

ABSTRACT

The main purpose of this study is to ascertain the major service quality variables that determine customer satisfaction for the Carbonated Soft Drink market which is dynamic and is also part of the highly competitive impulse beverage industry in South Africa. Amalgamated Beverages Industry (aka Coca Cola) still holds the lion's share of the market although its share has fallen in the last 5 years presumably due to the growth in the consumption of substitutes such as bottled water, 100% fruit juices, energy drinks and dairy juice blends. The proliferation of "diet conscious" consumers has exacerbated the situation. These alternatives are the primary growth areas in the impulse beverage market. This has obviously threatened the viability and profitability of major players in this industry. To date the performance of Carbonated Soft Drinks (CSDs) has been less than satisfactory. There are other key players which have penetrated this market namely Pepsi, trading as Pioneer Foods, Royal, Pioneer Foods, California Cola, Pick 'n Pay and Quality Beverages.

For purposes of this study the three key players were chosen namely ABI, Pepsi and Quality Beverages. These key players have made huge investments in this industry at the level of production and distribution. In addition heavy investments go towards advertising and promotional campaigns. This research is exploratory in nature and makes way for further research in order to reach a more logical conclusion. This study is conducted within the confines of Gauteng region and more specifically Johannesburg North and Central. These two regions were

chosen because the researcher resides close to these regions and wanted to minimize the costs involved in this study. The researcher also assumed the findings are a true representation of the broader picture of the South African scenario.

Before collecting information the researcher initially consulted recent articles, books, magazines, company reports and even the internet in order to develop a clear understanding of the industry. This also helped the researcher to make logical decisions in the course` of undertaking the research. To that effect the researcher adopted the service quality SERVQUAL and the Gaps models in coming up with a measurement instrument for the research.

The CSD companies have two broad categories of customers namely the trader and the end user or consumer. The trader purchases the product for purposes of research whilst the end user buys for consumption. This research focused on the trade customer. According to research experts a sample of more than 5% of the total population does not compromise validity. However the researcher opted for more than 10% of the total population in order to increase reliability of the results. Thus from the population size of 965 trade outlets the researcher arrived at a sample of 100. The traders were classified into four major categories namely retail outlets, wholesalers, restaurants and service stations. Information was collected from these 100 traders using personal interviews. The researcher is the one who conducted all the interviews. Information was gathered from buyers,

managers and owners. The researcher took advantage of the Statistical Package for Social Scientists in order to make a meaningful analysis of the data collected. Many service oriented recommendations have been promulgated by this research. They are neither exhaustive nor prescriptive given the time constraint within which this research was conducted.

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Many thanks go to my family for the moral support as well as believing in me. I am very grateful to my supervisor who gave me valuable guidance. I am indebted to Almighty God for the inspiration and determination. My close friends were always there when I needed them most. Without all this valuable support this research project would have hardly left the ground.

ACRONYMS

ABI	- Amalgamated Beverage Industries
CSD	- Carbonated Soft Drinks
FMCGs	- Fast Moving Consumer Goods
GDP	- Gross Domestic Product
SPSS	- Statistical Package for Social Scientists.

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CHAPTER 1:

1.1. INTRODUCTION

South Africa has experienced good economic growth over the last year (2007) with gross domestic product (GDP) growing at 5%. This was supported by a strong consumer demand notwithstanding firmer interest rates and inflationary pressures driven by higher food and fuel prices. The South African Reserve Bank is commended for its fiscal management and rigid inflation targeting. However, this policy needs to be reviewed as inflation cannot be controlled purely through interest rate management. South Africa has witnessed a sea change in political leadership. Though it is a political economy, the prospect of a change in political leadership is unlikely to result in fundamental changes to the economy. The ruling party adheres strictly to policy and its policies are subjected to rigorous debate before being implemented.

Increasing interest rates and the resultant higher debt costs all contributed to a slowdown in consumer spending towards the end of 2007. On the whole the indications in the South African business environment suggest that most of the factors are positive and stable and are conducive for good trading activities. The business community can thus craft their strategies without pressure of being overtaken by sudden changes in the macro environment.

ABI (Coca Cola) is the largest manufacturer and distributor of carbonated soft drinks in South Africa but there are other key players namely, Pepsi Arabia, Royal Unibrew, Pioneer Foods, California Cola, Pick 'n Pay and Quality Beverages. These organizations have made huge investments in the manufacturing and distribution of CSDs over the years. In addition, most of the key players have established an extensive fleet of vehicles for distributing their products nationwide. The distribution costs for ABI for instance rose by 20% in 2007 due to the expansion of direct deliveries to customers as part of the implementation of the market penetration initiative. (SAB Chairman's Report for 2007 Financial Year)

There is a serious threat of new players coming into this industry. So far Pioneer Foods and California Cola are franchises of Pepsi and California respectively. There are no restrictions on companies that want to start a CSD business by the Government. The industry is therefore exposed to the threat of new entrants which result in stiff competition. The only deterrent factor that might affect new entrants is that of heavy investment at the level of production and distribution. The competing organizations face the threat of emerging legislation preventing artificially sugared carbonates in schools in the UK. There is a strong possibility of similar action occurring in South Africa in future. Organizations in South Africa should now come up with strategies of dealing with this possible threat. The acute shortage of carbon dioxide in the third quarter of 2007 negatively affected

the carbonated soft drink business. The carbonated soft drink industry is heavily dependent on carbon dioxide for its manufacturing operations.

The idea of 'wellness' - eating healthy food and exercising - is gathering momentum in South Africa. Consumers are increasingly opting for healthier natural soft drinks rather than carbonated soft drinks that have been so popular for so long (Datamonitor, March 2008). Although the number of soft drink occasions is increasing in South Africa, consumers are opting for healthier soft drink choices more. There is greater consumer knowledge on the importance of hydration, maintaining a healthy diet, an awareness of nutritional needs and a growth in skepticism towards sugared carbonates. All this has contributed to a dynamic soft drink market. Competition for share of throat is getting strong in South Africa.

In the next four years (2008 - 2012) carbonated soft drink consumption is forecast to decline as a proportion of total soft drink consumption from 61% to 50%. (Datamonitor, 2008) In contrast Datamonitor forecasts juice consumption to grow from 16% to 22%, whilst bottled water is forecast to increase from 19% to 24% over the same period. "Appletiser isn't as exposed as other brands to the downward trend in carbonated drink consumption, because it's a 100% fruit drink containing natural, rather than refined sugar with no preservatives" says Neil Hobkirk, Appletiser Marketing Director. (Datamonitor, March 2008). There is evidence that some health conscious customers are now turning to 100% juices

at the expense of fizzy drinks. The resultant intense competition that characterizes the global non alcoholic beverage sector cannot be overlooked.

CSDs are convenient fast moving consumer goods (FMCGs) and the decision making process is low involvement, unlike the decision process to purchase a car. The cost of changing from one brand to another - switching costs - are very low in the carbonated soft drink industry because the products are more or less standard.

In an industry where branded products are almost homogenous, differentiation strategies are far fetched. Therefore service related issues can be a source of competitive advantage. A casual look at this industry point to the fact that the traders seem to be dissatisfied with the service quality they are getting from the CSD manufacturers.

Given the scenario described above, this study investigates the impact of customer service quality on customer satisfaction and on retention in the non alcoholic beverages industry in South Africa. In addition the study explores the effect of product price on satisfaction and customer perceptions and expectations on satisfaction. The determinants of service quality as part of the evaluation process are also part of this study.

1.2 CONCEPTUAL FRAMEWORK

In this study,

Service quality is defined as:

Meeting the needs and requirements of customers to the extent that service delivered matches customer expectations. Service quality also involves going beyond the expectations of the customer.

Customer satisfaction is defined as:

A situation when an organisation retains its targeted customers by developing a genuine customer understanding to meet and exceed their needs, desires and expectations. The ultimate objective is to increase sales and enhance shareholder value.

1.3 DEFINITION OF TERMS

Allergies - CSD products that are faulty from the manufacturer or damaged in transit from the supplier to the trader.

Customer - This is the trader who purchases the product for the purpose of resale. This category includes wholesalers, supermarkets, restaurants and service stations.

Consumer - This is the end user of the product. An individual who is a trade customer may also become a consumer if the purpose of purchase is intended for consumption.

Customer service level: How rapidly and dependably a firm can deliver what they promise.

Customer retention: A measure of customer loyalty based on an organization's success in retaining the business of its existing customers.

Dealer: Individual who acts as an agent of a manufacturing company, and sells products on commission.

Differentiation: The marketing mix which is distinct from and better than what is available from a competitor.

Likert scale: Type of a rating scale in which the respondents are asked to

Relationship Marketing: the ongoing process of identifying and creating new value with individual customers and then sharing the benefits from this over a lifetime association.

Reliability: consistency in measures that a scale gives from one administration to the next.

SERVIQUAL: A model designed to measure customers' perception of service quality.

Validity: the extent to which a given scale measures accurately what it intended to measure.

1.4. RESEARCH OBJECTIVES:

The overall objective of this research was to determine the effect of service quality on customer satisfaction in the non alcoholic carbonated soft drink industry. It is important to determine customer quality service and satisfaction perceptions of trade customers. The study explores into the existing relationship between customer service quality and customer satisfaction. It was also significant to find out what attributes trade customers place on organizations' products and services. The ultimate objective here was to determine strategies which the major players can adopt to retain valuable existing customers and acquiring new ones in the carbonated soft drink industry.

In a causal study the researcher investigates whether one variable causes or determines the value of another variable (Mc Daniels & Gates 2001). Causality means an independent variable is presumed to cause an effect on the dependent variable. The objective of this research study was to ascertain causality since it investigates how service quality offered by CSD suppliers impacts on satisfaction. In this case customer satisfaction was the dependent variable.

The objectives of the study are:

- To identify and analyze the key determinants of service quality within the context of carbonated soft drink industry.

- To ascertain the constraints which affect the quality of service delivery in the CSD industry.
- To assess the importance of various service quality variables.
- To critically evaluate strategies for CSDs in the delivery of quality service.
- To use the results to make managerial recommendations so that decision makers can come up with informed strategies.

