

**SERVICE QUALITY AND BRAND LOYALTY IN THE
TELECOMMUNICATION INDUSTRY A CASE STUDY OF TIGO AND
VODACOM**

**SERVICE QUALITY AND BRAND LOYALTY IN THE
TELECOMMUNICATION INDUSTRY A CASE STUDY OF TIGO AND
VODACOM**

By
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A Dissertation Submitted to MUDCC in Partial Fulfillment of the
REQUIREMENTS FOR THE Award of the Degree of Master of Science in
Marketing Management (MSc - MKT) of Mzumbe University.

2014

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a Dissertation entitled: **Service Quality and Brand Loyalty in the Telecommunication Industry A Case study of Tigo and Vodacom**, in partial fulfillment of the requirements for award of the degree of Master of of Science in Marketing Management (MSc - MKT) of Mzumbe University.

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To all these I say “Thank You”.

DEDICATION

I dedicate this research to my family and My Husband Mr. Stephen Katamba

ABSTRACT

This study was carried to evaluate the impacts of service quality on customer loyalty in the telecommunication industry in Tanzania by using case studies of Vodacom and Tigo, this study was guided by four research objectives which are to identify the firms strategies, techniques and policies for service quality at VODACOM and TIGO, to find out the internal and external factors affecting customer loyalty at VODACOM and TIGO and the to find out the relationship between customers and employees on creating customer loyalty.

The research used probability sampling particularly simple random technique to obtain the sample size of 75 respondents, the data was obtained form the sample size by using questionnaires, interviews the Data was analyzed and presented by using both qualitative and quantitative approached. This study concludes that service quality is among the most difficulty issue to measure hence it requires a number of issue to be looked upon. Never the less it is becomes even harder to measure the level of service quality hence in the long run the provision (manufacturing of the services) the customer is involved in the middle of provision so measuring it becomes difficult, since this study was evaluating the service quality on customer loyalty therefore a number of issue have be looked upon the research used tenfold dimension, the study has found that the level of service quality is excellent to both of the firms under study, the study revealed that the nature and modality of service provision, the quickness of service provision, the reliability of service, affordability of the service are key internal factors that influence customers to make choice of the firms although analysis show that the internal factors from VODACOM are more strong that from TIGO on the other hand, service quality has a direct relation with loyalty, and nearly 45 percent of loyalty changes can be explained by service quality changes. Another point is that if the satisfaction variable enters the model, the resulted determination index will be higher in figure than other cases (0.803)

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CHAPTER ONE

BACKGROUND OF STUDY AND PROBLEM SETTING

1.0 Introduction

This chapter contains background to the study, statement of the problem, research objectives, research questions, significance to the study, limitation of the study and scope of the study. It contains the general introductory part to the study hence traduces the paper on what is going to be carried out in the this research hence bring up the core concepts of this study .

1.1Background Information

According to Armstrong (2005) From the viewpoint of business administration, service quality is an achievement in customer service. It reflects at each service encounter. Customers form service expectations from past experiences, word of mouth and advertisement. In general, Customers compare perceived service with expected service in which if the former falls short of the latter the customers are disappointed

Cailds (2001) argues that service quality is a comparison of expectations with performance A business with high service quality will meet customer needs whilst remaining economically competitive. Improved service quality may increase economic competitiveness. This aim may be achieved by understanding and improving operational processes; identifying problems quickly and systematically; establishing valid and reliable service performance measures and measuring customer satisfaction and other performance outcomes

In today's severe competitive markets, differentiation between organizations in terms of price, product and/or service characteristics and the value of the delivery system is difficult. Thus, positioning the organization inside the

customers' mind through communication channels; such as advertising, promotion, postures, banner ads, publicity, public relations and personnel selling in relation to service quality adds customers' loyalty (Caruana and Chircop, 2000).

In general, corporate image and reputation is considered an asset which gives the organization a chance to differentiate itself aiming to maximize their market share, profits, attracting new customers, retaining existing ones, neutralizing the competitors' actions and above all their success and survival in the market (Sarstedt et al., 2012).

All the developed countries in Europe, America and Asia even the developing country of Africa have experienced Commercial and Non Commercial firms being assaulted by the pressures of globalization, competition from non-banking financial institutions, and volatile market dynamics constantly seeking new ways to add value to their services so as to meet their customers need (Barari&Ranjbarian,2009).The increasing growth of competition affect the services quality improvement on behavioral in some organizations such as tour industry, travel trends agencies, food stuff and banking industry whose activities are paying attention to the subject of presenting customers based services, offering services with high quality to customers for the continuation of effective organizations' durability, especially the banks performance. Therefore Today, due to the rapid growth of product and competitive market, demand for products and services often has a significant growth. Due to rapid changes in the status of the competitors, technology and the desires of customers, Banks cannot always rely on their existing services . Customers looking for new and more advanced products and companies are forced to produce and supply new products that meet the needs, tastes and expectations of customers.

The services that meet the customers needs make them feel satisfied and this allows them to pay attention to the organization whenever they are in need of the required services. It should be understood that a satisfied customer bear the company image in his mind. This helps the customer to be on the frontline in carrying the companies'

image to the public through informing their fellow community members about the services offered by the organization and the ways their needs are being satisfied (Bravo et al., 2009).

1.1.0 The concept of customer/brand loyalty

According to Capppeil (2000) brand loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring you even more customers. However, that focus is not how to build customer loyalty.

Customer loyalty is both an attitudinal and behavioral tendency to favor one brand over all others, whether due to satisfaction with the product or service, its convenience or performance, or simply familiarity and comfort with the brand. Customer loyalty encourages consumers to shop more consistently, spend a greater share of wallet, and feel positive about a shopping experience, helping attract consumers to familiar brands in the face of a competitive environment.

Brand loyalty is the result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product or services. Consider who you yourself are loyal to. Surely you will answer family and friends. Why? Because of the emotional bond you have with them. Your family and friends can do things you may not like, but you stay loyal because of that bond. The same applies with customer loyalty. To prompt customer loyalty you must build an emotional bond with your customers.

To build customer loyalty, customer experience management blends the physical, emotional and value elements of an experience into one cohesive experience.(Guba ,2000)

Retaining customers is less expensive than acquiring new ones, and customer experience management is the most cost-effective way to drive customer satisfaction, customer retention and customer loyalty. Not only do loyal customers ensure sales, but they are also more likely to purchase ancillary, high-margin

supplemental products and services. Loyal customers reduce costs associated with consumer education and marketing, especially when they become Net Promoters for your organization.(Enon,J 2008) Given the highly commoditized competitive landscape today, customer experience programs are the most effective way to differentiate an organization from the competition. Such differentiation effectively drives customer loyalty when customers are engaged on an emotional, intellectual, or even spiritual level, and when a customer cherishes a product or service before, during and after its use. In terms of customer loyalty, customer experience management proves itself as a sustainable competitive advantage

So service quality and customer loyalty are two variables which affect each other so this research intends to make an evaluation of the impacts of service quality towards customer loyalty in the banking industry in Tanzania a case of NMB and DTB

1.2 Statement of Problem

Failure to have excellent and high service quality will lead to competitors to win over the market , service quality is among the key factor the key factor to customer satisfaction(Kisanga 2000) goes on argues that if customers are satisfied it's obvious that will establish a step fold of being repeat customers to yours services , however a number of companies have collapse due to lack of effective service quality , although service quality is a multi dimensional issue as well as difficulty to hold on to hence needs attention from the firm from a number of issues such as relationship between employees and customers , the mode of provision of services, organizational culture organizational, tangible premises and surroundings

Different Researches has shown repeatedly that service quality influences organizational outcome such as performance superiority, increasing sales profit and market share, improving customer relations, enhance corporate image and promote customer loyalty.

Furthermore, Kikumba (2008) argues that service quality and customer satisfaction seems to be related to customer loyalty through repurchase intentions. Delivering quality service to customers is a must for success and survival in today's competitive business industry

However there is no clear understanding on how effective is quality services in achieving their core objectives within organizations increasing more customers and making them loyal customers to the brands especially in services network providers in the country

1.3.1 Research Questions

What are the firms strategies , techniques and policies on service quality at tigo and vodacom ?

What is the level of brand loyalty at tigo and Vodacom What is the internal and external factors affecting service quality tigo and Vodacom

what is the relationship between customers and employees on creating customer loyalty ?

1.4 General Objective

To evaluate the influence of service quality and brand loyalty in the telecommunication industry a case Tigo and VODACOM

1.4.1 Specific Objective

To identify the strategies , techniques and policies on service quality at Tigo and Vodacom Tanzania

To identify the level of brand loyalty on Tigo and Vodacom services

To find out the internal and external factors affecting service quality at tigo and Vodacom

To find out the relationship between customers and employees on creating brand loyalty

1.5 Significance of the study

To the researcher

This study advances knowledge on the field of services quality and brand loyalty in an organization hence the researcher had to review a number of concepts and literatures . The study helps to build on the researcher's knowledge and understanding of the study variables. It also helped the researcher to gain more skills of conducting research and this is important to the researcher while in office or pursuing further studies. It also helps the researcher to appreciate the concept of service quality and brand loyalty

To other researchers (academic)

The study findings helps to build on the body of the existing literature and knowledge. This helps to provide reference for future researchers and they will be able to carry out research with ease since this study provide secondary data to the researchers.

To the government

Upon completion of this study it ,the government may have to amend more reliable and compelling polices and rules in ensuring the firms especially in telecommunication industry to provide better services which reflect the demands of the public

To the public

The research provides key insight on how service quality affect brand loyalty so the firms understudy may adopt the recommendations brought forward by the research in order to improve their service in which benefits the users or customers which is general public

1.6 Scope of the study.

This study is limited to the dimension of tigo and Vodacom in Tanzania , the conclusion of this study may be generalized from the sample size, therefore the theories of this study may only apply to the case understudy

This study is limited on specifically researching on the strategies , techniques and policies for service quality , the level of brand loyalty of the firms understudy, the internal and external factors affecting brand loyalty at tigo and Vodacom , and the relationship between customers and employees on creating customer loyalty

1.9 Conclusion.

At this chapter , the study presented the background and introduction to the study that highlighted the objectives and significance of the study, from this chapter there is also list of definition of key terms

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This part presents a review of the related literature , by describing some existing concepts , ideas and knowledge so as to broaden the researcher's knowledge on the study variables and to see what has been and what has not been done , this study presents theoretical arguments , conceptual framework or model empirical literature review and the research gap

2.1.0 Theoretical arguments

Definition of terms

Service quality

According to Roberts L (2000) The most popular definition in relation to providing a quality service is about the meeting and/or exceeding of customer expectations. Most definitions of service quality use the term “perceived service quality” to emphasize that it is service quality from the customer's perspective. The measurement of service quality is often a comparison between what customers feel the service should offer and their evaluation and/or perception of the service's actual performance. Service quality: is a comparison of expectations with performance. A business with high service quality will meet customer needs whilst remaining economically competitive. Improved service quality may increase economic competitiveness.

