satisfaction of the customer (Reed & Hall, 1997).

Customer satisfaction involves the needs of customers and their expectations being met every time in the life cycle of the product or service. Satisfaction refers to the customer's pleasure or displeasure that mainly results from comparing expectation and the actual outcome. Subjectively, customer satisfaction is not qualitative. Customer satisfaction can be as the aggregate outcome of factors like; quality of service, level of meet up with the customer and factors on pricing (Anderson, Fornell & Rust, 2001). Perhaps Kotler and Keller (2006) gave a very comprehensive description of customer satisfaction by implying that it is a feeling of pleasure or displeasure which can be traced to result from relating a product's actual performance against an individual's expectation.

All Customers without exception aim to derive maximum satisfaction from the product/services the purchase. To prosper in today's market; it is no longer a case of just creating products but also creating customer relationships. To create customer relationship, firms must deliver superior and tailored products/ service compared to its competitors. Customer response will determine whether a firm provides quality goods or not. And as such, delivering superior quality will have most probably elicit individual client's contentment (Kotler & Keller, 2009).

Customer satisfaction can be used to identify unhappy customers and can be used to measure customer's loyalty to the firm's product or services. Customer satisfaction can be measured by; surveying customers, understanding their expectations, finding out where you are failing as an organization, pinpointing the specifics, assess the competition, measuring the emotional aspect as well as the customer loyalty. Customer satisfaction provides an indicator to forecast future consumer purchases. In a competitive economy, it is logical for firms to pursue customer

satisfaction as part of their normal business routine. A study done by InfoQuest concluded that a completely contented client contributes almost 32% more revenue compared to a partly contented client, over and above that, a completely satisfied client contributes 14 times more revenue than a dissatisfied client.

### **1.1.3 Service Quality and Customer Satisfaction**

The increased competition and globalization, has compelled companies to provide quality goods and services as a fundamental key for sustainable competitive advantage. If firms aim to survive and ultimately grow, they are obliged to be fully focused and geared towards achieving strategies aimed at promoting customer satisfaction. Well pleased clients are loyal, more likely to repeat purchase and form a company's customer base. This has a positive effect on organization, profitability and performance. Studies done by Anderson and Mittal (2000) looked at the relation between different aspect service quality and customer satisfaction. Nearly all the reviews agree that a contented customer is loyal and contributes to profitability.

Among The various scholars who probed the connection between service quality and customer satisfaction include Spreng and Singh (1993). they demonstrated the existence of direct relationship between them. They confirmed that, improved or superior service quality will boost customer satisfaction. Service quality determines the level of customer satisfaction and can be seen as the result of the service from offered by the firm (Parasuraman et al., 1988). On the flipside, delivering superior quality service is not cost free. It is coupled with extra costs like training costs, investing in human resource and technology. This has the effect of aggregating cost on the final price. The overall effect will result in overpriced services that may lure away price sensitive customers hence reduce on company's profitability.

#### **1.1.4 Taxi Firms in Nairobi**

The taxi industry in Kenya is not well documented. However according to a study done by Kenya Private Sector Alliance (KEPSA) in 2004(as cited in ICDC 2012), the human population in Nairobi was 4.5million with a day population of 3.2million people. The daily travelling needs of this population that was met through taxi mode of travelling was only 2%. This means that the current taxi business amounts to 95,080 trips per day and it is expected to grow to 165,600 trips per day in 2025.

The taxi firms in Kenya fall under two broad categories; technology based firms and traditional taxi operators. The traditional taxi operators mainly consist of pioneer industry players who command fleets of taxi cabs under their name. They tend to offer corporate taxi services, car hiring as well as safaris and airport transfers. Under this category are individual taxi owners who park their cars at strategic joints to attract passengers. On the other hand, the technology based category is comprised of both local and international players who have transformed the taxi scene. New industry entrants, like UBER and Little cab have overhauled the old system in the industry which plateaued in decades, whereby riders had only two options; either wait on the streets or call taxi dispatcher. The use of the smartphones has made it possible for the new entrants' clients to get a taxi from wherever they are ("Daily Nation,"2016).

The taxi industry has witnessed a robust competition amongst its players with firms reducing their fare pricing significantly. The industry is flooded with firms who are scrambling to get their market share. Amongst the tactics employed by firms include; free rides, free chopper rides, free Wi-Fi on board and flexible payment mode. It's not a case of one firm dominating the industry,



but rather a case of all firms struggling to keep their feet on the ground. Despite the innovative gains made in the taxi industry, amid the cut throat competition amongst players, firms are still faced with the challenge of satisfying rider's needs due to their varying and changing tastes and preference. The riders are more informed than before hence they would not settle for a mediocre service. It is with this respect that service quality is emphasized. Service quality not only ensures that individual rider needs are identified and met; it also ensures that rider expectations are exceeded.

## **1.2 Research Problem**

With increased competition and globalization, firms must provide quality goods and services as a fundamental key for sustainable competitive advantage. Service quality is a fundamental strategy adopted to secure and attain high levels of customer satisfaction. Contented clients are unswerving, more likely to repeat purchase and form a company's customer base. This has a positive effect on organizations image, profitability and performance.

The taxi industry has evolved from the traditional one man one car business model to corporate taxi company model (Government of Kenya, 2008). In the 1970's the taxi services by were seen to be the preserve of the rich and therefore most people in the middle and low income groups used the public transport. The taxi industry has evolved in recent years with the debut of application-based taxi and car service hailing systems. There has been a departing trend from when firms used to own fleets of taxicabs to a new trend where firms register/absorb individual taxi owners (partners) into their own platform. From the taxi company's stance, this has eliminated the associated costs and risks of owning a vehicle. The radical transformation in the

industry has been motivated by the desire to attract and maintain customer by providing superior service quality.

Barsky (1992) researched on service quality and customer's satisfaction in Kenya's hotel industry and documented that, the company's perceptions of performance significantly impacted on perceived service quality. Factors including customer contentment and their willingness to consider repurchasing from the firm formed the basis of establishing positive connection among the components. Chakravarty (2003) established the existence of negative link among service quality dimensions, with the client's tendency to relinquish the bank. Musyoka (2013) in his study of service quality and satisfaction among the Kenyan Libraries users found out that libraries that offered better customer services were more preferred by library users compared to libraries that offered poor customer services. Mburu (2013) conducted a research to establish factors that determine customer satisfaction in the Kenyan banking industry he noted that customer satisfaction depends on factors like price and interaction with the service provider's staff. Nuria (2015) in the research on service quality practices and customer satisfaction in Commercial Banks in Kenya found that there is no meaningful connection between servqual dimensions and customer satisfaction.

Again the limited literature done in the taxi industry in Kenya concentrated on the competitive strategies adopted by Taxi firms. Masai (2012) researched on competitive strategies adopted by registered Taxi firms in Mombasa County. Ndungu (2013) researched on competitive strategies adopted by Kenatco Taxis Limited to achieve competitive advantage. Empirical evidence from Nuria (2015) and Mburu (2013) studies focused on the banking industry only and found

conflicting conclusions in regards to the relationship that exists between service quality and customer satisfaction. Studies done by Barsky (1992), Wanjau, et al, (2012) and Musyoka (2013) were oriented to hotel industry, health sector and library sector respectively.

Whereas the only available studies in the taxi industry were done by Masai (2012) and Ndungu (2013) focused on competitive strategies adopted. Evidently there's a gap in literature as far as service quality and customer satisfaction is concerned in taxi industry. It is on these grounds that this research strives to determine the effect of service quality on customer satisfaction in the taxi industry and the study therefore poses the following questions: To what extent have taxi firms in Nairobi adopted service quality procedures? What is the relationship between service quality and customer satisfaction in the taxi firms in Nairobi?

### **1.3 Research Objectives**

The general objective of this study is to determine the effect of service quality on customer satisfaction. The specific objectives are to;

- I. Determine the extent to which service quality practices are adopted by taxi firms in Nairobi.
- II. Establish the relationship between service quality and customer satisfaction in the taxi industry in Nairobi.

## **1.4 Value of the Study**

This study adds value to the management of Taxi industry in Kenya as it outlines results that are useful to managers of taxi companies in implementing processes and procedures aimed at achieving service quality standards. This will assist the companies in positioning themselves in the market as it faces stiff competition from emerging companies. The results of this finding highlight the consequences of ignoring to provide quality service to customers.