1.5. DELIMITATION OF THE STUDY

1.5.1. Time Constraints

A research study can be either a cross-sectional study or longitudinal study depending on the time frame of that study. Cross-sectional studies are carried out once and represent a snapshot of events (Cooper & Schindler 2003). This study was carried out at one point in time, so it is a cross-sectional as opposed to a longitudinal study which has to be repeated over an extended time as indicated by Cooper & Schindler (2003). A longitudinal study characterized by for instance a five year period of survey and observation tends to produce more realistic and reliable results. Monitoring is also more reliable and includes studies in which the researcher observes the activities of the subject and the nature of some material without attempting to elicit responses from anyone. This was not feasible given

the time constraints of this study. The researcher had no time to observe but had to go and ask for information from managers, buyers and owners of retail outlets.

The apparent weaknesses of this study are the lack of causality, low statistical significance owing to errors and bias of the survey instrument – a questionnaire which relies on what respondents decide to tell or not to tell. Given the time constraints, a cross sectional research design was adopted and is acceptable in this type of research.

1.5.2. Geographic Scope

The researcher collected primary source data by going into the field to meet wholesalers, retail operators, restaurants and service stations in the Gauteng region. From the total population of trade outlets the researcher then came up with a sample of 100 outlets. Owing to cost constraints the researcher decided to focus on outlets which were in close proximity to his residential area. The outlets were from Johannesburg Central and Johannesburg North namely, Cresta, Randburg, Melville, Auckland Park, Johannesburg CBD, Braamfontein and Sandton. It might not be ideal to infer that Gauteng is a true representation of the whole South African scenario. On a positive note however Gauteng has the largest business population compared to other provinces of South Africa which means the variance is expected to be minimal.

1.5.3. Research Methods:

Responses pertaining to judgments, feelings and emotions are unreliable and are a result of a multiplicity of factors. The attribution theory in part explains the bias of respondents, in this case retail operators in their assessment of the factors that determine quality service. It is anticipated also that the different levels of education and exposure to the information on customer satisfaction of the respondents will have an impact on their perceptions. According to Arien Strasheim (SBL Study School Presentation, 2005), structured questionnaires lack depth, insider perspective, are sample and context specific and are sometimes criticized for surface level analysis.

According to Anderson and Narus(1999), the methods used in the measurement of customer satisfaction are not thorough and contain a number of random errors as does SPSS, which was used in the analysis of data collected. These errors can however be solved by use of MS excel which incorporates the partial least squares.

1.6. THE IMPORTANCE AND BENEFITS OF THE STUDY

The need for the research necessitated the selection of this study topic. In addition the research topic was intended to lead to some investigation into an important and significant issue. ABI and the other players are big employers in the CSD industry. Their importance and survival cannot be underestimated in a

country where unemployment is already very high. This research comes up with viable ways in which this industry can measure the level of customer satisfaction. The findings of this research will provide information to enable the organizations to best position themselves and their products in the market. If adopted the supplier firms will build a permanent relationship with their clients - customer retention. Current marketing strategies may be revised to ensure that the customer is satisfied. The tendency of being driven by opposition forces can be eliminated.

Specifically the study on service quality can enable the industry to:

- Redefine customer needs and expectations and identify the key drivers of satisfaction in the CSD industry.
- Ascertain how the major players perform in this highly competitive industry.
- Identify the key sources of dissatisfaction in the carbonated industry that need improvement.
- Assist management in identifying service gaps that may exist and need correction.
- Suggest viable services which meet customer expectations.
- Make adjustments on how service delivery and satisfaction levels may be improved in order to enhance customer loyalty and retention.
- Provide services that have a potential to creating a permanent bond with its customers.

- To develop a usable and reliable service quality model which can be applied in strategic marketing planning to improve service quality, enhance business performance, and possibly increase profitability and shareholder value.

1.7. OPPORTUNITIES FOR FURTHER RESEARCH

Identification of the major service pitfalls will enable marketing practitioners and policy makers to avoid them in future. The relationship between service related customer satisfaction and customer retention and profitability can be further explored in other industries and sectors of the economy. A similar research can be conducted outside the confines of Gauteng. The relationship between the amount of training received and the impact of service quality is an area that future research could examine.

1.8. ASSUMPTIONS:

The assumptions of this study are that::

- The employees in the CSD industry have received training on customer service and customer satisfaction.
- Customers have service needs that have to be met by the non alcoholic beverages.

- CSD manufacturing companies will provide good service quality.
- All respondents will answer the interview questions truthfully.

1.9. OUTLINE OF THE RESEARCH REPORT

Chapter one of this research makes an analysis of the topical issues under study. It incorporates a justification of why the study is necessary, the research problems and sub problems under study, definition of terms, concepts and constructs used.

Chapter two presents a theoretical foundation of the study and context for the study. Key terms used in the study are defined and the background on the importance of the study. Literature review is also covered in this chapter.

Chapter three makes an analysis of the methodology of the research. This is a detailed explanation of the empirical analysis that is used to test the hypotheses and address the research objectives of this study.

Chapter four makes a detailed analysis of the problems and sub – problems which prompted this research. Hypotheses for this research are also proposed in this chapter.

Chapter five presents the results of the quantitative research. A general overview is first given before going into the details of the findings. Statistical models are used to analyse the data and identify patterns and trends.

Chapter six is a follow - up to the research results in chapter 5. Here discussions, conclusions as well as the recommendations are made based on these findings.

CHAPTER 2:

2.0 THEORETICAL FOUNDATION AND LITERATURE REVIEW :

2.1 DEFINITION OF SERVICE QUALITY

Customer service quality in this study has been defined within the context of a service. It is therefore important to make a brief analysis of services in general. Although CSDs are tangible products, issues pertaining to delivery efficiency, when and how products are delivered, fulfilling order specifications, product handling and merchandising all fall under customer service. In an attempt to give vivid illustrations of the definition of service quality this research has adopted some models.

2.1.1. Definition of services.

A service is a market transaction by an enterprise or entrepreneur where the object of the market transaction is other than the transfer of ownership (and title, if any) of a tangible commodity. According to Berry, Parasuraman and Zeithml (1985) service quality is a conformance to customer specifications. Lovelock (2004) suggests five broad dimensions that customers use to judge the quality of service provided. The five dimensions that distinguish services from goods are intangibility (cannot be touched, felt, seen or smelt as goods), inseparability (services are produced, sold, and consumed simultaneously), heterogeneity (potential for service performance to vary from one service transaction to the next

– lack of consistency, perishability (services cannot be saved or stored for future use.)

2.1.2. Definition of service quality.

Service quality is meeting the needs and requirements of customers (Murdick, Render & Russell 1990:64), it is how well the service delivered matches the customer expectations. In fact it's going beyond the expectations of the customer. Van der Wal, Pampallis and Bond (2000) define it as a difference between what a customer expects and what is provided.

2.1.3. The Service Quality Model.

The Service Quality Model developed by Gronroos (2001) illustrates how service quality is perceived by the consumers, and the way in which service quality is influenced. Gronroos (2001) states that service quality is a result of the difference between expected service and perceived service.

Expected service is influenced by the traditional marketing activities such as advertisements of the product, personal selling, public relations activities and promises to the customer by word of mouth communication. He further explains how such promises influence the expectations of the customer and the resultant impact on the expected service. Previous experience with the service can also affect service quality expectations.

The perceived service on the other hand, is a result of the consumer's perception of the service itself. Gronroos (2001) states that perceived performance of

service can be divided into two sub-processes: namely instrumental performance and expressive performance. The instrumental performance is the technical result of the service, for example the financial transaction between the buyer and seller. The expressive performance is 'psychological' in terms of buyer-seller interactions in the form of contacts that the consumer has with the various resources and activities of the supplier firm.

Although satisfactory instrumental performance is a prerequisite of satisfaction, it is inadequate if expressive performance of the product is not considered satisfactory. The consumer will still feel unsatisfied irrespective of the degree of satisfaction caused by the instrumental performance.

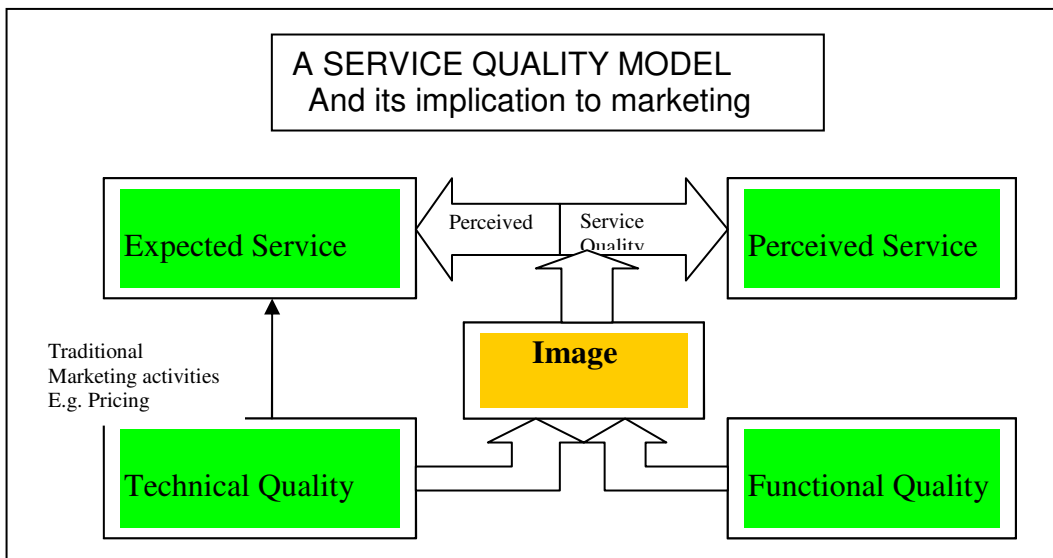


Figure 2.1: The Service Quality Model: (Adapted from Gronroos 2001)

The model above shows quality attributes that drives service quality evaluations. Gronroos (2001) identifies two quality dimensions that impact on consumer evaluation of service. These are functional quality and the technical quality. The functional quality corresponds to the expressive performance of the service while technical quality is what a consumer receives as a result of his interactions with the service firm. He explains the fact that the consumer is not interested in what he receives as an outcome of the production process, but in the process itself. The functional dimension is perceived and evaluated in a subjective manner while technical dimension is perceived objectively (Gronroos 2001).