Brand loyalty

According to Keller (2003) it can be said to have occurred if people choose to use a particular shop or buy one particular product, rather than use other shops or buy products made by other companies. Customers exhibit customer loyalty when they consistently purchase a certain product or brand over an extended period of time. As an example, many customers stick to a certain travel operator due to the positive experiences they have had with their products and services.

In an increasingly competitive environment service quality as an essential strategy for success and survival has attracted increasing interest in over the past 20 years (Ismail et al., 2006). Organizations are striving to gain a strategic competitive advantage by delivering service with "quality" and "satisfaction". Several researchers have agreed that if companies do not recognise and respond immediately to customer's needs efficiently and effectively, the result may be decreasing profits, increasing levels of stress and customer dissatisfaction. Therefore, companies must constantly ask themselves: what do customers want from us, and how can we improve current customer perception (Hong and Goo, 2004; Law et al., 2004). Consequently, there is a huge body of marketing literature that is concerned with service quality, customer satisfaction, and customer loyalty as three distinctive elements that service organizations should strive for (Hong and Goo, 2004; Law et al., 2004; Ismail et al., 2006).

Huff et al. (2009, p. 353) argues that despite its current popularity, there is little agreement on what quality is and how to achieve it". Organizations never admit that they do not provide quality to their customers, despite the fact that service quality acts as the source of a powerful competitive advantage weapon in the market place. It is the customer's definition that really matters (Zeithaml et al., 2000 a, b);

therefore, conformance to company specifications is not quality, rather, quality is conformance to customer specifications (Gronroos, 1993), and "the quality of a service, as perceived by the customer, is a result of a comparison between the expectations of the customer and his real-life experiences" (Gronroos, 2000: 20).

The same approach is used by Zeithaml et al. (1990: 19) stated that "service quality, as perceived by customers, can be defined as the extent of discrepancy between customers' expectations or desires and their perceptions".

2.1.1 The service encounter and co-produced value

A look at service production and delivery systems reveals a number of sources of service productivity and quality. Not only is the distinction between goods and services blurred but service production is different from goods manufacturing. The most crucial operational characteristic of service management and marketing - which differentiates it from goods - is the service encounter. It holds that in service production and delivery, the customer enters the stage during the production process, starts the consumption of the service during the production, and continues to benefit from the service in the future (Gummesson, 1997). In goods manufacturing, the customer enters the stage only when the manufacturing of the goods is finished. This leads to a different buying and consumption behaviour pattern for services from that for goods. The customers' contributions to the production of the service have a significant impact on productivity and quality. The customer is a co-producer of value.

Bell et al (2005) Two basic types of relationships and interactions of the service encounter will be analysed here: those between the service provider's contact personnel (the front line) and the customer; and

customer-to-customer interaction, that is, interactions between customers.

A passenger interacts with a flight attendant, a patient with nurses and doctors at a hospital, a product manager with the account manager, the art director, and the copywriter of an advertising agency. The customer becomes a co-producer; productivity and quality of the service are dependent on the contributions from both the customer and the service provider. The interaction is sometimes extremely intense and intimate and includes enormous stakes for the customer, such as in surgery or counsel in a divorce case.

The shared experience can cement or prevent long-lasting relationships. Other service encounters can be trivial but regular, such as taxi and postal services, but because of the repeated need for the services, they are important to the customer.

In this context, service productivity and quality emerge from three sources:

- Part of the provider's work being done independently of the customer;
- Part of the customer's work being done independently of the provider;
- and
- work the two parties do in interaction.

The concepts of service quality and three of service productivity. The terms customer induced productivity and customer induced quality denote the customer's contribution to quality and productivity. Today, quality is usually seen as customer perceived quality based on the individuals' assessments of the value of the service for them - their satisfaction - but their contribution to quality is not measured. The provider's contribution is defined as provider induced productivity and provider induced quality

2.1.2 Customer satisfaction towards brand loyalty

The word "satisfaction" is significant by itself; as psychologists debate our overall "life" satisfaction so management seeks to provide job satisfaction and consumer satisfaction. Consumers demand satisfaction. Consumer behaviour researchers seek to understand and explain consumer satisfaction (Wan, 2007).

Customer satisfaction has emerged as one of the most powerful tools for sustaining a competitive advantage for business success and survival nowadays, through excellence service quality. Parasuraman et al. (1987: 32) stated that "excellent service is a profit strategy because it results in more new customers, more business with existing customers, fewer lost customers, more insulation from price competition, and fewer mistakes requiring the re-performance of services". Mentzer et al., (1995: 45-46) stated that "maximising customer satisfaction will maximise profitability and market share".

Customer satisfaction has been defined in two ways: either as an outcome or as a process. The outcome definitions characterise satisfaction as the end-state resulting from the consumption experience (Churchill and Surprenant, 1982). Churchill and Surprenant (1982: 493) defined customer satisfaction as "an outcome of purchase and use resulting from the buyer's comparison of the rewards and the costs of the purchase in relation to the anticipated consequences". On the other hand, satisfaction can be considered as a process, emphasising the perceptual, evaluative and psychological processes that contribute to satisfaction (Tse and Wilton, 1988). Hunt (1977: 459) defined customer satisfaction as "an evaluation rendered that the experience was at least as good as it was supposed to be".

In Tse and Wilton's (1983) definition, three antecedents of satisfaction can be identified:-

1. Customer expectations, or expected performance,
2. Actual performance or perceived performance,
3. The discrepancy or confirmation/disconfirmation is the gap between the expected performance and perceived performance.

Whether a customer's positive expectations about a product or service are met, or whether a customer's negative expectations about a product or service are not met; in both cases, the result is moderate satisfaction. The former is derived from positive confirmation, and the latter is resulted from negative confirmation, or disconfirmation. The term disconfirmation in this context relates to the fulfilment of expectations, and may be positive (where product performance exceeds expectations), negative (where product performance falls below expectations) or zero (where performance equals expectations). If those expectations are exceeded, it brings high satisfaction to the customer. More specifically, an individual's expectations are (1) confirmed when a product and/or service performs as expected, (2) negatively disconfirmed when a product and/or service performs more poorly than expected, and (3) positively disconfirmed when the product performs better than expected. This paradigm, known as the confirmation/disconfirmation, leads to an emotional reaction called satisfaction/dissatisfaction (Slatten, 2008).

The debate about the conceptual measurement of service quality and customer satisfaction Confusion over use of the terms "customer satisfaction" and "service quality" interchangeably has increased considerably in the marketing literature. Customer satisfaction is derived from the Latin satis (enough) and Facere (to do or make). These terms illustrate that satisfaction implies some kind of fulfilment (Rust and Zahorik, 1993).

Bolton and Drew (1991 a, b) define overall satisfaction as a function of satisfaction with multiple experiences with the organization; i.e., customer satisfaction is specific to an individual service encounter, while service quality is an overall attitude towards a service firm; service quality is a global judgement (Law et al., 2004; Bolton and Drew, 1991a).

Moreover, there seems to be a disagreement as to whether these two constructs belong at the transaction-specific or the global end of the continuum, if one end of the continuum represents satisfaction with a specific transaction (also labelled as encounter satisfaction) (Bitner and Hubbert, 1994), and the other end represents global attitude. There is little agreement regarding which construct (service quality or customer satisfaction) belongs at which end of this range. Here there are also at least two schools of thought. The first school of thought is that "quality leads to satisfaction" (Parasuraman et al., 1985, 1988, 1994 a : 123; Cronin and Taylor, 1992; Fornell, 1992; Anderson et al., 1994; Dabholkar et al., 2000; Hong and Goo, 2004), whereas the second group is convinced that "satisfaction with {specific transaction} leads to overall quality perceptions" (Bitner 1990; Bolton and Drew 1991 a). Bolton and Drew (1991 a) equate service quality with an attitude, and suggest that satisfaction is an antecedent of service quality.

Expectations and perceptions play an important role in both schools of thought. In both research streams it is suggested that consumers arrive at a judgement of the perceived quality of a product or service by combining prior expectations about the product or service with perceptions of product or service usage. It is also suggested that consumers use multiple classes of expectations (Tse and Wilton, 1988; Zeithaml et al., 1990).

Furthermore, Customer satisfaction is an affective state, and service quality is a cognitive state. Therefore, because the fact that cognition precedes emotion in the causal chain of psychological processes rests on a solid theoretical ground (Oliver 1997); service quality was considered as an antecedent of customer satisfaction. Thus, we concur with the view that service quality leads to customer satisfaction. As a general rule, the customer satisfaction literature represents expectations as predictions of future events, operationalised as "will" expectations (Prakash, 1984; Swan and Trawick, 1980), while the service quality literature uses normative expectations of future events', operationalised as either "should", "desired", or "ideal" expectations (Parasuraman et al., 1988; Boulding et al., 1993).

Furthermore, Dabholkar et al. (2000) conceptualised a comprehensive framework for service quality by investigating critical conceptual and measurement issues through a longitudinal study. This study reports that factors relevant to service quality are better conceived as its antecedents rather than its components and that customer satisfaction strongly mediates the effects of service quality on behavioural intentions; also, the study reports that perceptions and measured disconfirmation have several advantages over computed disconfirmation (i.e. difference scores), and that a cross-sectional measurement design for service quality is preferred to a longitudinal design (Dabholkar et al., 2000).

Oliver (1980) presented the "disconfirmation of expectations" paradigm: this paradigm suggests that the higher the expectation in relation to actual performance, the greater the degree of disconfirmation and the lower the satisfaction (Bearden and Teel, 1983; Swan and Trawick, 1980; LaTour and Peat, 1978-1979; Tse and Wilton, 1988; Churchill, 1979; Woodruff et al., 1983).

Despite some argument as to whether these two terms describe the same concept or whether they are distinct in nature, most agree that they are nonetheless highly inter-correlated (Bitner and Hubbert, 1994; Parasuraman et al., 1994 a, b). Additionally, some authors have been using service quality as a surrogate of customer satisfaction (Schneider et al., 1998). Satisfaction is generally viewed as a broader concept while service quality assessment focuses specifically on dimensions of services. To sum up, service quality and customer satisfaction are separate (i.e., unique) constructs that share a close relationship (Brown and Swartz, 1989; Parasuraman et al., 1994 a; Taylor and Baker, 1994: 164-166).