The findings of the study benefit the industry players who would bench mark with other companies especially in the area of policy formulation. Companies that have never carried out any research on service quality and customer satisfaction advantages in the country will find this study very useful as they will use it to benchmark themselves with successful companies as they formulate and adopt service quality to meet customer satisfaction.

To the researchers and academicians, the study enriches the existing database of studies in service quality and customer satisfaction. In Kenya, The study also interests scholars who will use the study as a basis for further research. This study aims to contribute to existing theories by either confirming or adding value in areas of service quality, customer satisfaction and SERVQUAL framework.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

In this chapter, relevant literature is reviewed. Applicable theories that support the study, the models, empirical review on service quality and customer satisfaction are discussed while also formulating the conceptual framework of the study.

### **2.2 Theoretical Foundation of the Study**

The following theories form the cornerstone of this study: the expectancy disconfirmation theory and the attribution theory, the equity theory and the contrast theory.

#### **2.2.1 The Expectancy Disconfirmation Theory**

This theory originally appeared in psychology and marketing literatures, but it has become a useful tool for customer satisfaction researchers. The theory tries to compare consumer's pre-purchase expectations and perceived performance to his post-purchase satisfactions. Richard L. Oliver (1977) was the pioneer of this cognitive theory when he published in *Journal of Marketing Research*. The disconfirmation theory therefore states that customer fulfillment is directly influenced by the size and direction (of the continuum between what customers anticipate and what the firm delivers. Essentially, customer gratification can only be realized after consumers interact and experience what the firm offers as either product and/or service. Customer satisfaction is said to occur when customers compare the outcome with expectations (Mattila& O'Neill, 2003).

The measurement of the satisfaction/dissatisfaction responses is a result of customer's cognitive evaluation whereby discrepancies between the actual outcome and the existing cognitive

standards such as anticipation realized in the consumption of the product due to the fact that consumers retrieve outcomes from memory. The outcome is said to be negative if the consumer's anticipation exceeds the actual results. The outcome is zero if the anticipated service equals the actual results. If the actual outcome exceeds the customer's anticipation, then the outcome can be said to be positive.). This theory has been mainly used to study consumer satisfaction. It is safe to say that a firm that strives to exceed the expectations of consumers will eventually have satisfied consumer base. A firm can produce quality service only after understanding the ever-changing consumer needs, tastes and preference.

### **2.2.2 The Attribution Theory**

This theory has been widely used to explain dissatisfaction and consumer complaints. It suggests that consumers tend to look for the cause of their satisfaction or dissatisfaction. Folkes (1984) suggested that the effect of attribution can be determined by 3 factors; controllability, stability, and locus of causality. Controllability entails whether the client believes that the firm had the capacity to deliver superior quality service and the shortcomings can be purely attributed to the service provider (Hess et al., 2003; Weiner, 2000). Stability aspect is concerned with whether the failure is isolated case or whether it is a reoccurring trend. Consumers would be disappointed by failures that occur frequently and they tend to be forgiving if such failures are rare in occurrence (Folkes, 1984). Locus of causality can be either external or internal; in an external causality, the service provider takes full credit or blame for the service whereas in the case of internal the responsibility shifts to the consumer (Weiner, 2000).

This theory is applicable to this study in that firms can only address consumer complaints and dissatisfaction only after they attempt to understand the emotions and cognition of a dissatisfied

consumer. If consumers believe that shortcomings are frequent, external and feel the service provider had the capacity to control it, they will be dissatisfied and hence boycott the firm's service (Weiner, 2000). To provide quality service firm have to address the causes of consumer dissatisfaction and complaints.

### **2.2.3 The Equity Theory**

This theory was first developed by Adams in 1963 and states that consumer satisfaction is a result of comparison between input-output ratio. According to this theory, consumers will be satisfied if in their minds, the ratio of their outcomes to input is fair (Oliver,1988). Consumer satisfaction or dissatisfaction depends on various factors like previous transaction experience, price paid for the service, the service reward, the time, sacrifice and energy invested by the consumer (Woodruff & Tonks1983).

According to this theory, in determining consumer satisfaction there exist other bases of comparison apart from studying consumer expectations. Consumer satisfaction occurs if the consumer feels that the service performance is worth the price he/she has paid. The consumer may take a further step and compare input-output ratio in one firm to the input-output ratio of another firm. Equity model can be adequately utilized in situation where other traditional tools cannot be used (Erevvals& Leavitt, 1992) especially in situations where third party satisfaction is crucial element of the transaction.

For a consumer to feel equitably treated, the price of the service should be worth every cent that he/she pays. The firm should as well look at the input-output ratio other firms are offering. It is only reasonable for the firm to charge its services high if the consumer feels the service provided

is of superior quality compared to what other firms are offering. The contribution of this theory is that, firms should package a service in a manner that is unique, superior and better than other firms.

#### **2.2.4 The Contrast Theory**

Another theory is the contrast theory, which was formulated in opposition to the dissonance theory (Fjermestad& Robertson, 2015). According to the proponents of this theory, when the actual performance of a product falls below customers' expectations, the contrast between the expectations and outcome will result in the customers or consumers exaggerating the disparities, unlike in the dissonance theory where they are assumed to respond by adjusting their expectations (Fjermestad& Robertson, 2015).

The contrast theory provides that a customer who receives a product with less value than earlier expected is most likely to intensify the differences between expectations and actual fulfillment of the product in question (Fjermestad& Robertson, 2015). The implication of this is that products that have lower performance than expected are likely to be rated by customers as poorer than their actual status or quality of performance.

### **2.3 Service Quality Models**

This section concerns itself with the various models that explain service quality. The various models include; Gaps, Groonroos and Servqual models.

#### **2.3.1 The Gaps Model and Groonroos**

The Gaps model was developed in 1985. It identifies five gaps that result in poor service quality. It states that service quality can be studied by closely identifying the difference between what



individual consumers expect and what the firm delivers along quality dimensions (Parasuraman et al., 1988). A gap arises as a result of mismatch between customer experience and expectations. The three dimensions of service quality identified by Gronroos (1994) are: Technical quality; which identifies what the customers receive when they interact with the firm. Functional quality on the hand refers to how the customer gets the final outcome. It entails the medium used to convey the service and includes aspects like communication and competence. The image dimension entails the reputation of firm that can result gradually from technical and functional outcome.

This study will use the servqual model developed by Parasuraman et al., (1988).

### **2.3.2 Servqual Model**

This framework was developed by Parasuraman et al. (1985) as a quality measurement one and had identified 10 elements of service quality. These elements were later refined, leading to the creation of the currently used model that utilizes the 5 main components of high quality service. These components are reliability, assurance, tangibles, empathy and responsiveness which are known as the RATER. In each of the components, the consumer's anticipation and their what they perceive of the final outcome determined and measured. Reliability measures the ability in which the services are provided accurately and on schedule while assurance deals with the confidence and competence of the employees in providing the services. Tangibles and Empathy are all about the physical facilities and ability to provide individualized attention to the customers respectively. The last dimension of the RATER —Responsiveness— measures the ability of the firm to assist its clients promptly.

In order to use this qualitative research model, businesses need to gather customers and ask them questions about the services they provide in the different dimensions, repeat the process after providing the services, then compare the two sets of data. If in a specific field, the data received from very many or group of customers prior to the service provision are higher than the other set of data then there must be a problem in that specific field. Businesses can ask questions in as many fields as they desire and can see how their service provision strategy works.

The SERVQUAL model is criticized because of its poor validity and reliability. Syed et. al (1998) argued that despite the enthusiasm in pursuing a research utilizing this model, there were still need of using empirical framework while Rowley (1976) raised an issue about the ability of an instrument neither being reliable nor unreliable. Despite the criticism, the RATER is widely recommended and used to determine and establish service quality in different industries and countries due to its simplicity given that the adaptable questionnaire is provided.

## **2.4 Empirical Literature**

This section presents various studies that were carried out to test the above theories and models. Their findings, conclusions and recommendations will help to come up with research gaps. Dachyar and Rusyidina (2015) conducted a study on customer satisfaction and the link between customer satisfaction and service quality in Jakarta's taxi industry in Indonesia. It was found that customer satisfaction is greatly affected by 6 factors; company image, perceived value and perceived quality, customer expectations, customer trust and customer complaints. They concluded that company image has the greatest effect on customer satisfaction. The study focused on three taxi companies and not the entire industry.