The third dimension which is considered as impacting on the evaluation of quality of service is the corporate image. This is the consumers' perception of the service provider firm. Traditional marketing activities such as advertising, public relations and even pricing can influence the customer's perception.

2.2. DEFINITION OF CUSTOMER SATISFACTION:

Customer satisfaction is a situation when an organisation retains its targeted customers by developing a genuine customer understanding to meet and exceed their needs. Perreault & McCarthy (2002) defines customer satisfaction as the extent to which a firm fulfills a consumer's needs, desires, and expectations. Dahlsten (2003) states that customer satisfaction is widely acknowledged as a function of the relationship between customer expectations and experience that

is dependent upon value that is formed continuously. By concentrating on satisfaction- driven customer behaviours the company can enhance shareholder value. This behavior can result in customers buying more of a particular product from a firm and making recommendations to other customers and increasing price tolerance. Customer retention helps companies to increase revenue through increases in sales and/or premium prices as well as reducing expenses of generating those revenues(Ahmad: 2001).

2.2.1. The Service - Profit Chain:

Heskett, Jones, Loveman, Sasser & Schlesinger (1994) came up with a Service Profit chain of related activities. They suggested that there is a direct relationship between employee satisfaction and customer satisfaction. Heskett et al (1994) expresses the view that satisfied employees stay with the company and increase productivity. They also proved that customer satisfaction is directly related to customer loyalty which can result in repeat purchases and positive word-of-mouth referrals to other customers. The net effect of customer retention is increased revenues and profitability for the supplier of service. Figure 2.2 below shows this chain relationship.

The model clearly shows the importance of employees who are popularly known as “internal customers”. Before satisfying external customers, who are more important, an organisation should ensure that they put in place an effective

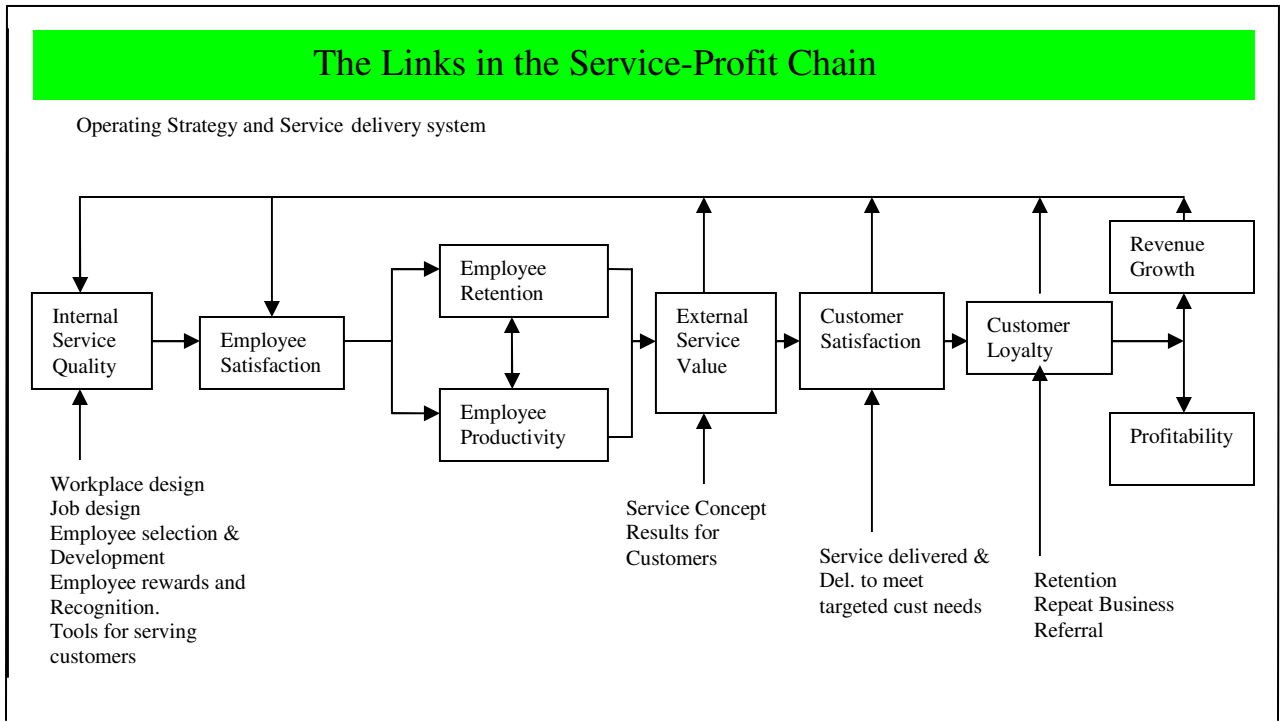


Figure 2.2: The service –Profit Chain (Adapted from Heskett et al.1994.)

recruitment policy to ensure that they acquire the right staff and further train them. Strategies to retain the right staff are important such as reward and recognition. Thus according to this model the satisfaction of internal customers is closely linked to satisfaction and retention.

The importance of customer retention is also emphasized by Kottler (2000). He suggests the concept that it is more profitable to retain existing customers than to acquire new ones. He estimates that a 5% increase in customer loyalty can produce profit increases from 25% to 85%. According to Homburg, Koschate & Hoyer (2005) a satisfied customer that receives higher quality service or who feels better about the service is willing to pay more for it. Homburg et al (2005)

further express that customer's satisfaction level could influence a company's pricing strategy. An organisation can reasonably charge a premium price for their service if they have a high level of customer satisfaction.

2.2.2. Service Excellence :

Service excellence is an issue which is pertinent to this study. Johnston (2004:131) defines service excellence as going a step further from merely satisfying its customers to delighting them. This is a process that builds a strong emotional attachment for its services resulting in customer loyalty.

Organizations that take the initiative to implement service excellence programs can have an emotional impact upon customers, thus creating positive feelings about the organization, its staff and its services, and can influence customer loyalty. Johnston (2004) proposes four major issues that determine service excellence.

These are:

Delivering the promise which means "walking the talk" by doing what you say to the customer. Under-delivery on a promise(s) amounts to letting down the customer and will cause them to be dissatisfied and be disloyal to the organization. Marketers should thus desist from this tendency of "over promising" to their customers. Besides just the product, in this case CSDs, customers judge

quality through the time taken to deliver a service, its condition, and order accuracy, adherence to schedule, assisting the client with proper stocking patterns and after-sales follow-up. If the company delivers its service as communicated to customers, customers become satisfied, if not they become dissatisfied. Previous performance of the company and performance of competitors affect the judgment made by customers and will determine whether customers become satisfied or not.

Personal touch - means giving the customer adequate attention when dealing with him. This may involve giving the customer more time, developing an understanding in order to know him/her well and their business and building a long term or permanent relationship that goes beyond the usual business transaction. Eye contact and always smiling are some of the etiquettes required when dealing with a customer.

Going the extra mile – Contact employees should go out of their way to explain things in detail. Whenever a promise is made and is not met, the staff responsible for that action should call back customers and advise on the situation. The staff should take the initiative to contact clients and redress situations and not wait for customers to follow up on them because this will result in poor relations between the customers and the organization.

Solving problems and queries refers to the ability to take responsibility in dealing with problems. Sales staff for instance are expected to be open, honest and show integrity to the customers. When customers have queries on issues such as non availability of certain brands, poor product quality concerns or price increases they expect quick solutions to their problems.

2.2.3 Service Recovery :

Service recovery according to Robins & Miller (2004) are the actions of a service provider to mitigate and or repair the damage to the customer that results from the provider's failure to deliver the service as it is designed. When a service recovery strategy has been properly implemented, it can result in satisfied customers, which is a prerequisite for customer loyalty and retention.

It is not the size of the remedy that satisfies the complainant but rather the responsiveness, clarity of explanations and most importantly the action taken that counts. Timely recovery is essential to make amends with a disappointed customer. If one fails to institute a quick recovery one would have failed the customer twice.

Lovelock (1996) proposes a number of strategies that can be instituted in the service recovery process. These include acting fast or promptly, admitting mistakes without being defensive because the customer is always right. It is important according to Lovelock (1996) for supplier organizations to develop an

understanding of the customer's view of the problem. A mutual agreement can be reached without necessarily arguing with a customer. Company staff should acknowledge the customer's feeling and give the customer the benefit of the doubt. Whenever instant solutions are not feasible the steps needed to solve the problem should be clarified and the customer(s) should be informed of progress to avoid leaving them in the dark. An organisation should consider compensation when customers do not receive the service. This can come in the form of a monetary payment or offer of equivalent service for free. Such an action may also help to alleviate the risk of an embarrassing legal recourse by a disgruntled customer.

When customers have been disappointed one of the biggest challenges is to restore their confidence and preserve the relationship for the future. Perseverance is the relentless approach to regain customer goodwill in order to convince them that actions are being taken to come up with a lasting solution to avoid a recurrence of the same problem. Outstanding recovery efforts tend to build loyalty and referrals.

2.3. THE BASIC PROBLEM OF CUSTOMER SATISFACTION:

2.3.1. The SERVQUAL Model.

This is a model designed to measure customers' perceptions of service quality .It is a questionnaire comprising 22 criteria to assess service quality. The 22 criteria

are further grouped into five service quality dimensions, which according to Parasuraman et al (1988) are determinants of service quality that an organisation should manage in order to close the gap between expected service and customer perception of service. These five attributes are Tangibility, Reliability, Responsiveness, Assurance, and Empathy.

Tangibility means- physical evidence of service, physical facilities, appearance of personnel, tools or equipment used to provide the service, etc.

Reliability refers to the ability of the service provider to perform the service accurately and dependably, as promised. It means the firm performs the service right the first time and honors its promises to the customers.

Responsiveness: refers to the willingness of the firm's staff to help customers and provide the requested service promptly. It also refers to the timeliness of service.

Assurance: refers to the knowledge and courtesy of the company's employees and their ability to build customer trust and confidence towards the service company.

Empathy: refers to the ability of the staff service provider to provide a caring and personalized attention to each customer.