2.1.3 SERVICE LOYALTY

Many service organizations have developed customer loyalty programs as a part of relations development activities. Customer loyalty is a complicated concept. Oxford Dictionary defines loyalty as a state of true to allegiance. But the mere repeated purchase by customers has been mixed with the above mentioned definition of loyalty. In service domain, loyalty has been defined in an extensive form as “observed behaviors” (Bloemer et al., 1999). Caruana (2002) argues that behavior is a full expression of loyalty to the brand and not just thoughts. However, behavior standards (such as repeated purchase) have been criticized, due to the lack of a conceptual basis of a dynamic process (Caruana, 2002). For example, the low frequency of repeated purchase of a special service may be resulted from different situation factors, such as non-availability or absence of a provider. According to this point of view, loyal behavior cannot offer a comprehensive conception of fundamental causes of loyalty. Additionally, repetition may be due to different restrictions resulted from the market. Consequently, the loyalty of this type of customers mainly differs from the loyalty of those customers who seriously support a product, and do have psychological bond with a

product and a company. Therefore, customer's loyalty was considered as an attitudinal structure. For example, this issue appears in the tendency to advise the service offer to other customers. Finally, in addition to behavioral and attitudinal approaches, another approach to customer's loyalty, called cognitive approach, was introduced. The operational definition of this approach often refers to the first product or service which comes to the mind of a person, while making decision for purchase. Meanwhile, in their definition of this approach, Ostrowski et al. (1993) and Bloemer (1999) refer to the first product or service that a person chooses among products and services

2.1.4.0 Types of Loyalty

To understand customer loyalty one must recognize there are different types and degrees of loyalty. There is monogamous loyalty and there is polygamous. There are also behavioral and attitudinal aspects. A look at these concepts will clarify what "customer loyalty" really is, and this is important because having a solid understanding of the concept is critical if one hopes to design a reward program where loyalty enhancement is the primary objective.

2.1.4.1 Monogamous vs. Polygamous Loyalty

We live in a world of polygamous, not monogamous loyalty. For example, a person might shop at Safeway, Thrifty Foods and Save-on-Foods and unfailingly shop at all three. The person is then loyal to them, but not to others, and yet 100% loyal to none. In their book *Loyalty Myths*, Keiningham et al. (2005) suggest that "loyalty can in part be thought of as the probability a customer will purchase a brand on any particular purchase occasion. For example, a customer may tend to purchase Brand A 70 percent of the time, Brand B 20 percent, and Brand C 10 percent of the time" (p.90). The point here is that, in the real world, 100% loyal customers are rare. In the majority of cases,

attempting to make customers completely loyal is unrealistic. A more realistic goal for businesses is to make customers as loyal as possible – to maximize customer share of wallet, frequency of purchase and overall profitability. The objective of businesses, and therefore loyalty programs as well, should be to make the organization's share of customer loyalty as high as possible.

According to Dowling and Uncles (1997) from Australia, “‘polygamous loyalty’ is a better description of actual consumer behavior than either brand switching (a conscious once-and-for-all change of allegiance to another brand) ... or promiscuity (the butterfly tendency to flit from brand to brand without any fixed allegiance).”

2.1.4.2 Behavioral and Attitudinal Loyalty

In the past, many scholars defined loyalty in behavioral terms. If a person made most purchases in a given product category from one supplier, regardless of the reason, the person was defined as loyal. As Kumar and Shah (2004) point out, “a majority of existing loyalty programs follow these measures to reward behavioral loyalty. That is, the more you spend with the company, the more rewards you earn”.

A second element of loyalty is attitudinal loyalty. Like behavioral loyalty, attitudinal definitions have existed for a long time. This second element of loyalty focuses on how strong the psychological commitment or attachment is to the brand. By itself, it too has limitations. For example, how loyal are people who rave about a product and promote it to their friends, but then for whatever reason fail to buy it regularly themselves?

In the opinion of many scholars, as a minimum, an adequate definition of customer loyalty includes the history of actions plus feelings and

intentions toward the brand or commercial relationship. Loyalty action and talk (i.e., promotion to others) are both valuable to businesses, but in different ways

In the context of relationship marketing, customer satisfaction is often viewed as a central determinant of customer loyalty (Law et al., 2004), while relationship marketing is defined as a marketing philosophy aimed at establishing, attracting, maintaining and enhancing customer relationships (Sheth and Parvatiyar, 1995), rather than identifying and acquiring new customers (Guenzi and Pelloni, 2004).

The attraction of new customers should be viewed only as an intermediate step, as strengthening the relationship and transforming them into loyal customers is the main goal. From this perspective, the fundamental goal of the relationship marketing approach is gaining and fostering customer loyalty (Gremler and Brown, 1999; Guenzi and Pelloni, 2004). In the past, traditional marketing focused on attracting new customers rather than retaining existing ones, and selling rather than building relationships (Zeithaml et al., 1985; Rust et al., 2000). Nowadays, customer loyalty and retention is the most vital goal for service organizations success (Jones and Sasser, 1995). Deming (1986: 23) stated that “it is no longer sufficient to concentrate only on customer satisfaction; the next step is customer loyalty”.

Furthermore, Hong and Goo (2004) stated that satisfaction is a necessary prerequisite for loyalty but is not sufficient on its own to automatically lead to repeat purchases, while Gale (1994) stated that customer value measurement (CVM) providing superior customer value---and value is simply quality as defined by the customer and offered at the right price.

Service loyalty is indicated by repeat purchases or repurchases intentions (Cronion and Taylor, 1992; Heskett et al., 1994; Rust et al., 1995), favourable word-of-mouth, and recommendations (Oliver and Swan, 1989; Parasuraman et al., 1988, 1991 a, b; Boulding et al., 1993; Rust et al., 1995; Zeithaml et al., 1996).

2.2.0 Theoretical framework

The loyalty business model is a business model used in strategic management in which company resources are employed so as to increase the loyalty of customers and other stakeholders in the expectation that corporate objectives will be met or surpassed. A typical example of this type of model is: quality of product or quality leads to customer satisfaction, which leads to customer loyalty, which leads to profitability.

2.2.1 The service quality model

A model by Kaj Storbacka, Tore Strandvik, and Christian Grönroos (1994), the service quality model, is more detailed than the basic loyalty business model but arrives at the same conclusion. In it, customer satisfaction is first based on a recent experience of the product or service. This assessment depends on prior expectations of overall quality compared to the actual performance received. If the recent experience exceeds prior expectations, customer satisfaction is likely to be high. Customer satisfaction can also be high even with mediocre performance quality if the customer's expectations are low, or if the performance provides value (that is, it is priced low to reflect the mediocre quality). Likewise, a customer can be dissatisfied with the service encounter and still perceive the overall quality to be good. This occurs when a quality service is priced very high and the transaction provides little value.

This model then looks at the strength of the business relationship; it proposes that this strength is determined by the level of satisfaction with recent experience, overall perceptions of quality, customer commitment to the relationship, and bonds between the parties. Customers are said to have a "zone of tolerance" corresponding to a range of service quality between "barely adequate" and "exceptional." A single disappointing experience may not significantly reduce the strength of the business relationship if the customer's overall perception of quality remains high, if switching costs are high, if there are few satisfactory alternatives, if they are committed to the relationship, and if there are bonds keeping them in the relationship. The existence of these bonds acts as an exit barrier. There are several types of bonds, including: legal bonds (contracts), technological bonds (shared technology), economic bonds (dependence), knowledge bonds, social bonds, cultural or ethnic bonds, ideological bonds, psychological bonds, geographical bonds, time bonds, and planning bonds.

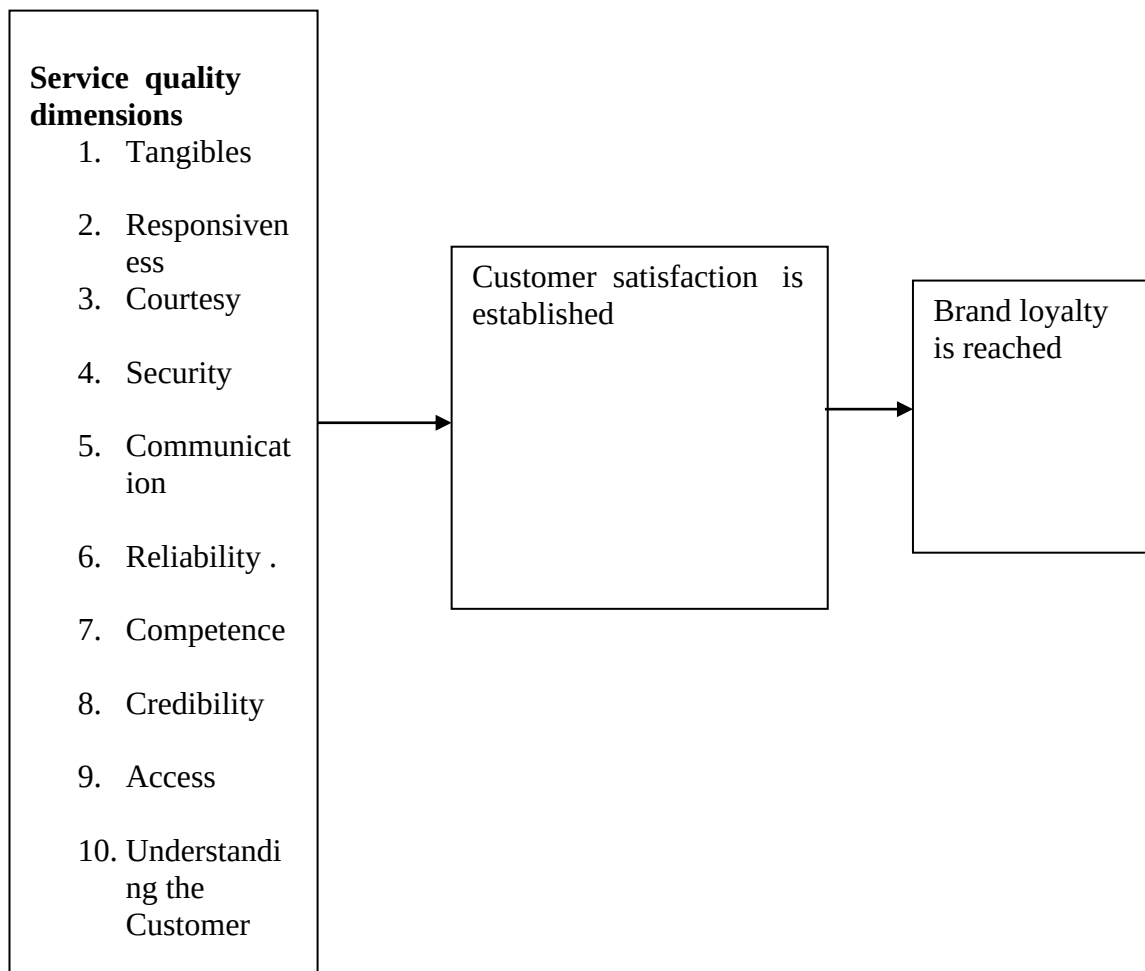
This model then examines the link between relationship strength and customer loyalty. Customer loyalty is determined by three factors: relationship strength, perceived alternatives and critical episodes. The relationship can terminate if: 1) the customer moves away from the company's service area, 2) the customer no longer has a need for the company's products or services, 3) more suitable alternative providers become available, 4) the relationship strength has weakened, 5) the company handles a critical episode poorly, 6) unexplainable change of price of the service provided.