Horsu and Yeboah (2015) did a study that focused on the impact of service quality and customer satisfaction in the minicab taxi services in Ghana and found out that service quality variables especially reliability, influenced the customer satisfaction. They also found that customers (commuters) satisfaction is highly influenced by comfort comfortable seat, clean and good conditioned vehicles, reasonable entertainment and enough air circulation.

Techarattanased (2015) studied on service quality focused on Metered taxi services service quality in Bangkok, Thailand. They found that consumer usage behavior was significantly affected by responsiveness aspect of service quality; it was recommended that government agencies should diplomatically restrict the taxi companies from arbitrary taxi fare hiking.

This study was conducted with the objective compare client's service usage, and to find out the consumer behavior of taxi clients in Bangkok,

Pareek (2014) used empirical methods to establish the causal factors that affected the satisfaction of bank customers in India. The findings of the study showed that customer satisfaction was significantly affected by product attributes, employee characteristics, bank, tangibles, customer communication, and customer convenience. Agbor (2011) examined at the link between customer satisfaction and service quality. In this study 3 service institutions were used in Umea (Sweden). the researcher found that service quality and customer satisfaction were significantly related in 2 institutions: ICA and Forex. Results from Umea University indicated no significant relationship between service quality and customer satisfaction. It was recommended in order to provide service quality, organization need to improve on service quality dimensions. Jalal, et al, (2012) established the significant impact of all the dimensions of service quality on user

satisfaction in libraries in Malaysian University. All the dimensions tested greatly affected user satisfaction.

Mburu (2013) conducted a study to establish factors that determine customer satisfaction in the banking industry in Kenya. He found out quality of service, pricing, relationship and value with the service provider's staff to significantly determine customer satisfaction, Musyoka (2013) in his study of service quality and satisfaction among the Kenyan Public Universities Libraries documented that, libraries that offered better customer's services were more preferred by library users compared to libraries that offered poor costumers services. In addition, more than 70% of the respondents valued libraries that focused on continuous improvement of service quality and were more likely to visit that library again. Hellen (2014) investigated service quality and customer satisfaction in certified public accounting learning institutions in Nairobi. The study concluded that an increase in service quality will lead to higher level of student satisfaction. All the quality dimensions affected customer satisfaction except empathy. It was recommended that training institutions should focus on improving all the five dimensions so as to achieve high customer satisfaction.

## **2.5 Summary and Knowledge Gap**

The profit-making objective of any organization can be achieved by having a satisfied consumer base. This can only be attained by providing quality services on regular basis. It is on these grounds that this study attempted to find out the effect service quality practices on customer satisfaction. This study includes both the dependent and independent variable. There are two sets of questionnaires that were used in data collection; one targeting the consumers to find out their

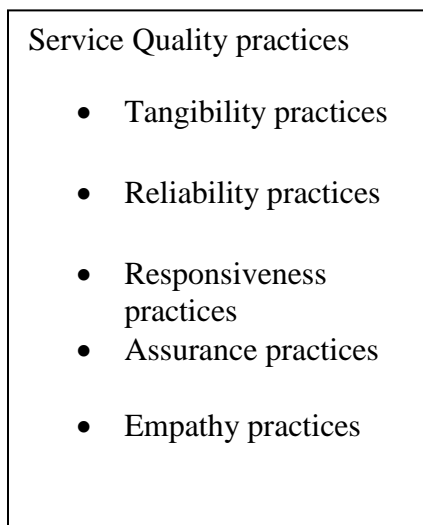
how they contented they were with the services they receive. The other set of questionnaires target operations manager to find out the service quality practices in their firm. This study is different from other studies that concentrated on specific firms or on different concepts, like the study on Kenatco taxis limited rather this study concentrated on all the taxi companies in Nairobi.

## 2.6 Conceptual Framework

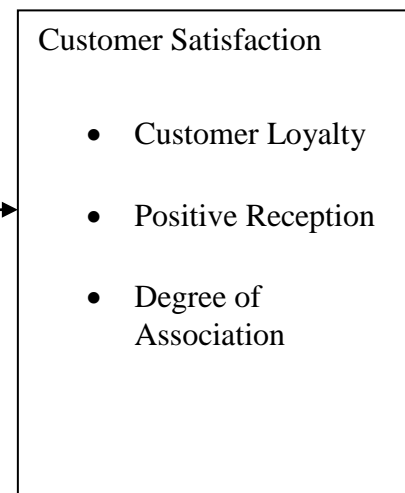
From the empirical and theoretical literature discussed, the conceptualization of the study will be driven by five key dimensional variables on service quality practices and customer satisfaction in taxi companies in Nairobi.

**Figure 2.1: Conceptual Framework**

### Independent variable



### Dependent variable



**Source: Researcher, 2016.**

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter gives the methodology that was adopted to accomplish the research objectives. This section entails the introduction, research design, population of the study, Sampling technique, data collection methods used and data analysis.

### **3.2 Research Design**

In the quest of establishing the quality practices and customer satisfaction in taxi industry in Nairobi, a cross sectional descriptive survey design will be employed. According to Orodho (2003) descriptive survey is used to collect information about peoples' perspective, inclination, as well as their routine or other general conditions being sought. Data is collected using questionnaires or interviews. This will facilitate a comparative review of the dependent variable Vis-a Vis the independent variables chosen for the study. A cross-sectional survey collects data to make inferences about a population of interest at one point in time which can be conducted using any mode of data collection, including interviews, questionnaires and electronic mail (Kothari, 2005). This research design allows data to be collected from both the managers of the taxi companies and riders simultaneously and also help in identifying association between the two hence making conclusion about the population. It is therefore a method that drills down rather than casts wide.

### 3.3 Population of Study

The population of the study was all the taxi companies in Nairobi. There are more than 100 taxi companies in Nairobi however according to official records in Kenya business list, there are 76 taxi companies documented.

### 3.4 Sample and Sampling Design

The study sought to obtain information from two sources, that is, customers on customer satisfaction and the Taxi company industry on the service quality practices. Upon boarding the customers were issued with a questionnaire using ‘drop and pick later’ method for it’s hard to determine the customers from the public. The questionnaires were collected from the taxi offices with the driver being the liaison person.

Therefore, using Yamane (1967:886)

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the size of the sample

N is the size of the population

e is precision level

The study assumed 95% confidence level and variability to be 0.5. From the normal distribution table, the significance level will be 5% giving the e value to be 0.05.

The sample size will be given by:  $n = 76 / (1 + 76(.05)^2)$

$$n = 64$$

$$64 * 3 + 64$$

$$N = 256$$

Using Simple random sampling technique 3 respondents were selected. However out of the 64 companies, 39 companies were successfully located and their response captured. This implied that the research involved a total of 117 customers and 39 managers.

According to Mugenda and Mugenda (2003) 30% of the sample is representative of the target population. This sample is high enough, because the higher the sample the higher ecological it has; this implies that the conclusions of this study will be generalizable to the population. Similarly, the lower the sample, the lower ecological it has and this means the generalizability is applicable to the sample (census).



### 3.5 Operationalization of Study Variables

Variable	Subconstruct	Indicators	Source
Service quality (independent variable)	Tangibility	Modern vehicle Drivers are neat Office is clean and appealing	Perez (2007)
	Reliability	Drivers arrive on time Notification of delays 24/7 service	McKnight(1986)
	Responsiveness	Drivers never too busy. Provide information on fare estimates. Quick response to complaints	Parasuraman et al. (1985)
	Assurance	Clients items are safe. Highly trained drivers. Riders feel safe on board.	Parasuraman et al. (1985)
	Empathy	Cars are user friendly for the disabled. Cars have first aid kit onboard. Rider's interest at heart.	Verma(2013)
Customer Satisfaction (Dependent Variable)	Customer Loyalty	Not interested in competitor package. Rider expectations are met. Repeat requests and rides.	Dick & Basu (1994)
	Positive Reception	Very happy with the service . Likely to recommend to others Satisfied with complains response.	Walter (1991)
	Degree of Association	Drivers have good communication skills. Positive attitude towards firm Drivers are courteous.	Sashi (2012)

### **3.6 Data Collection**

The research employed primary data that was gathered with the help of structured questionnaires. For purposes of this research 2 questionnaires were used, one for taxi operations manager and the other for customers. The questionnaires have two sections that is A and B. For operations manager, section A entails demographic information and service quality practices for section B on ServQual dimensions (reliability, assurance, tangibility, empathy and responsiveness). For customers, section A includes demographic information and section B involves the indicators of customer satisfaction like customer loyalty. The questionnaires were administered using the Drop and Pick later method.