The model is used to measure the 'gap' between expected service and perceived service. The first part of the SERVQUAL model attempts to establish the customers' perception of an ideal service. The second part is designed to measure the customers' perceptions of the services provided by a specific

company. Perceived service quality is described as the degree and direction of discrepancy between customers' perceptions and expectations. The figure below is a visual presentation of the concepts behind this model.

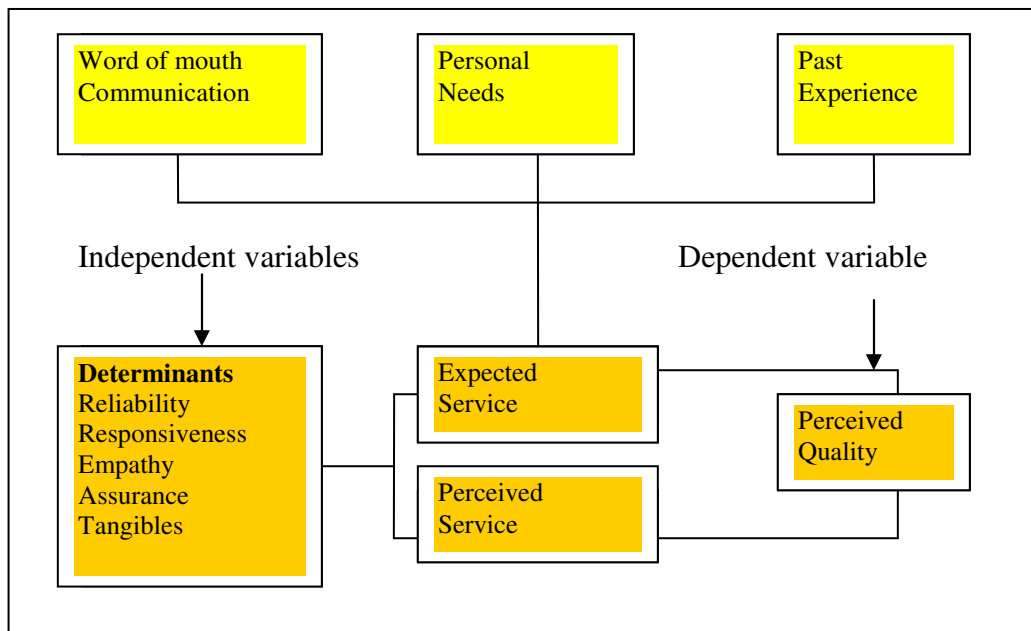


Figure 2.3: SERVQUAL Model. (Source : Journal of Marketing, Fall 1985.

The model shows how a customer forms his or her perceptions prior to receiving a service .There are three factors that impact on expected service according to the model. These are word of mouth communication regarding an organization, personal needs and the past experience that the customer has. Upon receiving a service a customer would make a comparison between what he expected and the actual service received. A judgment is made based on the five determinants of service. The difference between the expected and actual service is what constitutes the quality of service. If the perception is the same as expectation the

service is viewed as being good. In this study, perceived service quality in the CSD industry is the key variable. The independent variables are expected service and perceived service while the dependent variable is actual service quality.

Lee (2002) defines the key drivers of customer satisfaction, as the customer's basic needs. He argues that customer satisfaction studies have paid too much attention to service quality attributes instead of customers' basic needs. He criticizes the use of SERVQUAL's five service dimensions of tangibles, reliability, responsiveness, assurance, and empathy saying the model has become the standard customer satisfaction survey design. He argues that the five SERVQUAL dimensions are not customers' basic needs and says that they will not accurately predict customer satisfaction. His criticism is however incomplete because it fails to propose alternative feasible factors or dimensions which constitute basic needs.

Meltzer (2001) endorses Parasuraman et al (1985) SERVQUAL model and argue that the service quality model is a practical approach is an attempt to understand customer satisfaction from the perspective of the difference between customer perceptions and actual customer service on various attributes.

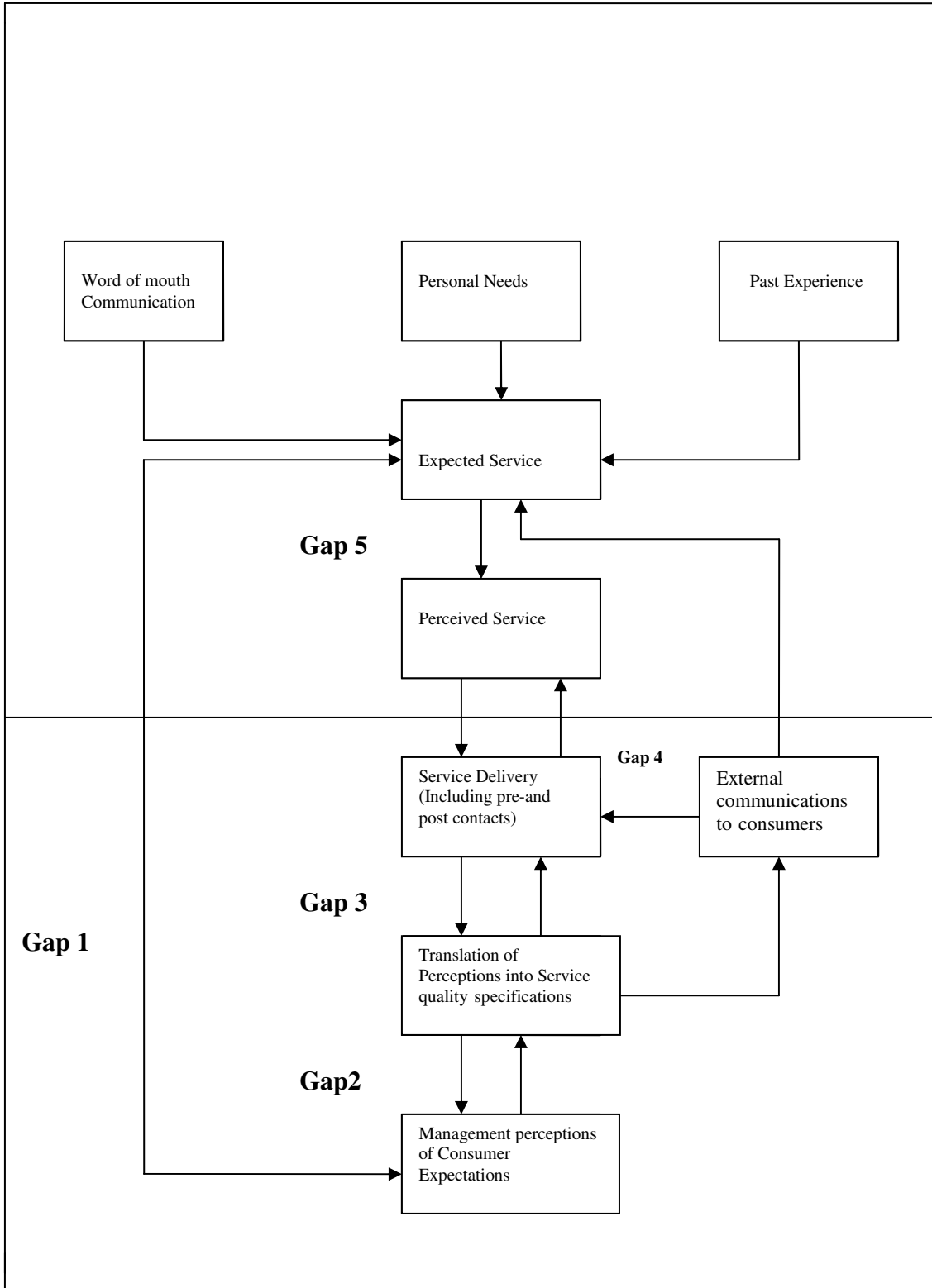


Figure 2.4: The Service Gaps Model. (Source: Journal of Management. (Parasuraman, Zeithml & Berry 1985:44)

2.3.2. The Service Gaps Model.

This model depicts how gaps that may exist in the service process may affect the customer's assessment of quality of the service. The Service Quality model identifies five gaps that are viewed as affecting the evaluation of service quality, which needs to be known and closed by the service provider.

Parasuraman et al (1985:1988) identified five major gaps that can impede negatively the evaluation of service quality by customers.

These are:

Gap 1: is the difference between customer's expectation and management perceptions of customer expectations. The basic assumption behind the existence of this gap is that management does not understand how the service should be designed and what support or secondary services the customer requires.

Gap 2: is the difference between company's service quality specifications and management perceptions of customer expectations of the service and its quality.

This is a result of the tendency by management to reduce costs which in turn restricts how a service is to be performed. This compromises and deprives the staff of the opportunity to meet the customer's expectations more effectively.

Gap 3: is the difference between the quality of service delivery and quality specification. Although a company may have service specifications in black and

white, the result in practice may be different from what is intended. Service quality is difficult to standardize since it is often dependent on personal contact between the customer and company staff.

Gap 4: is the difference between quality of service delivery and the quality promised in communicating the service. Promises made to the customer should be commensurate with what the company is capable to deliver. Realistic promises should be made to customers about the efforts being made to elevate the quality, which would otherwise be invisible to them. Parasuraman et al (1985:1988) define Gap 5 as the difference between expected service quality and perceived service quality. This gap is a function of four gaps and according to Parasuraman et al (1985:1988)

Gap 5 is what the organization seeks to measure using the SERVIQUAL instrument.

2.3.3. Kano's model of customer satisfaction:

Kano's customer satisfaction model is a quality management and marketing technique that can be used for measuring client happiness. The model identifies six categories of quality attributes and distinguishes three factors from the rest which actually influence customer satisfaction. These first three factors are as follows:

Basic factors according to Kano (1989) are the minimum attributes required which cause dissatisfaction if they are not fulfilled, but do not necessarily cause customer satisfaction if they are fulfilled or are exceeded. The customer regards these as pre-requisites and takes these for granted.

Excitement factors (Satisfiers, attractive) are factors that increase customer satisfaction if delivered but do not cause dissatisfaction if they are not delivered. These factors surprise and dazzle the customer and generate 'delight'. Using these factors, a company can really distinguish itself from its competitors in a positive way.