The final link in the model is the effect of customer loyalty on profitability. The fundamental assumption of all the loyalty models is

that keeping existing customers is less expensive than acquiring new ones. It is claimed by Sasser (1990) that a 5% improvement in customer retention can cause an increase in profitability between 25% and 85% (in terms of net present value depending upon the industry. However, Carrol and Reichheld (1992) dispute these calculations, claiming that they result from faulty cross-sectional analysis.

This service quality model will be used as a basis of arguments in this study.

Conceptual framework .



The above SERVQUAL model was used as basis of argument in this study , where as the researcher holds that if the above dimensions are reached / are well provide by the banks in Tanzania the customer satstification will be reached and automatically customer loyalty will be established

2.3 Empirical literature review

Benefits arising from a high quality are reflected in a more competitive positioning on the market, but also in a better business result. This statement can be proved by measuring the increase of profitability and market share. The results of a research carried out in the USA on a sample of 2600 companies in the period between 1987 and 2002, show a direct connection between the level of quality of goods and services and their financial performances. As a matter of fact, it was observed that all indicators of success of a company, like market share, return on investments, property turnover coefficient, show significantly more value in companies with a higher level of goods and services. The efficiency of the whole system is possible only if we monitor and analyze the demands of the customers, as well as define and control the process and implement constant improvements. Quality is a complex term, made up of several elements and criteria.

Guenzi and Pelloni (2004) explored the impact of interpersonal relationships (both with a firm's employees and customers) on customer satisfaction and loyalty toward the firm. This paper empirically tests an original multi-level and multi-subject model. The findings show that customer-to-employee and customer-to-customer relationships contribute differently to the development of customer loyalty.

Aydin et al. (2005) conducted a study in the GSM mobile telephony sector to measure the effects of customer satisfaction and trust on

customer loyalty and the direct and indirect effect of switching cost on customer loyalty and found that the switching cost factor directly affects loyalty, and has a moderator effect on customer satisfaction and trust. Therefore, it plays a crucial role in winning customer loyalty. Furthermore, trust has more importance than customer satisfaction in engendering loyalty, since trust contains belief in the product and service, which provides positive outcomes not only in the present but also in the future; however customer satisfaction does not contain this dimension.

Pont and McQuilken (2005) stated that customer satisfaction is an important indicator for customer loyalty and accordingly they investigated the relationship between customer satisfaction and customer loyalty intentions within the Australian banking industry for two distinct customer segments, retirees and university students. Results indicate no significant difference in the satisfaction levels of either group; however, there were differences with respect to two of the five behavioural intentions dimensions (loyalty, switch, pay, internal response and external response), loyalty and switch. Satisfaction was found to have a significant impact on three of the five behavioural intentions dimensions, loyalty, pay, and external response, suggesting that management should initiate service policies aimed at securing improvements in customer satisfaction.

Yu et al. (2006) explored the relationship among service quality, customer satisfaction and customer loyalty of the leisure industry to provide operators with a reference as to how to improve their quality. According to their results, the partial demographic statistics variable has a significant relationship with service quality, customer satisfaction and customer loyalty of the leisure industry while significant differences show between importance and satisfaction of service quality of the

leisure industry. In addition, both satisfaction of leisure industry service quality and overall customer satisfaction have significant relationship with customer loyalty (Yu et al. used SERVPREF instead of SERVQUAL).

Ismail et al. (2006) examined the relationship between audit service quality, client satisfaction, and loyalty to the audit firms. The SERVQUAL model was used to measure the perceptions and expectations of public listed companies on the services received from audit firms. Questionnaires were sent to 500 public listed companies. They found that companies were satisfied with the tangible dimension but were dissatisfied with the other four dimensions. The most commonly expressed dissatisfaction was empathy. Customer satisfaction was found to partially mediate the relationship of reliability and customer loyalty.

Turk and Avcilar (2009) investigated the effects of service quality of audit firms on customer satisfaction and behavioural intentions. They found that customer satisfaction mediates perceived service quality dimensions and customer loyalty. They also found that assurance is the most important dimensions dimension of the service quality of audit firms followed by reliability, responsiveness, empathy, and lastly tangibles. Thus managers in this case should focus on employees' knowledge, courtesy, ability to deliver the promised service dependably and accurately and their ability to help customers and provide service willingly in order to improve the service quality. Their results confirm the path that stated that perceived service quality is the antecedent of customer satisfaction in predicting behavioural intentions; however, it does not have a direct effect on behaviour intentions.

Akbar and Prevaez (2009) investigated the effects of service quality, trust, and customer satisfaction on customer loyalty. They found a significant positive relationship between them. Their findings also supported the path arguments that customer satisfaction mediates perceived service quality dimensions and customer loyalty. They used two models; the first model investigated the relationship of customer satisfaction that mediates perceived service quality dimensions and customer loyalty, and furthermore, they examined the relationship between trust and customer loyalty. Thus, a path from customers' perceived service quality to customer satisfaction and then customer satisfaction and trust to customer loyalty. The second model examined both the direct and indirect relationship of customer satisfaction that mediates perceived service quality dimensions and customer loyalty, besides investigating the direct correlation between trust and customer loyalty. Thus, a path from customers' perceived service quality to customer satisfaction and customer loyalty, and then customer satisfaction and trust to customer loyalty. They found that the second model is better than the first one as the results of goodness-of-fit index (GFI), normal-fit-index (NFI), comparative-fit-index (CFI), and root mean square error of approximation (RMSEA) are better. The interaction between service quality and customer satisfaction will explain more of the variance in customers' stated purchase intentions than the direct influences of either service quality or satisfaction alone (Peyrot et al., 1993; Soderlund, 2006; Turk and Avcilar, 2009; Akbar and Prevaez, 2009).

Bloemer, et al. (1998) have presented a model to show how the mental picture, service quality, and customer satisfaction influence customer loyalty. Findings of this research show that the mental picture indirectly and through service quality, influences loyalty. On the other hand, service quality influences loyalty both directly and indirectly (through

satisfaction). Besides, this research showed that the reliability and position in the market are relatively important stimulants affecting the loyalty to bank services. (2) On the relationship between customer satisfaction, service quality and service loyalty in Malta's banks,

Caruana (2002) concluded that customer satisfaction plays a mediator role in the effect of service quality on service loyalty. In fact, service quality affects service loyalty through customer satisfaction. In addition, results of this research show that service quality is an important gateway to customer satisfaction, and explains 53% of the variance. (3) Yongyui (2003) has presented a model for the relationship between service quality and bank's reputation. According to the findings of this research, the fivefold dimensions of service quality have direct effect on the bank's reputation. In addition, on the basis of this research's findings, the bank's reputation plays an important role in determination of purchase, repeated purchase, and customer loyalty. This issue has much more importance in banking industry, because service quality cannot be accurately evaluated before purchasing. (4) On customers' abandonment behavior in America's banks, Chakravarty (2003) found that there is a meaningful negative relation among service quality dimensions, responsiveness, empathy, and reliability, with customer's tendency to abandon the bank. This study in India's banks show that the concept of service quality in developing countries is a multi-dimensional structure, and in fact the results clearly show that SERVQUAL model provides more evaluating information in relation with service quality gaps, than SERVPERF scale

2.4 Research gap

As pointed above there are a number of studies which have been conducted on service quality and customer satisfaction, whereas most of the studies have been conducted by using SERVPERF scale

, however there some studies which have been conducted on service quality and customer satisfaction using a SERVQUAL scale but most of the using five dimension

The above studies have been covered on service quality and customer satisfaction in many different field of a business industry but not at the telecommunication industry in Tanzania , so the is lack of information on service quality on brand loyalty in the banking industry in Tanzania

This study fills the gap by conducting a research on the influence of service quality on customer loyalty in the telecommunication industry particularly at Tigo and VODACOM specifically the study was focusing on the firms strategies , techniques and policies on service quality , the level of brand loyalty at the firms ,the internal and external factors affecting brand loyalty at TIGO and VODACOM, The relationship between customers and employees on creating brand loyalty also the study used SERVQUAL scale with ten dimensions

2.5 Conclusion.

From this chapter ,the study sought to focus on basic knowledge of the study by reviewing theoretical framework, related literature, empirical reviews and research gap so as to create foundation on what is required for the study. This part provides the researcher with a way forward on what to research on

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methods and approaches that will be applied in conducting this research study. It describes the research design and techniques employed. Similarly, the study area is described and the justification for its selection is provided.

3.1 Research design.

According to Mugenda (2000) says research design is encompasses the methodology and procedures employed to conduct scientific research . The design of a study defines the study type; It is detailed outline of how an investigation will take place. A research design will typically include how data is to be collected, what instruments will be employed, how the instruments will be used and the intended means for analyzing data collected. it is the blue print of the research methodology

This study used both case study and descriptive survey a According to Mugenda & mugenda (1999, p,97) descriptive survey research is therefore self report study which requires the collection of information from the sample. This study was descriptive survey so as to describe existing phenomena by asking people respondents who are the customers of tigo and Vodacom, by asking customers on their level of brand loyalty as well as how far have they been influenced by the service quality of the firms understudy ,therefore the data was analyzed so as to find how far as service quality influenced brand loyalty, hence providing the needed data

Also the study used case study hence selected a small unit for interview which was 10 interviewees who were from the two telecommunication companies since the study is based on two companies, therefore the researcher picked the sample from the firm so as to find out how are the firm strategies , policies in making sure that service provide is of high quality which compels/influences customers to be loyal to their brand

3.2 Area of the Study

According to Kothari, (2006, p. 21) says area of the study is the place or the geographical coverage where the research will be conducted

For the purpose of this research , was conducted in Dar es salaam city the area is proposed due to the fact it the area where firms are located it as well accessible to the researcher,

3.3 Research population

According to Mugenda and Mugenda (2003,p,23) population is the entire group of individuals, events or objects having common observable characteristics where the sample size for the study will be drawn . The population of this study is customers and employees of telecommunication industry in Tanzania where the sample will be drawn

3.3 Sample and sampling Design

3.3.1 Sampling Technique

According to Kothari (2000, p.152) sampling maybe defined as the selection of some part of aggregate or totality on the basis of which a judgment or inference about the aggregate or totality is made

In this study purposive sampling techniques and simple random technique was applied to obtain the respondents . according to kothari (2001,p,153) says Purposive sampling is the technique used to obtain

the sample who have the required base knowledge relevant to the study, purposive sampling technique was used to obtain 10 officials from customer service quality unit at tigo and Vodacom (five from each) who have the required information and knowledge on service quality at the firms

According to Kothari (1996) Simple random sampling is the basic sampling technique where the researcher selects a group of subjects (a sample) for study from a larger group (a population). Each individual is chosen entirely by chance and each member of the population has an equal chance of being included in the sample. Every possible sample of a given size has the same chance of selection.