### **3.7 Data Analysis**

Analysis of the data was done using a combination of techniques which include; descriptive statistics, means, standard deviations, frequencies and percentages. The first objective which is the extent to which service quality practices based on SERVQUAL model are adopted by taxi companies in Nairobi was analyzed using descriptive statistics mainly the mean, standard deviation and Karl Pearson's correlation coefficient. Graphical illustrations were deployed to enhance the findings using Statistical Package for Social Sciences (SPSS). Further, the relationship between service quality and customer satisfaction in taxi companies in Nairobi was analyzed using multiple regression model. The model is as shown below:

$$Y = \beta_1 + \beta_2 X_1 + \beta_3 X_2 + \beta_4 X_3 + \beta_5 X_4 + \beta_6 X_5 + u_i$$

Where **Y** = Customer Loyalty

**X<sub>1</sub>** = Reliability

**X<sub>2</sub>** = Assurance

**X<sub>3</sub>** = Tangibility

**X<sub>4</sub>** = Empathy

**X<sub>5</sub>** = Responsiveness

**B<sub>1</sub>** to **β<sub>5</sub>** = the intercept on the regression model

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

The discussions in this chapter are based on the results of the statistical analyses. The first section describes the basic information derived from analysis of demographic characteristics through quantitative descriptive statistics. The second section presents the results from inferential analysis to find out the relationship between service quality and customer satisfaction. This chapter therefore provides descriptions of the results and the subsequent discussions.

### **4.2 Response Rate**

For the purpose of this study, 40 taxi company managers and 120 customers for the taxi companies were considered as the primary respondents. The samples were distributed equally across the county of Nairobi where customers were randomly selected from the taxi company's offices or while boarding the taxi. However, the response was 39 out of 40 questionnaires distributed to managers and 117 out of 120 distributed for the respective customers were captured representing 97.5%.

### **4.3 Demographic Information for Taxi Companies**

The background characteristics from the study show how the response was distributed diversely among the grouped categories: For managers; How long the company has been in existence, how long the manager has served in the company, his/her level of education and if possible any other professional qualification they might have attained in their life time. For the customers; how long

they have been customers of the companies and if they have any other alternative taxi company and why if they have.

### 4.3.1 Years of Existence of the Taxi Companies

The length of existence of the taxi companies in market are as shown in Table 4.1.

**Table 4.1: Years of Existence of the Taxi Companies**

Years	Frequency	Percent
1-5 Yrs.	9	23.1
6-10 Yrs.	10	25.6
11-15 Yrs.	13	33.3
Over 16 Yrs.	7	17.9
Total	39	100.0

**Source: Research data, 2016**

From the response in table 4.1, 23.1% of the taxi companies have been in existence for less than 5 years, 25.6 % of the taxi companies have been in existence for between 6-10 years, 33.3% of the taxi companies have been in existence for between 11- 15 years and finally 17.9% of the taxi companies have been in existence for over 16 years. From the above, we can conclude that majority of the taxis (33.3%) have just existed for 11-15 years and just a few taxis 17.9% as the least have survived the market for over 16 years.

### 4.3.2 Managers Job Experience

Job experience or work experience entails the total number of years an individual has worked for a company. In this case the total number of years the managers have served in the companies is as shown in Figure 4.2

**Table 4.2: Managers Job Experience**

Years	Frequency	Percent (%)
Less than 2 Years	10	25.6
2-4 Years	16	41.0
4-6 Years	8	20.5
Over 6 Years	5	12.8
Total	39	100.0

**Source: Research data, 2016**

From the managers' years of experience above shows that 26% of the managers have an experience of less than 2 years, 41 % of the managers have an experience of between 3-4 years, 20% of the managers have an experience of between 5-6 years and finally 13% of the managers have an experience of over 6 years. From the above, we can conclude that majority of the managers (41%) have an experience of 3 to 4 years and just a few of the managers 13% have an experience of over 6 years. This implies that majority of the managers have experience in the taxi industry more than 1 year and hence ability to implement quality.

#### **4.3.3 Managers Level of Education**

This is the highest level of education that the managers of the taxi companies had attained and is as shown in Table 4.3.

**Table 4.3: Levels of Education**

Education level	Frequency	Percent (%)
Certificate	9	23.7
Diploma	18	47.4
Bachelor's Degree	9	23.7
Master's Degree	2	5.3
Total	38	100.0

**Source: Research data, 2016**

The data collected shows that 23.7 % of the managers have certificate level of education, 47.4 % of the managers have a diploma level, and 23.7% of the managers attained a bachelor's degree finally 5.2% of the managers have attained a master's degree level. From the above, we can conclude that majority of the managers (47.4%) have attained a diploma level and just a few of the managers 23.7% have attained bachelor's degree and certificate degree. This implies that majority of the managers have attained high level of education.

#### **4.3.5 Length of the Customers using the Taxi Companies**

The riders were requested to indicate how long in terms of years they have been a customer with the taxi firm. The results are presented in figure 4.4.

**Table 4.4: Number of Years as a Customer**

Years	Frequency	Percent (%)
Less than a year	59	51.3
1-3 years	34	29.6
4-5 Years	6	5.2
Over 5 Years	16	13.9
Total	115	100.0

**Source: Research data, 2016**

From table 4.4 51.3% had used the taxi company's services for less than a year, 29.6% had used the company for between 1-3 years, 5.2% had use the taxi company services for between 4 and 5 years whereas 13.9% had used the taxi company services for over 5 years. In summary a majority of the customers have used the taxi companies' services for less than a year whereas 5.2% which is the least of all had used the taxi company services for over 5 years. For the customers that have used the taxis for more than 5 years there beg for a reason for the customer loyalty.

#### **4.3.6 Usage of Alternative Taxi Company Services apart from those they are Loyal to**

This presents the loyalty of the customers to the companies' services or whether they tend to seek the alternative taxi services companies and is as shown in Table 4.5.

**Table 4.5: Usage of Alternative Taxi Company Services**

Years	Frequency	Percent (%)
Yes	54	46.2
No	63	53.8
Total	117	100.0



**Source: Research data, 2016**

The results from table 4.5 indicate that 46% seek alternative services from other taxi companies, whereas a majority of the customers (54%) are just loyal to the taxi company services they have subscribed to and this begs for the question of their loyalty to the services. This implies that majority of the riders are loyal to the services offered by their taxi company.

Among the 46% of the customers that used other services gave reasons such as availability of other taxis, use of matatus and also the likeliness to explore the services offered by other taxi companies.

#### **4.4 Adoption of Service Quality Practices by the Taxi Companies in Nairobi**

This research also sought to investigate the extent to which taxi companies have adopted service quality practices as per the Servqual dimensions that are comprised of tangibility, reliability, responsiveness, assurance and empathy as proposed by Parasuraman et al., (1985). The managers were to specify the services they provide and the customers were required to indicate the extent to which they agreed with these service quality practices. The responses were then subjected to descriptive statistics and the findings are discussed in the following sub-sections.

##### **4.4.1 Extent of Adoption of Tangibility Practices**

Tangibility involves the physical facilities and physical dimensions of service. They include aspects on personnel and equipment.

**Table 4.6: Tangibility Practices**

Tangibility Activities	N	Mean	Std.	
			Deviation	Skewness
Our company has modern vehicles	39	1.77	.842	.750
The office is visually appealing and well cleaned	39	1.38	.633	1.444
Drivers at our company are neat in appearance	39	1.44	.598	1.037
We have convenient working hours.	39	1.31	.521	1.443

**Source: Research data, 2016**

From the Skewness of the tangibility responses of the taxi companies all the have a positive coefficient indicating that the responses are positively skewed towards the right. This means that since the responses of the Likert scale were 5 that is with 1 for strongly agree, 2 for agree, 3 for Neutral, 4 for Disagree and 5 for strongly disagree, the responses almost for tangibility was majorly distributed towards strongly agree and agree scales with a few in other scales.