Performance factors are factors that cause satisfaction if the performance is high, and they cause dissatisfaction if the performance is low. Typically these factors are directly connected to customers' explicit needs and desires. Performance factors are critical to the extent that a company should strive to be competitive here.

The other three attributes according to Kano (1984) are:

Indifferent attribute which is a feature that the customer does not care about.

Questionable attribute is a feature which is unclear as to whether the customer expected it.

Reverse attribute constitute the reverse of product features that are expected by a customer.

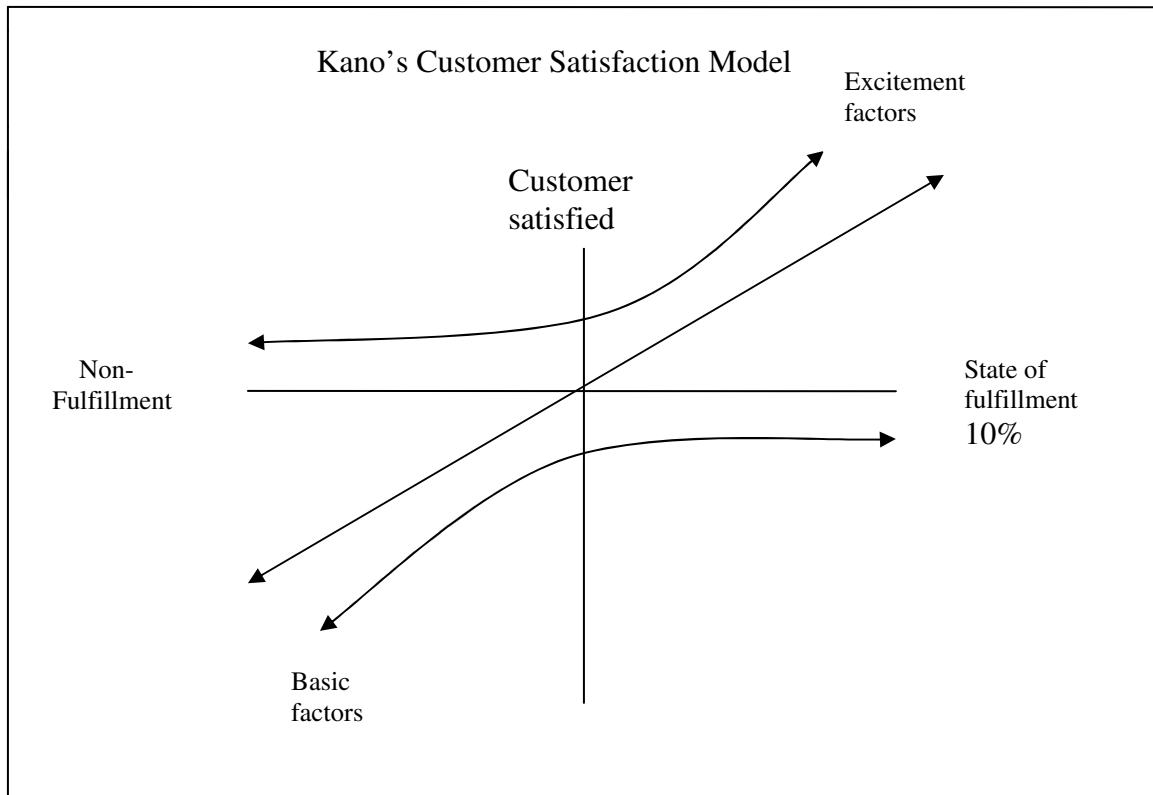


Figure 2.5: Kano's Customer Satisfaction Model

Kano et al. (1984) explain that if a 'must-be quality' is not fulfilled, customers will be dissatisfied. However, fulfilling only these needs is not sufficient. The basic needs are so obvious to customers that they do not express them as essential qualities. 'One-dimensional quality' results in satisfaction when fulfilled, and in dissatisfaction when not fulfilled. These attributes are outspoken and are the ones with which companies compete. 'Attractive quality' is something customers do not expect, and attributes of this kind can be described as surprise and delight attributes. These attributes provide satisfaction when achieved fully, but do not cause dissatisfaction when not fulfilled. When organizations pre-define unconscious needs, they offer high value to their customers and the number of

loyal customers' increases (Kano et al. 1984). An 'indifferent quality' feature is one which does not affect satisfaction even if it is performed well.

According to the theory of attractive quality it is assumed that product and service attributes are dynamic to the extent that over time the attribute may change from being indifferent to attractive to "one – dimensional" and finally to a must-be item. According to Kano (2001), successful service attributes follow the lifecycle suggested above. When introduced on a market, often an attribute may not be very interesting to customers – they feel indifferent regarding the new attribute. In the growth phase of a market, an attribute might gain the ability to make customers feel satisfied, but they feel neutral if the service does not include this attribute. However, customers who would have used services frequently including this attractive attribute will be strongly dissatisfied if this attribute later disappears. After frequent usage, the perceptions of the attribute are changed to 'one-dimensional' quality. Furthermore, over time a 'one-dimensional' attribute becomes mature and a lot of people know its value; it has turned into a must-be item (Kano, 2001).

2.3.4. Customer Satisfaction Measurement Issues:

a) Anderson and Narus' Views:

Anderson and Narus (1991), expresses the view that the overall customer satisfaction represents a cumulative evaluation of a firm's marketing offering.

They also note that there are three methods that are used to measure customer satisfaction. These are:

- An overall Customer satisfaction measure.
- A measure of the extent to which an offering's performance falls short or exceeds expectations.
- A measure of the offering's performance relative to the customer's ideal product or service.

b) Kottler's Proposals:

Kottler (2000) gives four approaches used in the measurement of customer satisfaction. These satisfaction measurements are healthy because the firm may know what the customer needs are. The four methods suggested by Kottler are complaint management systems, customer satisfaction surveys, ghost shopping and lost customer analysis.

- Complaint and suggestion systems.

A system is developed where customers can easily complain if not satisfied with the product or service and to make suggestions. The firm can have a suggestion box and capture all complaints that customers put .The disadvantage with this method is that customers may choose not to take action.

- Customer satisfaction surveys.

This is when an organization asks a number of research questions aimed at finding out whether customers are satisfied or not. These are viewed as being impartial, and customers can easily disclose their feelings if the surveys are done

by a neutral company. However, if these are administered by own staff, customers may not feel free to disclose their feelings due to fear of reprisals.

- Ghost shopping.

A company manager buys or phones to place an order with the company or hire someone who will make a purchase and then makes a feedback on how he was treated during the transaction process. Past research has revealed that this approach has been abused in order to victimize certain employees without applying a holistic approach to solve the problem.

- Lost customer analysis.

A company contacts a customer that has stopped buying or one who has switched to another supplier to find out why he/she has done so. If the lost customer cooperate this approach usually reveal issues of customer dissatisfaction.

Kotler (2000) notes that customer satisfaction surveys are however the most used and the most informative of all the methods described.

c) Segev's Propositions:

Segev (1995) explains that in a product, or service, customers measure quality using either a subjective measure or an objective measure. In a subjective measure customers are said to measure quality relative to their past experience in using the product, its image and brand perception. In an objective measure, customers are reported to look out for its durability, special features, reliability and failure rate.

d) Brady and Cronin's Suggestions:

Brady and Cronin Jr. (2001) proposed that order accuracy, order processing, quality of contact personnel, information at order placement, order completeness, including accuracy, condition and quality, procedures for handling damaged, inaccurate or returned parts are some of the important variables for measuring customer satisfaction.

2.4. CONCLUSION:

This study is grounded on the SERVQUAL and Gaps models because they are popular and have been tried and tested over the years which is evidence of their reliability. Both models have been modified and adopted for this research. The SERVQUAL model is easy to use. A modified SERVIQUAL questionnaire comprising a multiple rating scale with 22 item items, based on five service quality dimensions is used in this research.

CHAPTER 3 :

PROBLEM STATEMENT AND HYPOTHESES :

3.1. Problem Statement :

The problem is to identify service quality factors which contribute to customer satisfaction in the carbonated soft drink industry in the globally competitive economy of South Africa.

3.2. Sub Problems:

1. What impact does the competition have on customer service quality?
2. What is the gap between customer expectations of customer service quality and that of management of companies that supply the product?
3. What is the satisfaction level of customers in the Carbonated Soft Drink beverage industry?
4. What is the gap between management perceptions of customer expectations and actual service delivery?
5. What is the difference between service delivery and what is communicated about service to customers?

3.3. Research Questions:

The main research questions are:

1. What drives service quality in the Carbonated Soft Drink industry?
2. What is the impact of service quality on customer satisfaction?
3. What are the barriers to the growth and retention of customers in the CSD industry and what strategies have been used to overcome these obstacles?

3.4. Hypotheses:

During service encounter, company employees interact with customers. A casual observation has revealed that customer satisfaction has affected the outcome of this encounter. For instance if employees are slow or rude to customers, the customers become dissatisfied with both the service and the company. The result in most cases is that the customers stop doing business or reduce business with the company and search for an alternative supplier(s). If, however employees show courtesy and empathy, customers become happy are satisfied and are most likely going to do more business.

Specifically the hypotheses of this study are:

Customer satisfaction is considered a function of the characteristics which are involved in the interaction between a supplier and a trader.

1. The inability of CSD suppliers to perform promised service dependably and accurately act as a barrier against customer satisfaction for the trade.

The null hypothesis is:

H0 – The poor time management and responsiveness (a rating less than 3.5) of CSD suppliers is inhibiting customer satisfaction. (See Statements 5 - 9 of the research instrument.)

2. The trade market is heterogeneous in outlook but customers still expect customized and individual attention.

H0 – Failure to come up with a flexible strategy to accommodate and cater for different customers (a rating less than 3) tend to disappoint customers. (See Statements 18 – 22)

3. The higher the knowledge, courtesy and trust of CSD supplier employees the higher the likelihood of satisfaction of the trade customers.