, where as simple random technique was used to get 80 respondents from the two firm's customers so as to give an equal chance of selection to every customer of the firms during the study period, the researcher identified who is the customer of TIGO or VODACOM upon knowing were randomly selected to be in the sample

3.3.2 Sample Size

The researcher used 90 respondents as a sample size , since the general population of the study cannot be studied in as whole, so the researcher selected of 90 respondents as well as baring to time constrains the researcher select a small but adequate number of the respondents to this study

Since the two firms (tigo and vodacom) has an approximately more than 400,000 customers , so from the customers the researcher took only 80 (40 from each) as the sample size , since the sample was obtained randomly then the sample demographic was identified during data collection period

Also 10 respondents were from the firms' employees particularly from service quality section

3.4 .0 Data Collections techniques

In this study the researcher used two data collection methods. These includes interview and questionnaires.

3.4.1.Interview

Interview is the data collection technique that involve oral questioning of respondent individual or as group. (Mugenda and Mugenda 2003, P.71).

An interview is an oral administration of questionnaires and therefore a face to face encounter. This was basically used on obtaining information from 10 officials of tigo and Vodacom respective . Interview was used because it is more flexible and inter viewer (researcher) can adapt the situation and get more information on service quality and service quality

3.4.2 Questionnaire method

This is the method of preparing set of questions which will be sent to respondents for answering the questions and return to the researcher for the study (Mugeda & Mugenda 2002. P,72) a standard set of questionnaires were sent to 80 respondents who are customers of the firms

The questionnaires consisted of both structured and unstructured questions

In this research, SERVQUAL was used for designing questions related to service quality

3.4.3 Structured questionnaires

This type of questionnaire requires a respondent to choose the right answer from the listed answer, it do limit the respondent. So as to obtain direct information from respondents and will be easy to analyze because were in an immediate usable form

3.4.4 Un structured questionnaires

Un structured questionnaires were used to give an opportunity to respondents to express themselves freely to provide a general idea according to their understanding , this helped to obtain information from hidden motivation , attitudes so as to demonstrate the respondents' information

questionnaires and interview guide line the researcher pre –a tested the instruments if provided valid information and instruments .

3.6 Data Presentation And Analysis

The purpose of data analysis is to interpret and draw conclusions from the data collected. Data will be analyzed in terms of the aims of the study. The researcher used quantitative and qualitative approaches in analyzing the data collected that would be statistically interpreted and analyzed

Quantitatively the researcher use frequency counts and percentages in data analysis. Frequency is the number of times a particular value of a variable occurs ,In addition, the data collected will be presented visually in the form of tables and graphs.

The study was mainly analyzed qualitatively ,this the process of bringing order , structure and meaning to the mass information collected (Kothari , 2002,p, 45)

Statistical Package for Social Science (SPSS) wasused in data analysis for quantitative data where by the analysis begun to code by giving

numerical or other symbols to answer the responses as the pre-step in analysis where by the data was transformed into another format that programmer could understand. Thus, data from questionnaires will be converted into numbers, one for each value. This is the creation of code book prior to data entry.

After having coded, data was entered directly into a prepared code book for analysis and were commanded to analysis, descriptive statistic, and frequency to get outputs for closed ended nature of questions from questionnaires. While for open ended nature of questions the command will start from multiple responses and define the frequency to get outputs. Data collected through interview and from documentary materials were analyzed by using content analysis. This is the rich or thick descriptions approach that requires comprehensive and detailed explanations of the findings from the data collection. It is intended to make the reader feel the real experience through the researcher's detailed and in-depth explanations. The research will be referring on the theme of the topics discussed by identifying the major concepts of the topic and summary of report.

CHAPTER FOUR

DATA PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter presents the obtained through questionnaires and interviews from Vodacom and Tigo, the obtained data have been analyzed through SPSS version and presented both qualitative and quantitatively

4.1 Demographic characteristics of the respondents

The researcher wanted to find the demographic characteristics of the respondents in terms of gender and education qualification so as to find out there is any impact between the demographic characteristics in relation to the topic, out of 90 distributed questionnaire only 75 were returned to the researcher whereas 39 (52%) respondents were from Vodacom and 36(48%) respondents were from tigo

4.2 Gender of the respondents

The researcher wanted to find the sex of the respondents, analysis was done and presented in the table below

Table 4.0 showing the gender of the respondents

Response s	Frequenc y	Percentag e
Male	39	52
Female	36	48
Total	75	100

Source: researcher's findings (2014)

The table above shows that 39(52%) of the respondents were male and 36(48%) of the respondents were female this creates an impression that the research data are well representative in terms of gender thus both male and female are well distributed

4.3 Academic qualification

The researcher wanted to find out the education background of the respondents so as to find out if education level may have any impact on customer loyalty , analysis was done and presented below

Table 41 showing education background of the study

Response s	Frequenc y	Percentag e
Primary level	7	9
Secondary level	11	15
Diploma holders	18	61
Degree holders	25	33
Masters holders	10	13
Phd holders	4	5
Total	75	100

Source: researcher's findings (2014)

The above table shows that 7(9%) of the respondents had primary level of education , 11(15%) of the respondents were secondary level holders ,while 18(61%) of the respondents were diploma holders ,25(33%) of the respondents were degree holders , 10(13%) of the respondents have pointed out that are masters holders and only 4(5%) of the respondents were PhD holders

With this kind of results it shows that majority of the respondents are well educated which shows educated people are dealing with financial institutions such as banking.

4.4 Awareness of the banks understudy

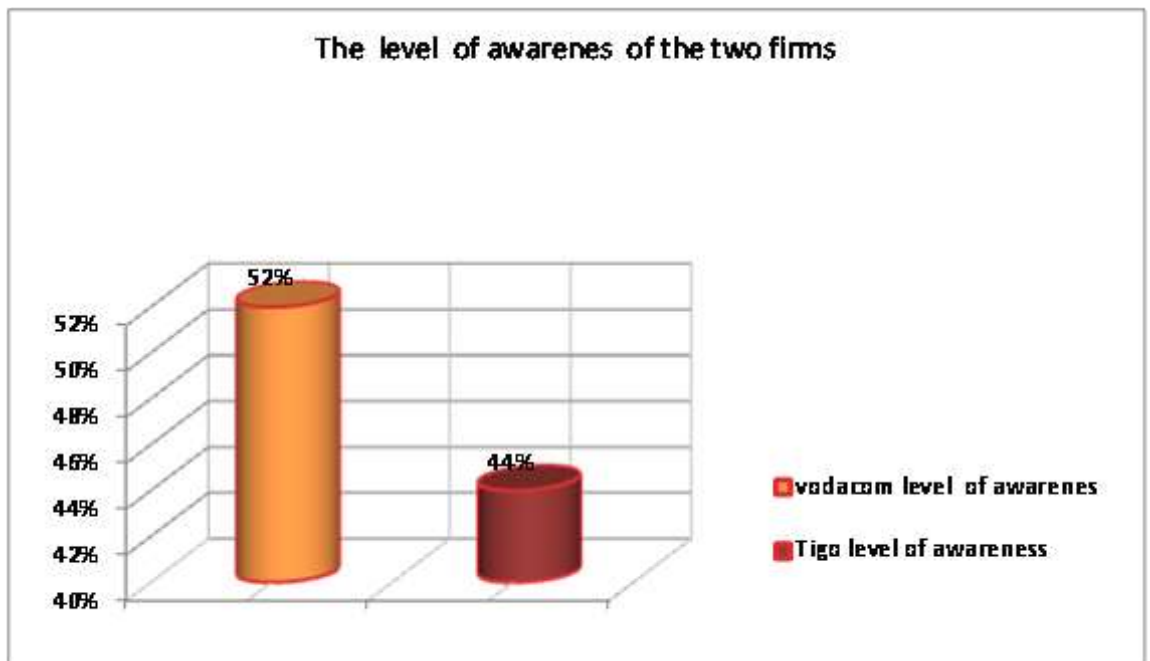
Since study was carried out on the impact of service quality on customer loyalty with case study of VODACOM and TIGO there fore the researcher first wanted to find out if respondents aware of the firms understudy so analysis was done and presented below.

Table 4.1 Showing respondents awareness of TIGO and VODA

Source: researcher's findings (2014)

Firms evaluated	Responses	Frequency	Percentage
Vodacom	Aware of Vodacom	39	52
	Unaware Vodacom	0	0
	Aware of tigo	33	44
Tigo	Unaware of tigo	3	4
Total		75	100

From the table above it shows that it shows that all of the respondents from Vodacom are aware of Vodacom company hence identified that all of the respondents were customers of the firm so are aware of the firm and its services the firm offers while data from respondents who were based on tigo whereas 33(44%) of the respondents have argued that are aware of what tigo firm while 3(4%) of the respondents have argued that are not of the firm



Source: researcher's findings (2014)

Duration of being customers of the firms understudy

Since this study was conducted on finding out the impact of service quality towards customer loyalty therefore it was the researcher's concern to find out for how long of they been customers of the firms so analysis was done and presented on the table below

Tables 4.3 showing for how long have respondents being customers of Vodacom

Firm under evaluaion	Responses	Frequency	Percentag e
Vodacm	One month	1	3
	Three months	7	17
	Six months	9	12
	One year to three years	6	41
	Five years and above	6	15
Total		39	100

Source: researcher's findings (2014)

The table above shows that 1(3%) of the respondents have said they have been customers for only one month, 7(17%) of the respondents have pointed out that their that they have been customers of Vodacom for three months, while 16(41%) of the respondents have said have been customers of Vodacom for one year to three years and 6(15%) of the respondents have said have been customers for five years and above, With such kind of analysis the study shows loyalty at Vodacom is high hence majority of the respondents have customers from one year to three years

Table 4.4 showing for how long have respondents being customers of Tigo

Responses	Frequenc y	Percenta ge
One month		
Three months		
Six months		
One year to three years		
Five years and above		
Total	36	100

Source: researcher's findings (2014).