From research findings majority of the managers agree on the companies having modern vehicles as evidently in the mean was 1.77 while the standard deviation was  $\pm 0.842$  which is approximately 2 indicating agree in the Likert scale. On the office is visually appealing and well cleaned the mean was 1.38 while the standard deviation was  $\pm 0.633$ , Drivers at our taxi companies are neat in appearance the mean was 1.44 while the standard deviation was  $\pm 0.598$ , having convenient working hours the mean was 1.31 while the standard deviation was  $\pm 0.521$ .all strongly agree about their taxi company's services. This is supported by the means which are approximately 1 indicating strongly agree in the Likert scale. In summary, the managers agree on the (tangibility) physical facilities and ability to provide individualized attention to the Taxi customers.

#### 4.4.2 Extent of Adoption Reliability

Reliability measures the ability in which the taxi services are provided accurately and as promised or scheduled and is as revealed in table 4.7.

**Table 4.7: Reliability Practices**

Reliability Activities	N	Mean	Std.	
			Deviation	Skewness
When a rider encounters a problem, our company sincerely solves it.	39	1.21	.409	1.520
Our firm provides first class services on first time clients	39	3.05	1.589	-.254
Our drivers arrive on time	39	1.28	.456	1.008
We do follow ups on our customers to ensure satisfaction	39	1.41	.595	1.157

**Source: Research data, 2016**

From the Skewness of the responsibility responses of the taxi companies all have a positive coefficient indicating that the responses are positively skewed towards the right. This means that since the responses of the Likert scale were 5 that is with 1 for strongly agree, 2 for agree, 3 for Neutral, 4 for Disagree and 5 for strongly disagree, the responses almost for responsibility was majorly distributed towards strongly agree and agree scales with a few in other scales. To verify the same, we see the descriptive statistics of the attributes with only one coefficient with negative implying a negative skew to the left.

From research findings majority of the managers were neutral on the company providing first class services on first time clients as evidently in the mean was 3.05 while the standard deviation was  $\pm 1.589$ , which is approximately 3 indicating neutral in the Likert scale. On the question of

When a rider encounters a problem, our firm customer has a problem, our company our company sincerely solves it.the mean was 1.21 while the standard deviation was  $\pm 0.409$ , Our drivers arrive on time the mean was 1.28 while the standard deviation was  $\pm 0.456$  and finally following up on the customers to ensure satisfaction the mean was 1.41 while the standard deviation was  $\pm 0.595$ . all strongly agree about their services from the taxi companies. This is supported by the means which are approximately 1 indicating strongly agree in the Likert scale. In summary, the managers were uncertain on the (Reliability) ability of the taxi services being provided accurately and on schedule to the taxi customers

#### 4.4.3 Extent of Adoption Responsiveness

Responsiveness refers to the taxi companies' willingness to voluntarily attend to its riders efficiently.

**Table 4.8: Responsiveness Practices**

Responsiveness Activities	N	Mean	Std.	
			Deviation	Skewness
We provide information to customers i.e. give estimate fare and arrival time	39	1.44	.641	1.202
Employees give prompt service to customers	39	1.28	.560	1.909
Our drivers are never too busy for our clients	39	1.26	.498	1.812
Our drivers are never too busy to respond to customers' request.	39	1.26	.595	3.035

**Source: Research data, 2016**

From the Skewness of the responsiveness responses of the taxi companies all have a positive coefficient indicating that the responses are positively skewed towards the right. This means that since the responses of the Likert scale were 5 that is with 1 for strongly agree, 2 for agree, 3 for

Neutral, 4 for Disagree and 5 for strongly agree, the responses almost for responsiveness was majorly distributed towards strongly agree scales with a few in other scales. To verify the same, we see the descriptive statistics of the attributes.

From research findings, On providing information to customers i.e. give estimate fare and arrival time, the mean was 1.44 while the standard deviation was  $\pm 0.641$ , Employees giving prompt service to customers the mean was 1.28 while the standard deviation was  $\pm 0.560$ , On the drivers not being too busy for the clients the mean was 1.26 while the standard deviation was  $\pm 0.498$  and finally on the drivers are never too busy for our clients the mean was 1.26 while the standard deviation was  $\pm 0.595$ . All strongly agree about their services from the taxi companies. This is supported by the means which are approximately 1 indicating strongly agree in the Likert scale. In summary, the managers strongly agree on the (Responsiveness) taxi companies' willingness to voluntarily attend to its riders fast and efficient taxi service.

#### 4.4.4 Extent of Adoption Assurance

Assurance deals with the confidence and competence of the Taxi companies' drivers in providing the taxi services.

**Table 4.9: Assurance Practices**

Assurance Activities	N	Mean	Std.	
			Deviation	Skewness
The behavior of our drivers instill confidence to riders	39	1.18	.389	1.738
Riders feels safe when riding with us	39	1.13	.339	2.314
Our riders item and luggage's are safe	39	1.28	.456	1.008
Our drivers are highly trained on driving skills	38	1.13	.343	2.270

**Source: Research data, 2016**

From the Skewness of the assurance responses of the taxi companies all have a positive coefficient indicating that the responses are positively skewed towards the right. This means that since the responses of the Likert scale were 5 that is with 1 for strongly agree, 2 for agree, 3 for Neutral, 4 for Disagree and 5 for strongly agree, the responses almost for assurance was majorly distributed towards strongly agree scales with a few in other scales. To verify the same, we see the descriptive statistics of the attributes.

From research findings, On the confidence to customers being instilled by the behavior of drivers, the means and standard deviation of  $(1.18 \pm 0.389)$ , Customers feeling safe when riding with us means and standard deviation of  $(1.13 \pm 0.339)$ , Our clients item and luggage's are safe means and standard deviation of  $(1.28 \pm 0.456)$  and finally on the drivers being highly trained on driving skills means and standard deviation of  $(1.13 \pm 0.343)$  all strongly agree about their services from the taxi companies. This is supported by the means which are approximately 1 indicating strongly agree in the Likert scale. In summary, the managers strongly agree on the (Assurance) confidence and competence of the Taxi Company's employees in providing the taxi services

#### **4.4.5 Extent of Adoption Empathy**

Empathy involves the physical facilities and ability to provide individualized attention to the Taxi customers.

**Table 4.10: Empathy**

Empathy Activities	N	Mean	Std.	
			Deviation	Skewness
Our cars have first aid kits on board	39	1.31	.569	1.731
Our cars are user friendly to the disabled riders	39	1.21	.409	1.520
Our company have riders best interest at heart	39	1.21	.409	1.520
Our company understand the specific needs and demands of our riders	39	1.23	.485	2.034
Our employees are consistently courteous to riders	39	1.18	.389	1.738

**Source: Research data, 2016**

From the Skewness of the empathy responses of the taxi companies all have a positive coefficient indicating that the responses are positively skewed towards the right. This means that since the responses of the Likert scale were 5 that is with 1 for strongly agree, 2 for agree, 3 for Neutral, 4 for Disagree and 5 for strongly agree, the responses almost for empathy was majorly distributed towards strongly agree with a few in other scales. To verify the same, we see the descriptive statistics of the attributes.

From research findings, On the cars have first aid kits on board, the mean was 1.31 while the standard deviation was  $\pm 0.569$ , the cars being user friendly to the disabled clients the mean was 1.21 while the standard deviation was  $\pm 0.409$ , the company have customers best interest at heart the mean was 1.21 while the standard deviation was  $\pm 0.409$ , the company understand the specific needs and demands of our customers the mean was 1.23 while the standard deviation was  $\pm 0.485$  and finally on the employees being consistently courteous to customers the mean was 1.18 while the standard deviation was  $\pm 0.389$ . All strongly agree about their services from the taxi

companies. This is supported by the means which are approximately 1 indicating strongly agree in the Likert scale. In summary, the managers strongly agree on the (empathy) physical facilities and ability to provide individualized attention to the Taxi customers

## **4.5 Relationship between Service Quality and Customer Satisfaction**

This study involved using causal effect relationship to determine the effect of customer Satisfaction on the Servqual dimensions namely reliability, assurance, tangibility, empathy and responsiveness. Multiple correlation coefficients (R) indicate the correlation between dependent and independent variables jointly predicted by the model.