H0 – CSD employees with high (greater than 3) levels of knowledge, courtesy, and trust have a better chance of satisfying their customers. (See Statements 14 - 17)

4. CSD firms that supply and maintain modern equipment to their customers (rating of 3+) have a better chance of satisfying their customers. (Questions 1-4 of Research Instrument)

5. CSD firms with a willingness to help their customers and provide prompt service to them (rating of 3+) have a higher likelihood of satisfying their trade customers. (Statements 10 - 13 of the Research Instrument)

6. The null hypothesis **H₀ : O_i = E_i** – The proportion of the respondents who are happy is independent of the type or category of the trade customer.
Alternative hypothesis is **H_A** – The proportion of happy customers is dependent on the type of trade outlet.(Overall assessment of all the 22 questions.)

CHAPTER 4:

RESEARCH METHODOLOGY

4.0. Introduction :

The purpose of this study was to investigate the impact of service quality on Customer satisfaction in the CSDs industry in South Africa. The methodology used in the research is covered in detail in this chapter. The chapter also makes an analysis of the research design adopted by the researcher, the strategy used, the sampling method and data collection methods. The chapter also includes a justification of the procedures employed in the research.

4.1. Data Collection :

This study has both components of primary and secondary data. Primary data is collected by means of a questionnaire. Secondary data is collected by means of consulting available literature on the subject under investigation. This is done in order to improve the researcher's knowledge of the subject under review. The major sources of information were articles from newspapers, magazines, journals, textbooks, business reports and articles from the internet.

The survey seeks to be representative of the retailer and wholesaler population in South Africa. The assumption here is that the traders have similar perspectives

about service because they operate in the same industry. Diversity of opinion is thus expected to be very minimal. Different geographical locations are also assumed to have very limited impact on the trader's perspectives of customer satisfaction and service quality. Similarly different weather patterns in South Africa are assumed to be of little significance.

Street vendors, tuck shop operators and those who buy and sell CSDs from their residential premises or backyard have not been included in this study. These are small traders the researcher regard as "rats and mice" due to their smallness and thus insignificant to this research. Philip Kotler suggests the 80:20 scenario which means 80% of a company business usually comes from 20% of their key customers. Start – up businesses of entirely new operators who have been in operation for less that 3 months have been excluded from this study. The logic behind this is that they have been downgraded to the status of being novice to the trade and industry. However, those who have opened new trade outlets in different locations either as an expansion drive or relocation were relevant to this study even if the outlet might be less than three months in operation. The assumption is that the operators, owners or managers have been in the business for a while and are conversant with the service related issues. Service stations or garages are also key outlets that have been included in this study.

The researcher intends to make personal visits to selected traders to conduct face to face personal interviews. The bulk of respondents will be retailers because they constitute the majority of operators compared to wholesalers.

4.2.Sampling :

This research is a statistical study because it is based on a sample of a population and makes inferences about the population from the results of the sample. Choosing to collect data from a sample as opposed to studying the population is a result of four major considerations. These are the cost of the study, accuracy of the results, speed of data collection and the availability of population elements. If sampling errors are eliminated the study can produce accurate results without spending a lot of money. This is one of the economic advantages of using a sample rather than investigating the whole population. Effective sampling has the possibility of better testing, and more thorough investigation of missing information (Cooper 2003).

Sampling enables the investigator to aptly supervise the elements under study and is able to process information faster than can be possible with the population. The speed of execution in sampling reduces the time between recognition of information need and the availability of information.

4.2.1. Sampling Design :

Probability sampling is used in this study. A probability sample means every element of the population has a nonzero probability of selection.

According to Mc Daniels (2001) the advantages of probability techniques over non-probability techniques are:

- Sampling error can be computed.

- The survey results can be projected to the total population.
- The researcher can be sure of obtaining information from a representative cross- section of the population.

In this study systematic probability sampling is used. An element of the population is selected at the beginning with a random start and following the sampling fraction selects every kth element. Systematic sampling is easy to design, easier to use than simple random. It is also easy to determine sampling distribution of mean and is less expensive than simple random.

4.2.2. Sample Size :

Although Cooper (2003) states that a sample exceeding 5% of the population is representative, this study will use 10% to calculate the sample in order to minimize bias. If the calculated sample size exceeds 5% of the population, (in this case 10%) sample size may be reduced without sacrificing precision. The study will take into consideration the number of retailers, service stations and wholesalers to determine sample proportions.

A sample size was arrived at after finalizing the sample frame of all the traders currently operating in the Gauteng North region. All traders in Gauteng North and Central Regions who fall under the criterion stated above constitute the sampling frame. The sampling frame is easily accessible in this industry. In coming up with the sample size the researcher took into consideration the factors suggested by Cooper (2003). These factors are the desired precision level, the number of sub

- groups of interest, the variance within the population (as stated above) and the interval range in the estimate and confidence interval of the estimate.

According to the statistics available at South African Beverages Association, there are **965** outlets currently in operation who purchase CSDs for the purpose of resale in Johannesburg North and Johannesburg Central regions. The researcher arrived at a sample of 100 outlets, which is 10.36% of the total population, to increase the margin of accuracy.

Computations below for sample details show how a sample size was arrived at:

$$\text{Sample} = .10 \times 965$$

$$= \underline{96.5 \text{ customers: (rounded off to 100).}}$$

The study used the market share percentages, as shown in the figure below, to determine sample proportions. The table below shows the breakdown of the sample.

Table 4.1 : Sample breakdown by CSD Supplier Company.

CSD Supplier	% Share	Sample Size
ABI	60	60
PEPSI	26	26
QUAL BEV	14	14
Total	100	100

4.3. Instrument Design :

The next step was the design of a data collection instrument to collect information for each of the traders. This is done through a face-to-face interview. This study involves both questioning and interrogating the subjects in the process of collecting data from them.

4.3.1 Measures :

There are four different types of attitude scales which measure the different degrees of responses towards an attitudinal object. These are the summated or Likert scale, semantic differential, Thurstone scale and the Guuttman scale. A five point Likert scale arranges objects or alternatives according to their magnitude in an ordered relationship ranging from Strongly- Agree to Strongly - Disagree was used for this research. The advantage of the Likert scale is that it is the easiest to use. The assumption was that strongly agree and strongly disagree meant the services were excellent and very poor respectively. The Strongly - Disagree (very poor) was coded 1.0, while 2.0 was assigned for Disagree (poor), 3.0 for Uncertain , 4.0 for Agree (good) and code 5.0. for Strongly Agree (excellent). The disadvantage of this scale is that it is difficult to judge what a single score means (Zikmund,1988) Nothing can be quantified about the distance or interval between for instance 3.0 and 4.0. "Excellent" is better than "good" but it is not possible to quantify by how much since it's a

perception. Similarly it is not possible to generalize that 4.0 is twice as good as 2.0.

4.4 Survey Validity Issues :

Unlike experimental designs where the researcher attempts to control and /or manipulate the variables, in this study the researcher has no control over the variables in the sense of being able to manipulate and influence their outcomes (ex post facto). This research is a field study because it is done under actual environmental conditions.

Bias occurs when a respondent is an “easy” or “hard” rater and tends to score towards the upper or lower parts of the scale. A central tendency problem may arise because some respondents who are either unsure or would like to avoid commitment would choose the middle rating, in this case code 3.0. This may also be a phenomenon typical of those respondents who are not concerned with the purpose of the research. The halo effect is a situation where the respondent would have a generalized impression of the subject from one statement to the other. These problems may affect the quality of the responses at the end of the day.

4.5. Completing the Questionnaire :

The researcher utilized a widely known measurement instrument known as the SERVQUAL questionnaire. Some modifications were made to the questionnaire to suit the beverage industry situation. The measurement has twenty- two questions which are classified into five attributes namely: Reliability,

Responsiveness, Empathy, Assurance and Tangibles. This study has clear unambiguous questions and sources of data are specified, as such it is a formal study. The researcher conducted all the 100 interviews and filled in responses from the trade customers.

A cover letter provided by the SBL was attached to the questionnaire. The purpose of this letter was to explain the purpose of the investigation. The letter also assured the traders concerned of the confidentiality behind this research.

4.6 : Data Analysis Methods.

After collecting information the researcher used Statistical Package for the Social Science (SPSS) and MS Excel for analyzing data. The researcher carried out the coding of the questionnaires and all of them were given a reference number from No. 1 to No 100. Information collected was visually presented and summarized in the form of tables, bar charts and graphs.

Outlets dealing with ABI represented 60% of the outlets in the total sample, while Pepsi and Quality Beverages had 26 and 14 outlets respectively. Despite this disparity there was need for reasonable comparisons to be made and the following techniques were used:

4.6.1. Measures of Location.

The mean , mode and median are all measurements of central location used for examining spread and shape.

a) Mean

The mean is an arithmetic average which is obtained by dividing the sum of respondent values divided by the number of respondents. Although it is the most popular measure of location, it can be misleading in situations where there are extreme outlying values both big and small.

b) Mode

The mode is the value that occurs most frequently in any given set of data. In a situation when every score has an equal number of observations there is no mode.

c) Median

The median is the mid point of distribution which is arranged in ascending or descending order. When the distribution has an odd number, half of the values fall above the mid point and half below. When the distribution has an even number the median is the average of the two middle scores. The median is most valuable for ordinal data.

4.6.2. Measures of Spread :

The Standard Deviation.

Deviation is a score which indicates how far away any observation is from the mean. The standard deviation is the most frequently used descriptive technique for measure of dispersion. The variance is a unit of measurement that has been squared. For instance, the variance would reflect an aspect such as value of sales in squared Rands or Dollars. This is one major drawback and to that effect statisticians take the square root of the variance which is called the standard deviation. The standard deviation is the most reliable index of spread or dispersion compared to other deviation measures namely the variance, average deviation, mean absolute deviation and mean squared deviation.

4.6.3. T-test.

The t-test is a technique which is used to test the hypothesis that the mean scores on some variable will be significantly different for two independent samples or groups assuming interval data. The t test is mostly applicable in situations where the mean for the total population is unknown.