The table above shows for how long have respondents been customers of tigo whereas 4 (11%) of the respondents have said have customers of the firm for one month only , 13(36%) of the respondents have been customers of the firm for three months , while 15(41%) of the respondents have been customers of the firm for six months , 2(6%) of the respondents have customers for one year to three years and 2 (6%) of the respondents have been customers for the firm for more than three

The excellence of service provide at the Vodacom and Tigo under study

In finding out about service quality of the firms the researcher wanted to find out about how well is service provided from the firms whereas analysis was done to find out how do customers of the firms rate the service being provided by the firms in terms of excellence, the resulted are presented in the table below.

Table 4.6 show how do respondents rate the services provided by VODACOM

Responses	Frequency	Percentage
Excellent	11	28
Very good	12	31
Good	3	8
Poor	9	23
Very poor	4	10
Total	39	100

Source: Researcher's findings (2014)

From the table above shows data particularly from Vodacom whereby 11(28%) of the respondents have pointed out that services from the firm are very excellent , 12(31%) of the respondents have said the services of Vodacom are just very good hence are mostly served accurately as well as on time, 3(8%) of respondents have said the services from Vodacom are just good while 9(23%) of the

respondents have argued that services from VODACOM are very poor hence there very many customers which leads to congestion of the services provision at the 4(10%) of the respondents have said that the services from Vodacom are very poor

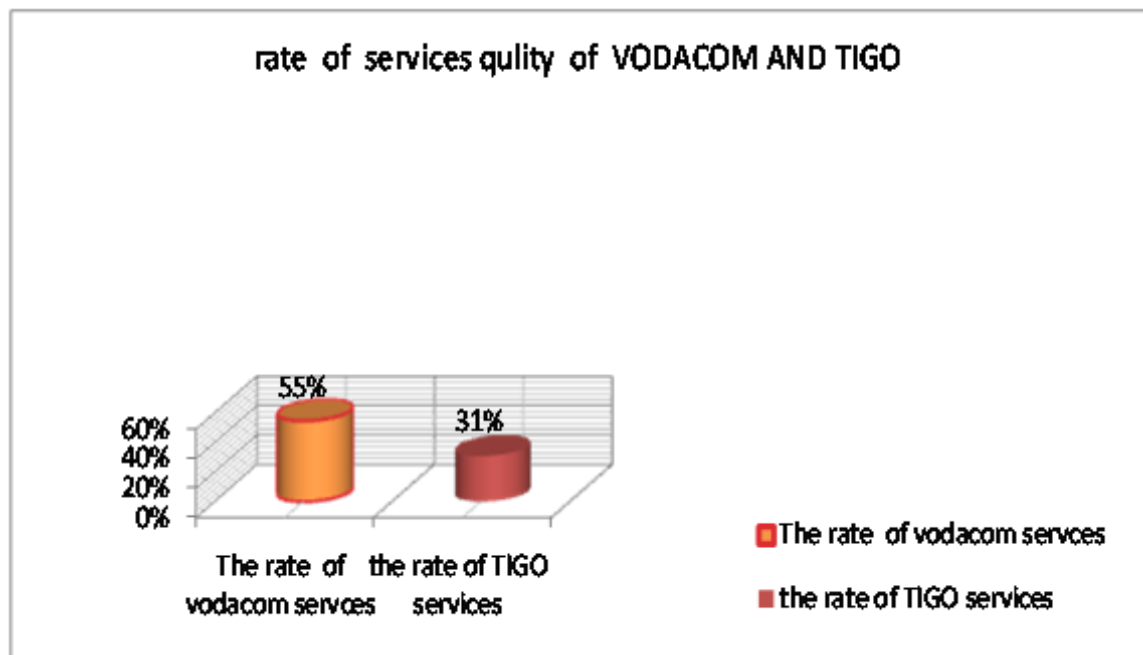
Table 4.6 show how do respondents rate the services provided by Tigo

Responses	Frequency	Percentage
Excellent	10	28
Very good	11	30
Good	6	17
Poor	7	20
Very poor	2	5
Total	36	100

Source: Researcher's findings (2014)

From the table above shows data particularly from Tigo whereby 10(28%) of the respondents have pointed out that services from the firm are very excellent , 11(30%) of the respondents have said that services provided by tigo are very good, while 6(17%) of the respondents have argued that services from tigo is good, 7(20%) of the respondents have argued that services from tigo is poor, 2(5%) of the respondents have said that services from tigo are very poor .

Figure 4.0 showing the rate of service from VODACOM AND TIGO



Source: Researcher's findings (2014).

What influences respondents to be customers of the firms understudy

In findings out customer loyalty there researcher wanted to establish the relationship between of what influence of customers to be customer of the banks understudy analysis was done and presented in the table below

Table 4.7 showing what influence customers to be customers of Vodacom

Responses	Frequency	Percentage
services	13	33
provision	6	15
Quick	10	26
services	7	18
Reliability of	39	100
services		
Affordable		
services		
Total		

Source: Researcher's findings (2014).

The table above shows that 13(33%) of the respondents have pointed out that are influenced by the services provision that the way services are being provided by Vodacom is very good ,well accessibility, 6(15%) of the respondents have pointed out that are being influenced to be customers of Vodacom due to quick services being given to customers , whereas the pointed out at most times are being served with immediacy, without any delay

10 (26%) of the respondents of the respondents have pointed out are being influenced due to the facet fact that services from Vodacom are more reliable to them

And 7(18%) of the respondents have argued that are mostly being influenced by the affordability of services from Vodacom in terms of cost

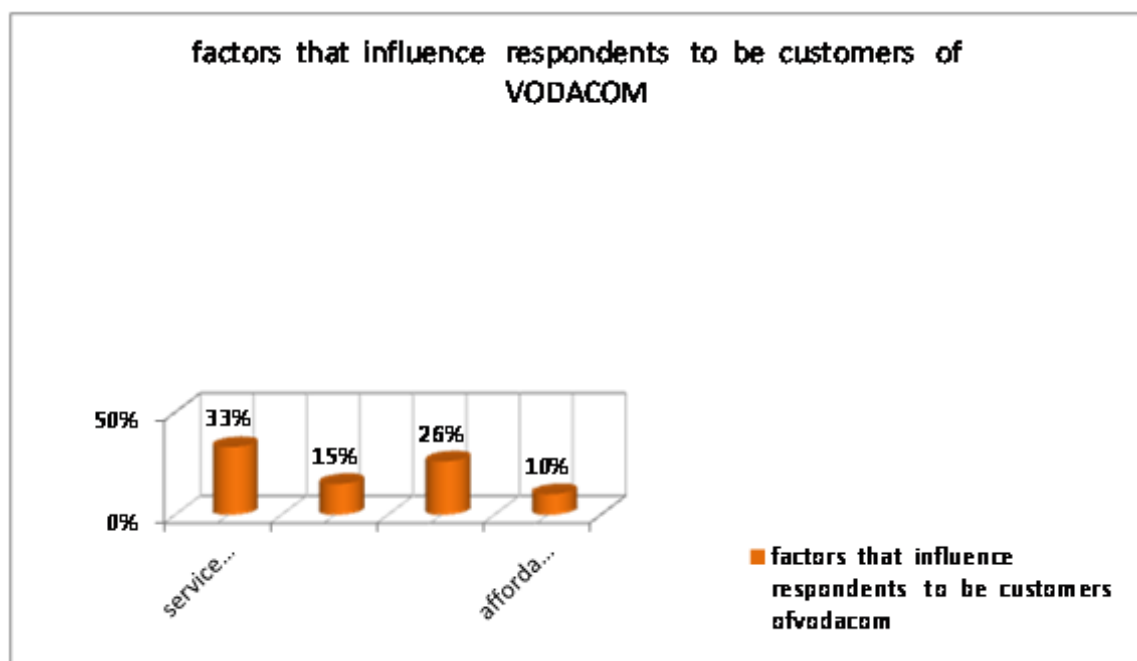


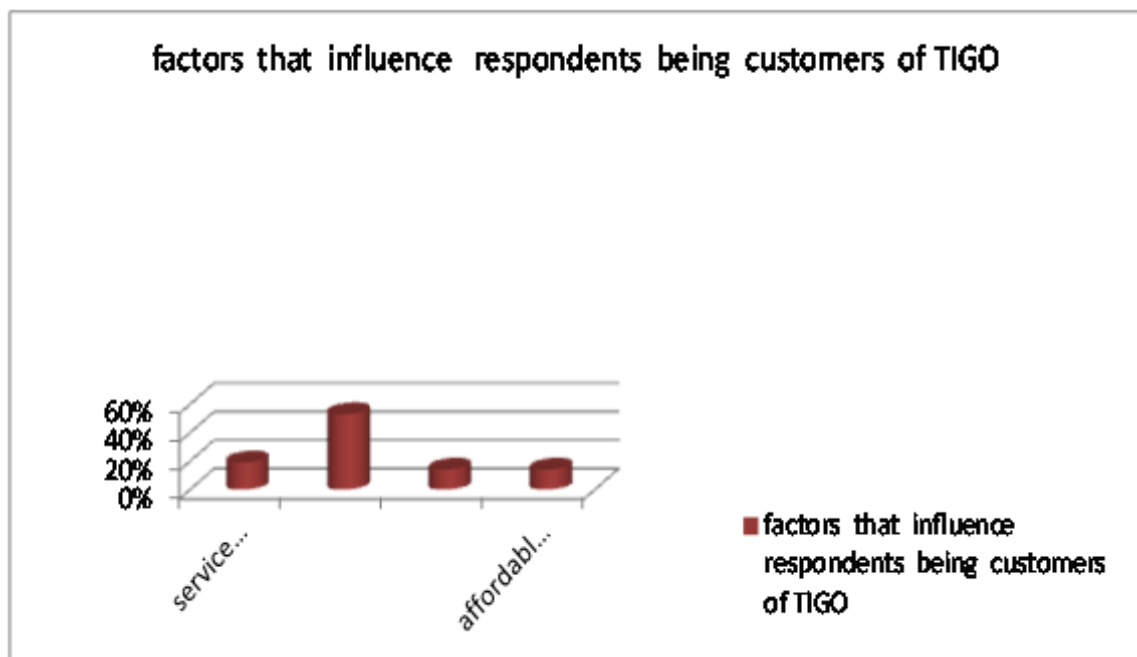
Table 4. 8 Showing Factors that influence respondents to be customers of TIGO

Responses	Frequency	Percentage
Services	7	19
provision	19	53
Quick	5	14
service	5	14
provision		
Reliable		
services		
Affordable		
services		
Total	36	100