### **4.5.1 Service Quality Practices and Customer Satisfaction in the Taxi industry**

Estimated multiple regression model where p is the number of independent variables is;

$$\hat{Y}_i = B_0 + B_1X_{i1} + B_2X_{i2} + \dots + B_pX_{ip}$$

The regression equation in our case to establish the relationship between service qualities on customer loyalty will be;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon \text{ Where;}$$

Y = Customer loyalty

$\beta_0$  = Constant Term

$\beta_1, \beta_2, \beta_3, \beta_4$  and  $\beta_5$  = unstandardized regression Beta coefficients

$X_1$  = Tangibility,  $X_2$  = Reliability,  $X_3$  = Responsiveness,  $X_4$  = Assurance,  $X_5$  = Empathy

$\varepsilon$  = Error term

The output is revealed in table 4.11.



**Table 4.11: Test of Model for Service Quality and Customer loyalty**

<b>Model Summary</b>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.211 <sup>a</sup>	0.045	-0.1	0.386888	2.467

a. Predictors: (Constant), empathy, tangibility, reliability, responsiveness, assurance

b. Dependent Variable: customer loyalty

The correlation  $R=0.211$  indicates a weak relationship between customer loyalty on (service quality dimensions) reliability, assurance, tangibility, empathy and responsiveness. The ( $R^2$ ) was 0.045 which means that 4.5% of the variations in the customer loyalty to service quality could be attributed to changes (service quality dimensions) reliability, assurance, tangibility, empathy and responsiveness and 95.5% of variation in customer loyalty on (service quality dimensions) reliability, assurance, tangibility, empathy and responsiveness is explained by other factors that are not within the control of the research.

#### **4.5.1.1 Test for the Significance of the Service Quality dimensions on Customers' Loyalty**

A summary of the significance of the regression coefficients is provided in Table 4.12.

**Table 4.12: The Significance of the Regression Coefficients**

Regression Coefficients							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
	(Constant)	2.273	0.304				7.479
tangibility	-0.062	0.147	-0.081	-0.419	0.678	0.77	1.299
Reliability	0.087	0.143	0.123	0.606	0.549	0.704	1.42
responsiveness	-0.004	0.17	-0.005	-0.021	0.983	0.646	1.547
Assurance	-0.245	0.291	-0.202	-0.843	0.405	0.505	1.981
Empathy	0.092	0.272	0.089	0.338	0.738	0.42	2.381

a. Dependent Variable: customer loyalty

**Source: Research data, 2016**

According to Neter et al., 1989, there is No evidence of significant multi Collinearity that exist between the independent variables. All the VIF scores record below 3. Reliability is seen to have a substantial impact on customers’ loyalty ( $\beta=0.123$ ,  $t=0.606$ ,  $p=0.549$ ). Hence, reliability is a significant predictor of customers’ loyalty. After reliability, empathy records higher influence on customer loyalty ( $\beta=0.089$ ,  $t=0.338$ ,  $p=0.738$ ). Then assurance makes the least influence ( $\beta=-0.202$ ,  $t=-0.843$ ,  $p=0.405$ ), then tangibility ( $\beta=-0.081$ ,  $t=-0.419$ ,  $p=0.678$ ) and finally responsiveness ( $\beta=-0.005$ ,  $t=-0.021$ ,  $p=0.983$ ). However, only empathy and assurance were found to be statistically significant in influencing customers’ loyalty Therefore the regression equation will become:

Therefore, the regression equation will become:

$$Y = 2.273 - 0.062X_1 + 0.087X_2 - 0.004X_3 - 0.245X_4 + 0.092X_5$$

$$\text{Customer loyalty} = 2.273 - 0.062(\text{Tangibility}) + 0.087(\text{Reliability}) - 0.004(\text{Responsiveness}) - 0.245(\text{Assurance}) + 0.092(\text{Empathy})$$

#### 4.5.1.2 Overall Effect of ServQual Dimensions on Customer Loyalty

In this Model customer loyalty is the dependent variable while Servqual dimensions are the independent variables.

**Table 4.13: Test of Customer Loyalty on Servqual Dimension**

ANOVA <sup>a</sup>						
Model		Sum	df	Mean	F	Sig.
		Squares		Square		
1	Regression	0.23	5	0.046	0.308	.905 <sup>b</sup>
	Residual	4.94	33	0.15		
	Total	5.17	38			

Source: Research data, 2016

a. Dependent Variable: customer loyalty

b. Predictors: (Constant), empathy, tangibility, reliability, responsiveness, assurance

Table 4.13 shows the output of the ANOVA analysis and is used to test if there is a significant difference statistically between the group means in regards to customer loyalty. It is evident that the significance value is ( $F(5, 33) = 0.308, p = 0.905$ ) that is greater than 0.05, therefore, there is no significant statistical difference in the means of customer loyalty between the different service quality dimensions at 95% confidence interval.

Positive Reception. The regression equation in our case to establish the relationship between service qualities on customer positive reception will be;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon$$

Where; Y = Customer positive reception

$\beta_0$  = Constant Term

$\beta_1, \beta_2, \beta_3, \beta_4$  and  $\beta_5$  = unstandardized regression Beta coefficients  
 $X_1$  = Tangibility,  $X_2$  = Reliability,  $X_3$  = Responsiveness,  $X_4$  = Assurance,  $X_5$  = Empathy

$\varepsilon$  = Error term. The output is then as shown in Table 4.14.

**Table 4.14: Test of Customer Positive Reception on Service Quality dimension**

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.378 <sup>a</sup>	0.143	0.013	0.414227	2.264

**Source: Research data, 2016**

a. Predictors: (Constant), empathy, tangibility, reliability, responsiveness, assurance

b. Dependent Variable: positive reception

The correlation R=0.378 showing a moderate positive relationship between customer positive reception on servqual dimensions. The (R<sup>2</sup>) is 0.143 which means that 14.3% of the variations in the customer positive reception to service quality can be explained by changes and 85.7% of variation in customer positive reception on service quality dimensions is explained by other factors that are not within the control of the research.

#### 4.5.2.1 Test for the Significance of the Service Quality dimensions on Customer Positive Reception

A summary of the significance of the regression coefficients is provided in table 4.15.

**Table 4.15: Significance of the Regression Coefficients on Servqual Dimensions**

Regression Coefficients <sup>a</sup>								
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
(Constant)	2.048	0.325		6.296	0			
tangibility	0.209	0.158	0.244	1.329	0.193	0.77	1.299	
Reliability	-0.087	0.153	-0.109	-0.567	0.575	0.704	1.42	
responsiveness	0.023	0.181	0.025	0.126	0.9	0.646	1.547	
Assurance	-0.676	0.311	-0.493	-2.174	0.037	0.505	1.981	
Empathy	0.463	0.291	0.396	1.591	0.121	0.42	2.381	

Source: Research data, 2016

a. Dependent Variable: Customer positive reception

There was no multi Collinearity found between the independent variables. The highest VIF score was 2.38 which is below the cut/off of VIF= 10 (Neter et al.,1989). Empathy is seen to have a substantial impact on customers' positive reception ( $\beta=0.396$ ,  $t=1.591$ ,  $p = 0.121$ ). Hence, empathy is a significant predictor of customer positive reception. Empathy, tangibility records higher influence on customer's positive reception ( $\beta=0.244$ ,  $t=1.329$ ,  $p= 0.193$ ). then assurance makes the least influence ( $\beta= -0.493$   $t=-2.174$ ,  $p= 0.037$ ) and then reliability ( $\beta= -0.109$   $t=-0.567$ ,

p= 0.575). It was established that empathy and tangibility were statistically significant in influencing customer positive reception.

Therefore, the regression equation will become:

$$Y = 2.048 + 0.209X_1 - 0.087X_2 + 0.023X_3 - 0.676X_4 + 0.463X_5$$

$$\text{Customer positive reception} = 2.048 + 0.209(\text{Tangibility}) - 0.087(\text{Reliability}) + 0.023(\text{Responsiveness}) - 0.676 (\text{Assurance}) + 0.463(\text{Empathy})$$

#### 4.5.2.2 Overall Effect of Service Quality Dimensions on the Customer Positive Reception

This model involves customer positive reception as a dependent variable with Servqual dimensions as independent variables.