4.6.4. Chi - Square test for Goodness of Fit.

The chi - square allows testing for significance in the analysis of frequency distributions. Thus categorical data on variables such as gender or

dichotomous answers may be statistically analysed. (Zikmund, 1988). For instance this research intended to test the null hypothesis, **H₀** that all the trade customers, in this case 100, are happy with the services of the supplier(s) as shown by a mean score of 3 and above. The logic inherent in the chi-square test allows the researcher to compare the observed (O) frequencies with the expected (E) based on theoretical ideas about the population distribution. In other words, the technique tests whether the data came from a certain probability distribution (Zikmund,1988). It tests the “goodness of fit” of the observed distribution with the expected distribution.

The questions to be answered are :

- a) Is the difference between the expected (hypothetical) distribution and the observed distribution statistically significant?
- b) If statistically significant, is the nature of the difference in distributions of any managerial value?

CHAPTER 5:

RESEARCH RESULTS.

5.1 : General Characteristics :

5.1.1 : Biographic Information.

The total number of personal interviews conducted was 100. There were cases where certain managers, buyers or owners turned down the request for an interview. The major reasons they cited were either that they were too busy or they did not realize any tangible benefits for allocating their precious time for the interview. Others kept postponing the interview until the researcher came to the conclusion that they were not willing. In such cases the researcher moved on to the next available and willing respondent.

Before embarking on the interview the researcher clearly explained to each respondent what the 1 -5 point rating scale meant. Point 5.0 of the scale meant the trader was dazzled or perfectly satisfied with the service of the CSD supplier. The Number 4.0 meant the client was happy with the quality of service. The Number 3.0 represented average quality service, 2.0 meant they were not happy, while 1.0 meant they were utterly disappointed. (See Research Instrument on Appendix 8.1)

Respondent distribution according to trade category:

The research sought to establish the main supplier that the respondent dealt with. This was done in order to establish whether the supplier firms offered different quality service to the respective trade channels namely retail outlets, service stations and restaurants. The bulk of the respondents interviewed, 60% said they were doing business with ABI. This trend is in line with market share trends where ABI controls 60% of the market share. Pepsi and Quality Beverages had 26% and 14% of the respondents respectively. Retailers were the bulk of the sample with 51 outlets, followed by restaurants which were 20, then 14 service stations (garages), 9 wholesalers and 6 others, namely bars and clubs. There were many cases where a respondent dealt with all the three suppliers. In that case three separate interviews were conducted with the same respondent who was either a manager, a buyer or the owner of the business outlet. Only ABI dealt with outlets in the Other category, whilst none of the 20 Restaurants visited was doing business with Quality Beverages.

Table 5.1. below shows the breakdown of respondents for the survey sample.

Table 5.1: Analysis of Traders by Category.

CATEGORY OF TRDERS					
	CATEGORY	GRAND TOTAL	CSD SUPPLIER		
		RESPONDENTS	ABI	PEPSI	QUAL BEV
GRAND TOTAL		100	60	26	14
Total Percent		100	100	100	100
	Retail	51	23	18	10
	Restaurant	20	19	1	--
	Service Stn	14	7	4	3
	Wholesaler	9	5	3	1
	Other	6	6	--	--

Respondent composition by gender.

The demographic data for the respondents was tabulated and graphic presentations for the same were made. Of the total number of interviews 76% were Male respondents and the balance of 16 % were females. Thus the gender distribution was 1 : 4.8 in favour of males. This reflects a skewness of the survey in terms of gender distribution. A casual observation shows that a lot of women work in the retail sector but perhaps they occupy the lower positions in their respective organizations. The following table shows customer response composition by gender.

Table 5.2 : Customer response composition by Gender.

Table GENDER PROFILE OF RESPONDENTS					
	GENDER	GRAND TOTAL	CSD SUPPLIER		
		RESPONDENTS	ABI	PEPSI	QUAL BEV
GRAND TOTAL		100	60	26	14
Total Percent		100%	100%	100%	100%
	MALE	76	44	21	11
	FEMALE	24	16	5	3

A further analysis of the gender profile indicate that ABI had the highest incidence of female respondents with a percentage split of 1:2.8 in favour of males, followed by Quality Beverages with a ratio of 1:3.7 and Pepsi with a ratio of 1:4 also in favour of males.

For visual presentation of the above data, a bar graph (Figure 5.1.) portrays the percentage that each gender occupies as shown by data in Table 5.2 .

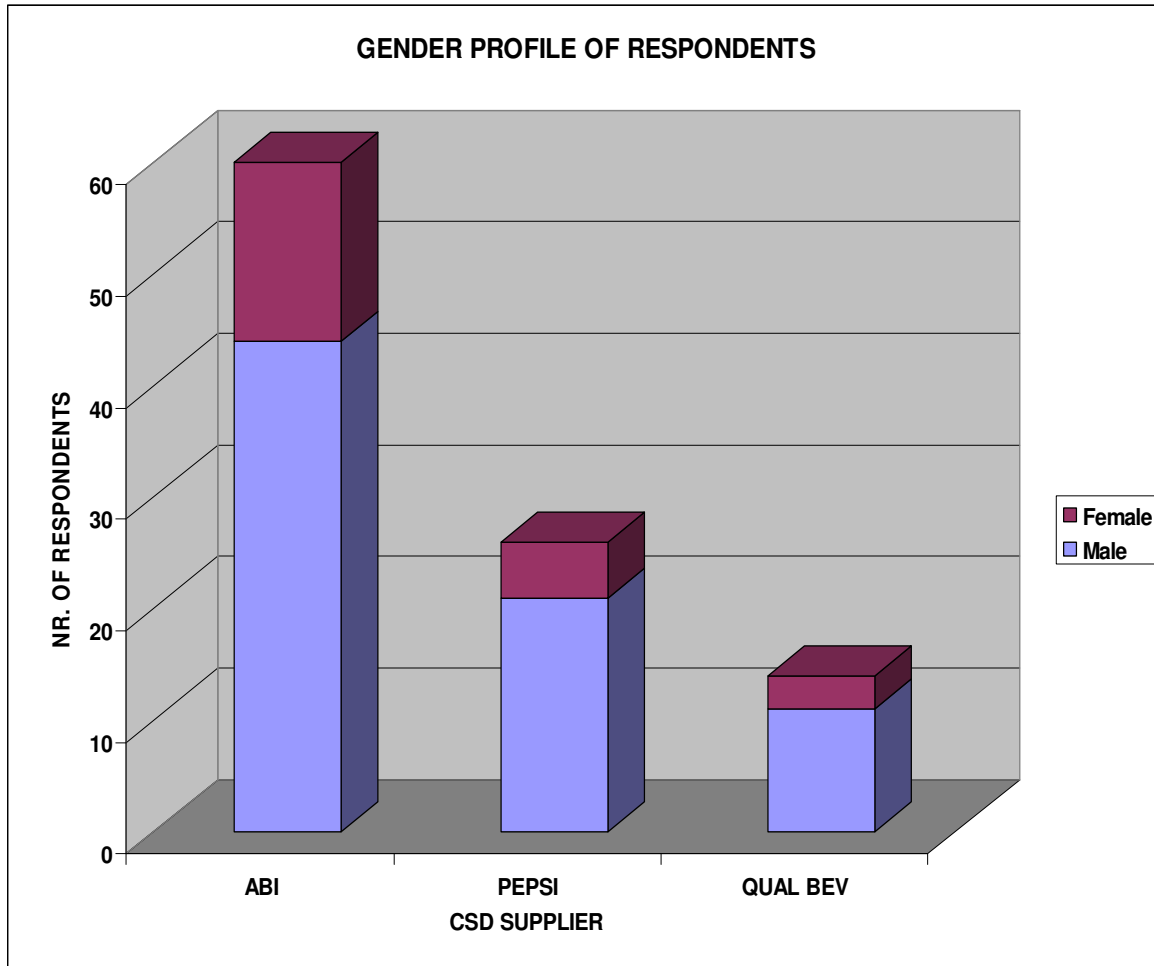


Figure 5.1. : Customers' response composition by gender

Customer respondent composition by age group.

The research intended to understand if there was a link between the age group under which a respondent falls and perception. Respondents were classified into 4 categories according to age groups so as to identify any behavior trends. The table below shows the respondents' breakdown by age group.

Table 5.3 : Respondent Age Profile.

RESPONDENT AGE PROFILE					
		CSD SUPPLIER			
	AGE GROUP	RESPONDENTS	ABI	PEPSI	QUAL BEV
GRAND TOTAL		100	60	26	14
Total Percent		100 %	100%	100	100
	20 - 30 years	28%	18%	7%	3%
	31 - 40 years	41%	24%	11%	3%
	41 - 50 years	14%	9%	3%	2%
	Above 50 years	3%	9%	5%	3%

The questionnaire had provision for respondents below the age of 20. However there was no one belonging to this age group and to that effect the age category has been excluded from the table above.

The bulk of the respondents fell in the 31 to 40 years age group who were 41% of the respondents, followed by the 20 to 30 years age group who were 28% of the sample. The other two age groups 41- 50 years and above 50 years age groups were 14 % and 3 % respectively. For visual presentation, figure 5.2. portrays the percentage that each age group occupies.

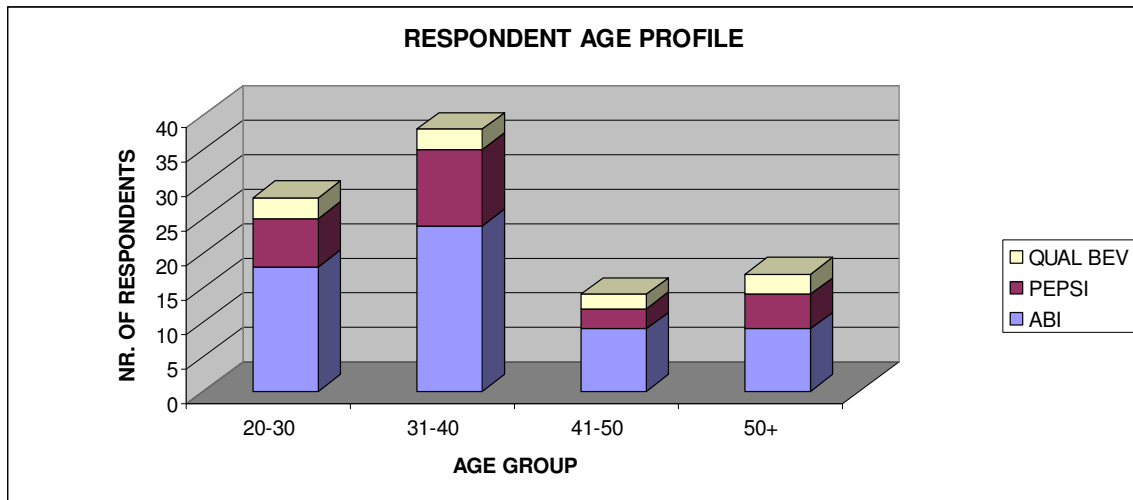


Figure 5.2: Respondent Profile by Age.