Source: Researcher's findings (2014)

The table above shows that 7 (19%) of the respondents have argued that service being provide is among the factor that influence them to be customers of TIGO k , 19(53%) of the respondents have pointed out the quick provision of services that the firm does not

have many customers whereas it makes it easy for the employees to provide services easily ,5 of the respondents have argued that are being influenced by reliable services and the rest of 5(14%) of the respondents have argued that are being influenced by affordability of the services



Source: Researcher's findings (2014)

From the analysis above it shows that customers from VODACOM are more influenced by services provision and affordability of services being provided while customers from TIGO are more influenced by quick services

Relationship between employees and customers on the banks understudy

An issue of concern is to find out how is employee and customers relations so as to find out if it is one of the factors that my influence customers loyalty so analysis was done and presented in the tables below

Table 4. 9 showing the relationship between employees and customers at VODACOM

Responses	Frequency	Percentage
Very good	12	31
Good	4	10
Friendly	3	8
Official	12	31
Bad	6	15
Hostile	5	13
Total	39	100

Source: Researcher's findings (2014)

The table above presents data from VODACOM whereas 12(31%) of the respondents have pointed out that their relation with employees at VODACOM is very good in which it promotes them to keep on being customers of the firm 4(10%) of the respondents said their relationship with their employees is good , while 3(8%) of the respondents have said their relationship the employees is friendly, 12(31%) of the respondents have said that relationships with the employees is officially thus as a customer and an employee nothing personal 6(15%) of the respondents have pointed out that their relationship with the employees is bad and 5(13%) of the respondents is hostile

Table 4.10. Showing the relationship between employees and customers at TIGO

Responses	Frequency	Percentage
Very good	10	28
Good	4	11
Friendly	3	8
Official	12	33
Bad	6	17
Hostile	1	3
Total	36	100

Source: Researcher's findings (2014)

The table above presents data particularly from TIGO whereas 10(28%) of the respondents have said that the relationship with employees from TIGO is very good , 4(11%)of the respondents have said that their relationship with the employees is good, 3(8%)of the respondents have said that their relationship with employees is more friendly and casual, while 12(33%)of the respondents have pointed out their relations with employees from TIGO is limited as official, whereas 6(17%) of the respondents have argued that the relationship is bad and one of the respondents have pointed out that their relationship with the employees is very hostile

External factors that influences on customer loyalty

Since one of the variables of this study is to find out the customer loyalty , therefore the researcher wanted to find out what are external factors that influence customer loyalty therefore analysis was done and presented in the tables below.

Table 4.11 showing external factors that influence customer loyalty at VODACOM

Responses	Frequency	Percentage
Marketing activities	13	33
FIRMS surroundings	4	10
Influence from Peers and reference groups	15	38
	7	18
Total	39	100

Source: Researcher's findings (2014).

The table above shows findings from VODACOM whereas 13(33%) of the respondents have pointed out that are mostly influenced by marketing tasks from VODACOM such as advertising , promotional activities and bonuses , while 4(10%) of the respondents have said that the firms surroundings from are very comfortable , very much attractive hence are being influenced to be customer to the firm, 15(38%) of the respondents have said are being influenced by peers and reference groups as most of their friends are the firms customers so influence them to join vodacom,

Table 4.12 showing external factors that influence customer loyalty atTIGO

Responses	Frequencies	Percentage
Marketing	21	58
activities	15	42
Comfortably of the firm		
Total	36	100

Source: Researcher's findings (2014)

Data from TIGO show that customers are influenced by marketing activities whereas 21(58%) of the respondents have pointed out that marketing activities especially adverts influence them to join the firm and secure the firms services

And 15(42%) of the respondents have pointed out that their mostly influenced by the comfort ability of the firm in terms of the buildings , spacious and clean environment

Internal factors that influence customer loyalty

After making analysis of the external factors that influence customer loyalty therefore the researcher wanted to make analysis of the internal factors which influence customers, as presented below

Table 4.13 showing internal factors that influence customers' loyalty at VODACOM

Responses	Frequency	Percentage
Good relationship	16	41
with employees	23	59
Service quality		
Total	39	100

Source: Researcher's findings (2014)

Data from VODACOM show that customers are being influenced by good relationship with employees from the firm, this has been identified by 16(41%) of the respondents, they pointed out that good relationship interims of good communication ,their being serviced with maximum clarity as well as friendly

While 23(59%) of the respondents have argued that the general service quality from vodacom is what influence them

Table 4.14 showing internal factors that influence customer loyalty from TIGO

Responses	Frequency	Percentage
Good relationship with employees	19	53
Service quality	17	47
Total	36	100

Source: Researcher's findings (2014)

Data from TIGO show that the internal factors that influence customers at TIGO, 19(53%) of the respondents have pointed good relationship with the employees is a key factor that keeps them to be customers of the firm and 17(47%) of the respondents have pointed out that service quality is among the key factors that keeps to the firm.

Data from interview session

Quality Management Policy from Vodacom

Thorough implementation of a policy that places top priority on customers' satisfaction and quality of services

In line with its policy of always putting the customer and quality first, Vodacom makes every effort to improve quality from every angle, including maintenance and service, as well as the quality of services themselves.

For that reason, it assesses every kind of quality risk at each stage of the service lifecycle, from planning sales, and maintenance, in an effort to prevent quality problems.

Quality management policy for Tigo

TIGO maximum satisfaction and trust by customers, paying the utmost attention to customers and giving top priority to the quality of products and services.

TIGO concept is to make steady progress in quality based on quantitative measurement and analysis of accurate data. This basic concept is demonstrated in the following affirmation:

Achieving the industry's top level Customer Satisfaction

Providing advanced products that satisfy customers' potential needs

Establishment and development of a global Quality System.

Quality Management in the total life cycle of products and services

Continued enhancement of Quality Assurance Process

Minimization of product quality risks

Disclosure of product safety information

CHAPTER FIVE

DISCUSSION

5.0 Introduction

This chapter presents a discussion of the findings , the discussion will base on the findings by comparing with existing literature with regard to each research question.

Regarding to research question one

What are the firms strategies , techniques and policies for service quality in Tigo and Vodacom

The development of customer loyalty is a strategic objective for most companies. There are many different terms used in business today to describe the process of building customer loyalty. the benefits of building customer loyalty and explores the essential strategic considerations for companies contemplating the development of loyalty initiatives. It also establishes the relationship between how brands are built today and how customer relationships are cultivated in a manner that leads to loyalty.

The study has revealed that for vodacom In line with its policy of always putting the customer and quality first, Vodacom makes every effort to improve quality from every angle, including maintenance and service, as well as the quality of services themselves. For that reason, it assesses every kind of quality risk at each stage of the service lifecycle, from planning sales, and maintenance, in an effort to prevent quality problems .while tigo maximum satisfaction and trust by our customers, paying the utmost attention to customers and giving top priority to the

quality of products and services. DTB concept is to make steady progress in quality based on quantitative measurement and analysis of accurate data. This basic concept is demonstrated in the following affirmation: since service quality In an increasingly competitive environment service quality as an essential strategy for success and survival has attracted increasing interest in over the past 20 years (Ismail et al., 2006). Organizations are striving to gain a strategic competitive advantage by delivering service with "quality" and "satisfaction". Several researchers have agreed that if companies do not recognise and respond immediately to customer's needs efficiently and effectively, the result may be decreasing profits, increasing levels of customer dissatisfaction. Therefore, companies must constantly ask themselves: what do customers want from us, and how can we improve current customer perception (Hong and Goo, 2004; Law et al., 2004). Consequently, there is a huge body of marketing literature that is concerned with service quality, customer satisfaction, and customer loyalty as three distinctive elements that service organizations should strive for (Hong and Goo, 2004; Law et al., 2004; Ismail et al., 2006).

Huff et al. (2009, p. 353) argues that despite its current popularity, there is little agreement on what quality is and how to achieve it. Organizations never admit that they do not provide quality to their customers, despite the fact that service quality acts as the source of a powerful competitive advantage weapon in the market place. It is the customer's definition that really matters (Zeithaml et al., 2000 a, b); therefore, conformance to company specifications is not quality, rather, quality is conformance to customer specifications (Gronroos, 1993), and "the quality of a service, as perceived by the customer, is a result of a comparison between the expectations of the customer and his real-life experiences" (Gronroos, 2000: 20)

Regarding to research question two

What is the level of customer loyalty at Vodacom and TIGO ?

Under this research question the researcher wanted to find out for how long have been customers of the firms under study , so the study revealed that for VODACOM most of the respondents have been customers for one year to five years , hence 41% of the respondents have said have been customers for Vodacom for one year to three years and 15% of the respondents have said have been customers for five years and above ,With such kind of analysis the study shows loyalty at Vodacom is high hence majority of the respondents have customers from one year to three years . In service domain, loyalty has been defined in an extensive form as “observed behaviors” (Bloemer et al.,1999). Caruana (2002) argues that behavior is a full expression of loyalty to the brand and not just thoughts. However, behavior standards (such as repeated purchase) have been criticized, due to the lack of a conceptual basis of a dynamic process (Caruana, 2002). For example, the low frequency of repeated purchase of a special service may be resulted from different situation factors, such as non-availability or absence of a provider. According to this point of view, loyal behavior cannot offer a comprehensive conception of fundamental causes of loyalty. Additionally, repetition may be due to different restrictions resulted from the market. Consequently, the loyalty of this type of customers mainly differs from the loyalty of those customers who seriously support a product, and do have psychological bond with a product and a company.

For tigo , the study has pointed out that 11% of the respondents have said have customers of the firm for one month only ,36% of the respondents have been customers of the firm for three months which reflects that the level of loyalty at the firm is not very effective this due to the facet fact that it not well known , this reflects to the

arguments presented by Kisanga (2000) that customer loyalty is contributed by a number of factors one of them is how far people are aware of the firm or service provided

Regarding to research question three

What are the internal and external factors affecting customer loyalty in VODACOM and TIGO?