**Table 4.16: Overall Effect of Service Quality Dimensions on the Customer Positive Reception**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.947	5	0.189	1.103	.377 <sup>b</sup>
	Residual	5.662	33	0.172		
	Total	6.609	38			

Source: Research data, 2016

a. Dependent Variable: positive reception

b. Predictors: (Constant), Servqual dimensions

Table 4.16 shows the output of the ANOVA analysis and the possibility of a substantial difference between the group means in regards to customer positive reception. the significance value is ( $F(5, 33) = 1.103, p = 0.377$ ) is greater than 0.05. Therefore, there is no substantial difference in the mean customer positive reception between the different service quality dimensions at 95% confidence interval.

### 4.5.3 Service Quality Practices and Degree of Association

The regression equation in our case to establish the relationship between service qualities on customer's degree of association will be;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon \text{ Where;}$$

Y = Customers degree of association

$\beta_0$  = Constant Term

$\beta_1, \beta_2, \beta_3, \beta_4$  and  $\beta_5$  = unstandardized regression Beta coefficients

$X_1$  = Tangibility,  $X_2$  = Reliability,  $X_3$  = Responsiveness,  $X_4$  = Assurance,  $X_5$  = Empathy

$\varepsilon$  = Error term

**Table 4.1: Test of Degree of Association Relationship model on Service Quality dimension**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.312 <sup>a</sup>	0.098	-0.039	0.355622	2.06

Source: Research data, 2016

a. Predictors: (Constant), servqual dimensions

b. Dependent Variable: degree of association

From the table 4.17, the correlation  $R=0.312$  indicates a strong relationship between customer's degree of association on service quality dimensions. The ( $R^2$ ) was 0.098 which means that 9.8% of the variations in the customer's degree of association to service quality can be explained by changes in service quality dimensions and 90.2% of variation in customer's degree of association on service quality dimensions is explained by other factors that are not within the control of the research.

#### 4.5.3.1 Test for the Significance of Service Quality dimensions on Customer's Degree of Association

**Table 4.18: Significance of the Regression Coefficients**

Regression Coefficients							
	Unstandardized Coefficients		Standardized Coefficients	T	Sig	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.885	0.279		6.75	0		
tangibility	0.009	0.135	0.012	0.063	0.95	0.77	1.299
reliability	0.111	0.132	0.166	0.843	0.405	0.704	1.42
responsiveness	-0.084	0.156	-0.11	-0.537	0.595	0.646	1.547
assurance	-0.253	0.267	-0.22	-0.946	0.351	0.505	1.981
empathy	0.327	0.25	0.334	1.309	0.199	0.42	2.381



**Source: Research data, 2016**

a. Dependent Variable: degree of association

Empathy is seen to have a substantial impact on customer degree of association ( $\beta=0.334$ ,  $t=1.309$ ,  $p=0.199$ ). Hence, empathy is a significant predictor of customer degree of association. After, empathy, reliability records higher influence on customer degree of association ( $\beta=0.166$ ,  $t=0.843$ ,  $p=0.405$ ). Then assurance makes the least influence ( $\beta=-0.22$ ,  $t=-0.946$ ,  $p=0.351$ ) then finally responsiveness ( $\beta=-0.11$ ,  $t=-0.537$ ,  $p=0.595$ ). However, only empathy, reliability and tangibility were found to be statistically significant in influencing customers' degree of association.

Therefore, the regression equation will become:

$$Y = 1.885 + 0.009X_1 + 0.111X_2 - 0.084X_3 - 0.253X_4 + 0.327X_5$$

$$\text{Customers degree of association} = 1.885 + 0.009(\text{Tangibility}) + 0.111(\text{Reliability}) - 0.084(\text{Responsiveness}) - 0.253(\text{Assurance}) + 0.327(\text{Empathy})$$

From the regression coefficients, the positive coefficients signify a positive relationship between the service qualities dimensions on customer's degree of association which means that for every increase in the service quality dimensions there is an increase in the customer's degree of association. Whereas the negative regression coefficients imply that a negative relationship between the service qualities dimensions on customer's degree of association which means that for every decrease in the service quality dimensions there is an increase in the customer's degree of association.

#### 4.4.3.2 Overall effect of Service Quality dimension on Customers Degree of Association

This model involves customers 'degree of association as a dependent variable with Servqual dimensions as independent variables.

**Table 4.19: Test of Customer degree of association on Service Quality Dimension**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.452	5	0.09	0.714	.617 <sup>b</sup>
	Residual	4.173	33	0.126		
	Total	4.625	38			

Source: Research data, 2016

a. Dependent Variable: degree of association

b. Predictors: (Constant), servqual dimensions.

Table 4.19 shows the output of the ANOVA analysis and the possibility of a substantial difference statistically between the group means in regards to customer's degree of association. the significance value is ( $F(5, 33) = 0.714, p = 0.617$ ) is greater than 0.05. Therefore, there is no statistical substantial difference in the mean customer's degree of association between the different service quality dimensions at 95% confidence interval

## **4.6 Discussion of the Findings**

The main issue addressed in this research is service quality practices and Satisfaction by customer among taxi companies in Nairobi. The first objective was to determine the level of Service quality practices are adopted by taxi companies in Nairobi. The result was that the practice of Service quality dimensions was found to be different among different taxi companies in Nairobi. Meaning that the degree of use of Service quality dimensions varies depending on the indicators of customer satisfactions.

In summary the managers agree on the (tangibility) physical facilities and ability to provide individualized attention to the Taxi customers, they were uncertain on the (Reliability) ability of the taxi services being provided accurately and on schedule to the taxi customers, strongly agree on the (empathy) physical facilities and ability to provide individualized attention to the Taxi customers, strongly agree on the (Assurance) confidence and competence of the Taxi companies employees in providing the taxi services and finally strongly agree on the (Responsiveness) taxi companies' willingness to voluntarily attend to their riders efficiently and effectively

The second objective was to establish the relationship between service quality and customer satisfaction in taxi companies in Nairobi. This research involved use of causal effect relationship to determine the effect of customer satisfaction on the five Service quality dimensions. Generally there was positive relationship between Service quality dimensions and customer satisfaction. Whereas an increase in service quality boosts customer satisfaction, a decrease in service quality leads to a corresponding fall in customer satisfaction.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

In this chapter a summary of the study, conclusion and recommendations of the study findings as stipulated in the research objectives are presented. Discussions and conclusions of the study findings are drawn upon which recommendations are made.

### **5.2 Summary of the Study**

This study was conducted to establish the effect and relationship of service quality in relation to satisfaction by customer among the taxi companies in Nairobi. This study was motivated by the fact that there is limited research on the relationship between service quality and customer satisfaction in taxi industry especially Kenya. Further the only research done on taxi companies either focused on a single firm or looked at other concepts. The background of the study, problems of the study, the study variables as well as objectives were discussed at length in Chapter one.

In chapter two Theoretical and empirical literature concerning service quality and customer satisfaction were discussed. The major theories underpinning the concept were exhaustively discussed. In Chapter three the study methodology adopted was highlighted. A completely randomized cross sectional descriptive survey design was employed on the taxi industry in Nairobi County to get data from all the players in the Taxi industry and also to collect data on service quality and customer satisfaction simultaneously. The sampling technique used was systematic random sampling.

Chapter Four presents the results of the findings. The findings indicated that majority of the taxi companies have survived to more than 11 years. Similarly, majority of the customers (54%) are just loyal to the taxi company services they have subscribed to and this might be due to quality services offered to them. Thus, the findings of this study are sufficient in generating information that resulted in the achievement of objectives.

This study aimed to establish the extent to which service quality practices are adopted by taxi firms in Nairobi and to determine the relationship between service quality and customer satisfaction in the taxi industry in Nairobi.

### **5.3 Conclusion**

The first objective of this research was to determine the extent to which service quality practices are adopted by Taxi companies in Nairobi, the findings indicate no substantial relationship between service quality dimensions and customer satisfaction. also, findings the show that majority of the managers agree to use service quality dimensions to satisfy their riders. From the findings majority of the taxi companies have survived for more than 11 years being in operation at the market. Majority of the customers are satisfied with the taxi companies and thus are just loyal to the taxi company services they have subscribed to and this might be due to quality services they receive. Hence to a larger extent they can be said to be contented with their status quo.

In the extent of the service quality, the managers agree on the (tangibility) physical facilities and ability to provide individualized attention to the Taxi customers, they were uncertain on the

(Reliability) ability of the taxi services being provided accurately and on schedule to the taxi customers, strongly agree on the (empathy) physical facilities and ability to provide individualized attention to the Taxi customers, strongly agree on the (Assurance) confidence and competence of the Taxi companies employees in providing the taxi services and finally strongly agree on the (Responsiveness) taxi companies' willingness to voluntarily attend to its riders through provision of efficient and effective taxi service. Customer satisfaction is significantly affected by the total effect of the servqual dimensions.