Under this research question the researcher wanted to find out what are the factors that may influence customers to be loyal to the firms under study in terms of external factors

For internal factors the study revealed that 19% of the respondents have argued that service being provided is among the factor that influence them to be customers of tigo, this reflects to the argument presented by Libyela (2000) someone will create loyalty to the services if the way service is being provided in more calm way and welcoming which will enhance customer comfort ability

53% of the respondents have pointed out the quick provision of services that the firm does not have many customers whereas it makes it easy for the employees to provide services easily, 5 of the respondents have argued that are being influenced by reliable services and the rest of 14% of the respondents have argued that are being influenced by affordability of the services as per Caruana (2002) says internal factors the factors are being enhanced and provided by the service provider so as to welcome customers such as the nature of provision of services such as effective customer care, fast provision of services and the general comfort ability of the services provided to the customer

For VODACOM same factors have been examined but the most effective factor has been identified as service provision whereas 33% of the respondents have pointed out that are influenced by the services provision that the way services are being provided by the firm is very good , well accessibility as per Deus (2005) says among the most factor that may influence customer loyalty is the service itself , the way the services is being provided

Also the study explored the how external factors influence service quality toward customer loyalty ,a number of factors were examined and reveled such as marketing activities , service surroundings, for VODACOM it has influence from peers and reference groups has be identified the major factor for customer to join the bank as per dues (2000) argues that if a firm is being endorsed or the influence is coming from peers or reference groups it therefore believed that customer loyalty is very high For tigo 58% of the respondents have pointed out that marketing activities especially adverts influence them to join the firm and secure the firms services

Regarding to research question four

What is the relationship between customers and employees on creating customer loyalty?

Under the research question the researcher wanted to find out if there is any link between employee and customer relationship on service quality towards customer loyalty ,therefore the study revealed that at both of the firms under study is well hence for VODACOM 31% of the respondents have pointed out that their relation with employees from Vodacom is very good in which it promotes them to keep on being customers at the firm and 31% of the respondents have said that relationships with the employees

is officially thus as a customer and an employee nothing personal, While data from Tigo revealed that 33% of the respondents have pointed out their relations with employees from TIGO is limited as official, this reflects to the arguments being presented by Deus (2005) that service quality is hard to measure of to manage, but when it comes in relation of the service provider and the customer it must always be friendly and welcome but must be limited to being official , Also Guenzi and Pelloni (2004) explored the impact of interpersonal relationships (both with a firm's employees and customers) on customer satisfaction and loyalty toward the firm. This paper empirically tests an original multi-level and multi-subject model. The findings show that customer-to-employee and customer-to-customer relationships contribute differently to the development of customer loyalty.

CHAPTER SIX

SUMMARY CONCLUSION AND RECOMMENDATION

6.0 Introduction

This chapter presents the summary of the study as well the conclusion and recommendation

6.1. Summary of the study

This study was carried to evaluate the impacts of service quality on customer loyalty in the banking industry in Tanzania by using case studies of Vodacom and Tigo, this study was guided by four research objectives which are to identify the firms strategies, techniques and policies for service quality at Vodacom and TIGO, to identify the level of customer loyalty at VODACOM and TIGO, to find out the internal and external factors affecting customer loyalty at VODACOM and Tigo and the to find out the relationship between customers and employees on creating customer loyalty

Further still the study presented a number of concepts and models from different literatures so as the researcher would have the general knowledge on the research variables, The researcher used probability sampling particularly simple random technique to obtain the sample size of 75 respondents, The data was obtained from the sample size by using questionnaires, interviews The data was analyzed and presented by using both qualitative and quantitative approaches

6.2 Conclusion

This study concludes that service quality is among the most difficult issues to measure hence it requires a number of issues to be looked upon. Never the less it is becomes even harder to measure the level

of service quality hence in the long run the provision (manufacturing of the services) the customer is involved in the middle of provision so measuring it becomes difficult, since this study was evaluating the service quality on customer loyalty therefore a number of issues have been looked upon the researcher used tenfold dimension, the study has found that the level of service quality is excellent to both of the firms under study, the study revealed that the nature and modality of service provision, the quickness of service provision, the reliability of service, affordability of the service are key internal factors that influence customers to make choices of the firms although analysis shows that the internal factors from VODACOM are more strong than from TIGO

The study has revealed that the relationship between customers and employees is also among the dimensions of service quality, the study has revealed the relationship between the customers of the two firms is both friendly and official whereas the study shows that with such kind of relationship it promotes customers comfortably and hence promotes service quality

The external factors which were analysed were marketing tasks, firms surroundings such as building, and influence of from peers, both of the firms influence customers from such external factors but VODACOM influence mostly through peers for TIGO is mostly through marketing tasks

On the other hand, service quality has a direct relation with loyalty, and nearly 45 percent of loyalty changes can be explained by service quality changes. Another point is that if the satisfaction variable enters the model, the resulted determination index will be higher in figure than other cases (0.803).

This figure means that nearly 80 percent of loyalty changes can be explained by satisfaction and service quality, although satisfaction plays a more important role in this relation.

In addition, findings of this research show that there is a positive and meaningful relation among all tenfold dimensions of service quality with satisfaction and loyalty, which in both cases assurance and tangibles have the most and the least relation with satisfaction and loyalty. In other words, it seems that tangibles can be considered as health factors, and assurance as motivational factor. In addition, the tenfold dimensions of service quality can be observed from another point of view. In fact, these dimensions can be divided into two more general dimensions of resulted and processed

Findings of this part too, show that both resulted and processed dimensions have a positive and meaningful relation with satisfaction and loyalty. But the important point is that there is significant relation between the processed dimensions and satisfaction and loyalty.

This point is important because although the final output may not satisfy customer's satisfaction, but it does not necessarily mean customer's dissatisfaction. In fact, service encounter plays an important role in customer's satisfaction and loyalty

6.3 Recommendations

To FIRMS

Considering the above mentioned findings, the Firm's managers should try to gradually reduce the gaps in the first step, and should attempt to make this gap positive, and to surpass customers' expectations, in the next step so as to create loyalty

Since quality and productivity affect each other on time management the it is proper for firm to make a clear plan on how both quality and productivity will be reached at the most convenient time

Also let organization not aim to high for either productivity or quality so as to handle the two well.

Areas for studies

Since productivity is not affected by quality let more studies be done other issues that can affect productivity

More studies should be done how can models on measuring service quality can be developed so as to as some few constant measurement models of service quality and satisfaction, which will be on squarely analysis

Also more studies should be done the impact of internal marketing on service loyalty in organization

Also more studies should be done on the factors of brand image that affect customer loyalty

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APPENDIX ONE

Questionnaires to be sent respondents TIGO customers

Dear Respondent, I am a final year student at Mzumbe university . I am pursuing masters of business administration.

I am carrying out a study on the impacts of service quality on customer loyalty in telecommunication industry in Tanzania a case TIGO and Vodacom

This study is strictly for academic purposes and the information will be conducted with much confidentiality.

Please, I ask for your corporation.

Here, I would like to have some personal information about you – undoubtedly for analytical purpose.

Please show gender

(i) Male ()

(ii) Female ()

Please identify your education background

Primary level ()

Secondary level ()

Certificate ()

(i)

Diploma, ()

Degree ()

Masters ()

Are you a customer of TIGO ?

Yes ()

No ()

If yes, For how long have you been a customer of DTB?

One month ()

Three months ()

Six months ()

One year to three years ()

Five years and above ()

How do rate the services of TIGO company ?

Excellent ()

Very good()

Good ()

Poor ()

Very poor ()

What influences you to be a customer of TIGO?

The way service is being provided

Quick services ()

Reliable services ()

Affordable services ()

How is the relationship between you and the employees of TIGO?

Very good ()

Good ()

Friendly ()

Official ()

Bad ()

Hostile ()

What is the strongest external influence that keeps you being the customer of TIGO (pick one only)?

Marketing activities such as adverts ()

The firm environmental surroundings such as buildings , confortability of the offices

Influence from peers , reference groups ()

What is the internal influence that keeps you being customer of TIGO?

Good relationship with the employees ()

Service quality

Attractive communications with the employees ()

Please mention any other ()

.....

.....

Does the service quality of TIGO keep you to be a customer of the bank

Yes ()

No ()

On the services quality what don't you like the most from TIGO services?

.....

.....

Are you satisfied with the security of the financial service from the bank ?

.....

.....

Are the employees of TIGO welcoming enough when attending to you?

Yes ()

No ()

What should be improved at the service quality of TIGO?

.....

.....

.....

Interview check list for TIGO officials

What strategies do you use on service quality?

What techniques do you to mention good service quality?

Do you have policies service quality at you bank?

Do you think the service quality is favorable to you customers?

What is the customer base at your bank ?

How is the level of customer loyalty at your firm?

How is the relationship between customers and employees at TIGO?

Does the relationship between them influence customer loyalty?

What external factors do you use to influence customer loyalty?

What internal factors do you use to influence customers loyalty?

APENDIX TWO

Questionnaires to be sent respondents VODACOM customers

Dear Respondent, I am a final year student at Mzumbe university I am pursuing masters of business administration.

I am carrying out a study on the impacts of service quality on customer loyalty in telecommunication industry in Tanzania a case TIGO and Vodacom

This study is strictly for academic purposes and the information will be conducted with much confidentiality.

Please, I ask for your corporation.

Here, I would like to have some personal information about you – undoubtedly for analytical purpose.

1. Please show gender

(i) Male ()

(ii) Female ()

Please identify your education background

Primary level ()

Secondary level ()

Certificate ()

(ii)

Diploma, ()

Degree ()

Masters ()

Are you a customer of VODACOM ?

Yes ()

No ()

If yes, For how long have you been a been a customer of VODACOM?

One month ()

Three months ()

Six months ()

One year to three years ()

Five years and above ()

How do rate the services of VODACOM?

Excellent ()

Very good ()

Good ()

Poor ()

Very poor ()

What influences you to be a customer of VODACOM?

The way service is being provided ()

Quick services

Reliable services ()

Affordable services ()

How is the relationship between you and the employees of VODACOM?

Very good ()

Good ()

Friendly ()

Official ()

Bad ()

Hostile ()

What is the strongest external influence that keeps you being the customer of VODACOM (pick one only)

Marketing activities such as adverts ()

The firms environmental surroundings such as buildings, comfortability of the offices

Influence from peers, reference groups ()

What is the internal influence that keeps being customer of VODACOM?

Good relationship with the employees ()

Service quality

Attractive communications with the employees ()

Please mention any other ()

.....
.....

Does the service quality of N VODACOM keep you to be a customer of the firm?

Yes ()

No ()

On the services quality what don't you like the most from VODACOM services?

.....
.....

Are you satisfied with the security of the financial service from the firm?

.....
.....

Are the employees of VODACOM welcoming enough when attending to you?

Yes ()

No ()

What should be improved at the service quality of VODACOM?

.....
.....
.....

Interview check list for VODACOM officials

What strategies do you use on service quality?

What techniques do you use to mention good service quality?

Do you have policies service quality at your bank?

Do you think the service quality is favorable to your customers?

What is the customer base at your firm?

How is the level of customer loyalty at your firm?

How is the relationship between customers and employees at VODACOM?

Does the relationship between them influence customer loyalty?

What external factors do you use to influence customer loyalty?

What internal factors do you use to influence customers loyalty?