The findings indicate no statistical tangible difference in the mean customer loyalty between the different service quality dimensions at 95% confidence interval. The findings also show there is no statistical tangible difference in the mean customer's degree of association between the different service quality dimensions at 95% confidence interval. It is also evident from the findings that no statistical substantial difference was found in the mean customer positive reception between the different service quality dimensions at 95% confidence interval. The findings of this study ascertain the positive relationship between service quality and customer satisfaction and conclude that improved service quality will result in customer contentment (Parasuraman et al., 1991). The findings of this study agree with the past findings by (Nuria, 2015) who established the existence of strong positive relationship between service quality and customer satisfaction in Commercial Banks in Kenya.

## **5.4 Recommendations**

The study made the following recommendations to the industry based on the findings. The Service quality dimensions were not fully utilized by managers in Nairobi to satisfy customers effectively. Therefore, management should give significant consideration on all factors that positively impact on rider satisfaction, key among them service quality.

This study recommends that the management of the taxi companies should take it upon themselves to motivate and train their drivers to practice the entire service quality dimensions on all the components of customer satisfaction to attract new clients while maintaining their existing rider base. Apart from fare charges, riders strongly value the services they receive from their respective taxi companies.

## **5.5 Limitations of the Study**

The population of the study was vast and scattered making it difficult for data to be collected on time. It was extremely difficult to get information especially from the customers, as most of them were either in a rush or simply not interested. The number of customers is infinite and hence it is difficult and time consuming to approach them.

Due to the nature of this study, that involved collecting data from both the managers as well the customers, time was a limited resource. It was difficult to trace the physical addresses of majority of the taxi companies as most of them relocated to new offices. Finance is also a limited factor as data collection involved hiring of research assistants and data collectors,

## **5.6 Suggestions for Further Research**

The study was conducted on taxi firm on Nairobi country only. To enhance the study, a comprehensive study can be conducted to find the service quality practices adopted by all taxi firms in Kenya or service quality practices adopted by public service vehicles. This study can be extended to other modes of transportation, such as matatus, which supplement taxi services and also sometimes compete with taxi services. The finding can be used to determine the challenges faced public service vehicles in Kenya.



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# APPENDICES

## Appendix 1: QUESTIONNAIRE

### Questionnaire for Managers

I am a student from university of Nairobi, management science department. I am currently carrying out a research on the effect of service quality on customer satisfaction with a survey of Taxi industry in Nairobi. The objective of this questionnaire is to obtain your response about the quality of service offered by Taxi companies in Kenya. The information obtained from you will be confidential and will only be used for academic purpose only. I therefore kindly request you to answer the following questions. Thank you in advance.

### SECTION A: Demographic Information

*Taxi Company.....*

1. How long has your company been in existence?

1-5yrs  6-10yrs  11-15yrs  Over 16yrs

2. For how long have you been a manager of this company?

Less than 2 year  3-4years  4-6 years  Over 6 years

3. Level of Education:

Certificate  Diploma  Bachelor's Degree  Master's Degree  PhD

4 Do you have any professional qualification?

Yes  No

If yes state which one .....

### Section B: SERVICE QUALITY PRACTICES

Indicate the extent to which the following statements apply to your business.

Respond by using this scale of 1-5.

Where; 1-strongly agree. 2-Agree. 3-Neutral. 4-Disagree 5-strongly disagree

Statement	1-SA	2-A	3-N	4-D	5-SA
<b>Tangibility</b>					
Our company has modern vehicles	1	2	3	4	5
The office is visually appealing and well cleaned	1	2	3	4	5
Drivers at our company are neat in appearance	1	2	3	4	5
We have convenient working hours.	1	2	3	4	5
<b>Reliability</b>					
When a customer has a problem, our company shows sincere interest in solving it	1	2	3	4	5
Our company provides first class services on first time clients	1	2	3	4	5
Our drivers arrive on time	1	2	3	4	5
We do follow ups on our customers to ensure satisfaction	1	2	3	4	5
<b>Responsiveness</b>					
We provide information to customers i.e. give estimate fare and arrival time	1	2	3	4	5
Employees give prompt service to customers	1	2	3	4	5
Our drivers are never too busy for our clients	1	2	3	4	5
Our drivers are never too busy to respond to customers' request.	1	2	3	4	5

<b>Assurance</b>					
The behavior of our drivers instill confidence to customers	1	2	3	4	5
Customers feels safe when riding with us	1	2	3	4	5
Our clients item and luggage's are safe	1	2	3	4	5
Our drivers are highly trained on driving skills					
<b>Empathy</b>					
Our cars have first aid kits on board	1	2	3	4	5
Our cars are user friendly to the disabled clients	1	2	3	4	5
Our company have customers best interest at heart	1	2	3	4	5
Our company understand the specific needs and demands of our customers	1	2	3	4	5
Our employees are consistently courteous to customers	1	2	3	4	5

**QUESTIONNAIRE FOR CUSTOMERS**

I am a student from university of Nairobi, management science department, currently carrying out a research on the effect of service quality on customer satisfaction with a survey of taxi firms in Nairobi. The main objective of this questionnaire is to obtain your response about how satisfied you are with the Taxi services in Nairobi. The information obtained from you will be confidential and will only be used for academic purpose only. I therefore kindly request you to answer the following questions

**Section A: Demographic Information**

*Taxi Company* .....

1. For how long have you been a customer of this taxi company?

Less than a year ( ) 1-3 years ( ) 4-5 years ( ) Over 5 years ( )

2. Do you use any other tax company apart from this? Yes ( ) No ( )

If yes, why?

.....

**Section B: indicator of customer satisfaction**

Please indicate the extent to which the following statements apply. Respond to the statements by using the scale of 1-5.

**Where; 1-Strongly agree 2-Agree 3-Neutral 4-Disagree 5-Strongly disagree**

Statement	1-SA	2-A	3-N	4-D	5-SA
<b>Customer loyalty</b>					



The taxis are always available when in need	1	2	3	4	5
I do not consider using competitor taxi services.	1	2	3	4	5
My experience with the company is very good	1	2	3	4	5
My reaction to the services offered by company is very good	1	2	3	4	5
My expectations on quality of service is being met	1	2	3	4	5
The company is very modern (i.e. with mobile applications, wi-fi etc.)	1	2	3	4	5
<b>Positive reception</b>					
I am very happy with the services provided by the company	1	2	3	4	5
I am likely to recommend my friends and families on services offered by the company	1	2	3	4	5
I am very satisfied with how the company handles my complains.	1	2	3	4	5
<b>Degree of association</b>					
My relationship with the employees is very good.	1	2	3	4	5
Drivers have good communication skills.	1	2	3	4	5
Drivers are courteous	1	2	3	4	5
I can talk to employees whenever you want to enquire something.	1	2	3	4	5

I have positive attitude towards the company.	1	2	3	4	5
In case of any complaints the company handles promptly.	1	2	3	4	5

**Thank you for your time.**

## APPENDIX 2: Taxi Companies in Nairobi

S/NO	Name of Taxi Company
1	Pewin Cabs
2	Yellow Taxis
3	Delights Cabs
4	Wonderview Taxis
5	Royal Cabs
6	Holly Taxis
7	Kenatco
8	Mondo Ride
9	Keray Taxis
10	Official Taxis
11	Jim Cab
12	Aircab Taxis
13	Jatco Taxis
14	Kenya Taxi Cab Association
15	Jack Taxis
16	Comfy taxis
17	City Tours
18	Cristy Tours
19	Jacom Tours
20	Brighton Cabs Limited
21	Easy Taxi
22	Kenya Taxi Cabs
23	Universal Taxis

24	Spark Tours
25	Absolute taxis Travels
26	Madaraka taxis
27	JKIA kenatco Taxis
28	JKIA Universal Cabs
29	Courtesy Cabs
30	Fly Beyond Africa
31	Prestige Cabs
32	Divine Cabs
33	Prince Cabs
34	Empire Africa International LTD
35	Kairi Tours & Travel
36	Express Travel Group LTD. JKIA- Europcar
37	Uber
38	Beqman Tours & travel
39	Little cab