Customer response composition by Race.

This research sought to establish if there were any differences in customer perception of service quality according to race. The sample results reveal that the market is dominated by Whites who were 47 % of the respondents. The next category was that of Blacks who were 36% of the respondents. The remainder accounts for Indian who constituted 16% and Coloured 1%. The table below is an illustration of customers' response composition by race.

This response trend portrays a true picture of the real situation in the market where traders of CSDs are predominantly white.

Table 5.4 : Customer response composition by Race.

Table RACE CHARACTERISTICS OF RESPONDENTS					
	RACE	GRAND TOTAL	CSD SUPPLIER		
			ABI	PEPSI	QUAL BEV
GRAND TOTAL ANSWERING		100	60	26	14
Total Percent		100	100	100	100
	White	47	28	13	6
	Black	36	20	9	7
	Indian	16	11	4	1
	Coloured	1	1	--	--

Figure 5.3. is a visual presentation of the data presented in table.

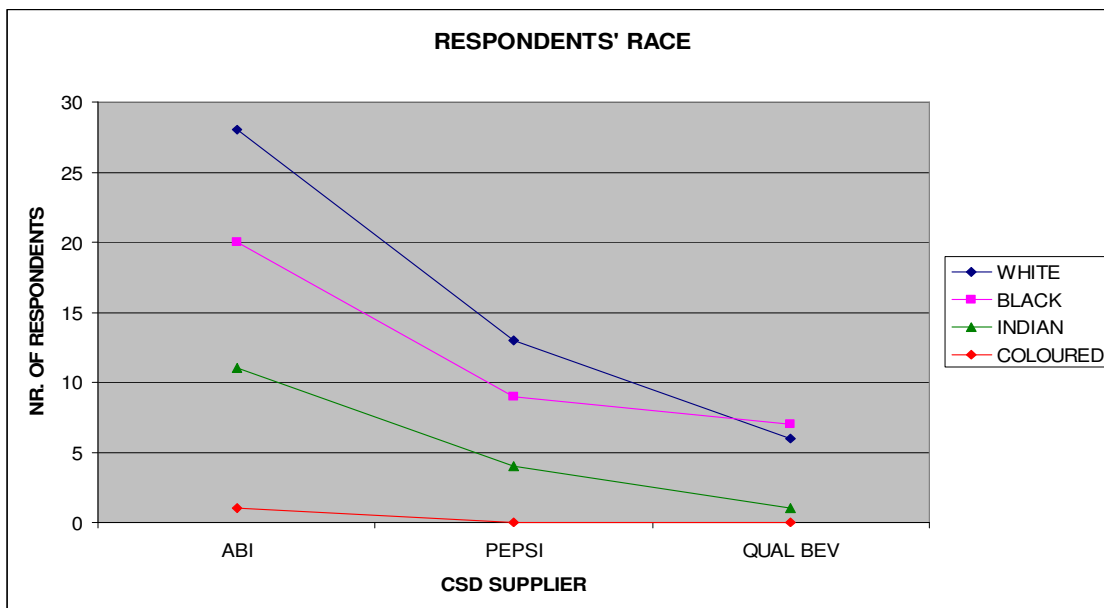


Figure 5.3: Customer response composition by race.

Customer response composition by Occupation.

The research survey also investigated the positions which the respondents occupied in their respective businesses. Respondents were thus categorized by

the role they played so as to identify any behavioral trends. The major positions were managers, buyers and owners. The results were tabulated in Table 5.5 below.

Table 5.5 : Respondent profile by Occupation.

RESPONDENT'S OCCUPATION										
TITLE	GENDER		AGE				RACE			
	MALE	FEMALE	20-30	31-40	41-50	50+	W	B	I	C
MANAGER	59	22	21	34	11	15	39	33	8	1
OWNER	10	---	5	2	3		2		8	
BUYER	7	2	3	5	1		6	3		
TOTAL	76	24	29	41	15	15	47	36	16	1

In Table 5.5. above W stands for White, B for Black, I for Indian and C for Coloured.

As shown above the major respondents were Managers who constituted 81%. Most of the managers came from 31 to 40 age group. These managers were predominantly white. Among the respondents there was only one Coloured manager who was male and aged between 20 – 30 years. Indians were the majority of Owners and 8 out of the total of 10 were males. The majority of Buyers were white males aged between 31 – 40 years. The fact that there were no buyers aged above 50 years seems to suggest that the job is demanding and requires energetic people. There were no Indian or Coloured buyers from the total sample of 100. Similarly, there were no Black or Coloured owners. All the owners were males who were below the age of 50 years of age.

From a total number of 80 managers, 48 were doing business with ABI, 20 with Pepsi and 12 for Quality Beverages. Most of the Buyers were dealing with ABI, 3 and 2 for Pepsi and Quality Beverages respectively. There were no owners dealing with Quality Beverages but 7 and 3 of them provided information for ABI and Pepsi respectively.

5.2. Weightings :

All the 100 respondents of the sample were asked to show the importance of each of the five service features. A total of 100 points were allocated across the five features according to how important each attribute was to the customer concerned. The more important a feature was the more points were allocated. The points allocated added up to 100. There were cases where a customer would allocate 45 points, 60 points or even 80 points for each attribute. The results of this investigation are shown below. This section assessed customer prioritization of the Five attributes in question namely tangibles, reliability, responsiveness, assurance and empathy. (See Research Instrument in appendix 8.1)

Table 5.6 : Customer Weightings.

CUSTOMER WEIGHTINGS							
		RETAILER	RESTAUR	SERV STN	WHOESLR	OTHER	TOTAL
TANGIBILITY	Aggregate	669	220	160	50	72	1171
	Percent	6.69%	2.20%	1.60%	0.50%	0.72%	11.71%
RELIABILITY	Aggregate	1490	595	310	255	145	2795
	Percent	14.90%	5.95%	3.10%	2.55%	1.45%	27.95%
RESPONSE	Aggregate	1070	460	365	195	145	2235
	Percent	10.70%	4.60%	3.65%	1.95%	1.45%	22.35%
ASSURANCE	Aggregate	829	270	275	175	73	1622
	Percent	8.29%	2.70%	2.75%	1.75%	0.73%	16.22%
EMPATHY	Aggregate	1042	455	290	225	165	2177
	Percent	10.42%	4.55%	2.90%	2.25%	1.65%	21.77%
TOTAL	Aggregate	5100	2000	1400	900	600	10000
TOTAL %	Percent	51.00%	20.00%	14.00%	9.00%	6.00%	100%

As shown above results showed that Reliability was the most important service attribute which customers considered. Responsiveness was second in importance followed by Empathy and Assurance. The service aspect of Tangibility was the least in importance. A visual presentation of the results is shown in Figure 5.4. below.

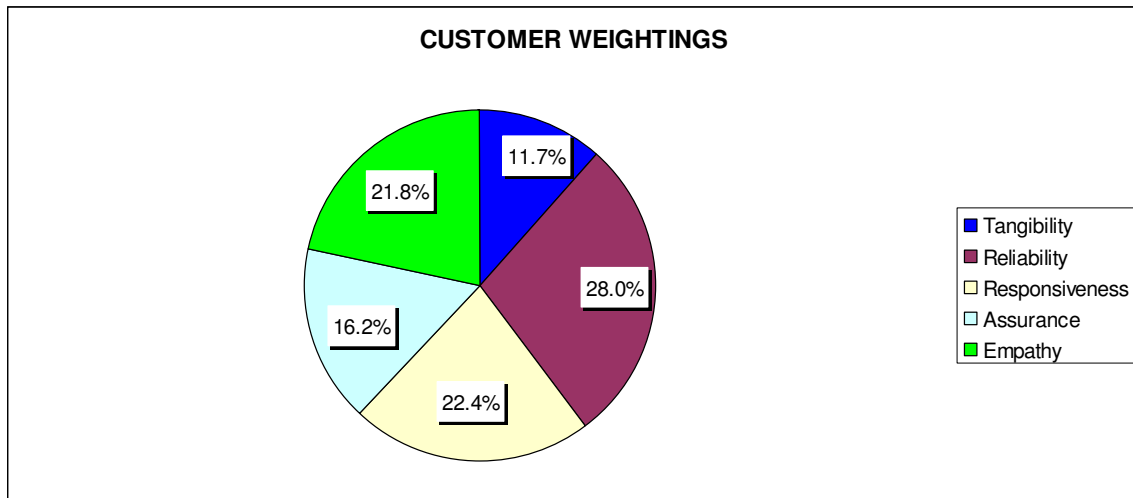


Figure 5.4 : Customer Weightings.

5.3. Customer perceptions on actual service.

The questionnaire intended to solicit the perceptions of customers on the quality of service they received from the CSD suppliers. This section assessed customer sentiments on service attributes namely Tangibles, Reliability, Responsiveness, Assurance and Empathy.

Perceptions were recorded after asking the customers and getting their feedback to indicate their level of agreement to the statements given on a scale of 1 to 5, where 1 indicated disappointment of the services of the company in question while 5 indicated that they were extremely happy with that particular aspect of service. Point 3 of the rating scale was a middle of the path position where respondents were slightly satisfied. This method of evaluation was used across all the five service attributes which were broken down to 22 statements.

The 40 to 50 years and above 50 years age groups were virtually happy with all the 22 service attributes. The researcher also observed that the highest scores came from these two age groups. There were no differences in sentiments according to Gender. The fewness in number of wholesalers in operation can be attributed to the door - to - door delivery strategy of the suppliers. Wholesalers are therefore meeting the urgent stock- out requirements of the traders before the next delivery day as well as meeting the requirements of end consumers.

5.4. Tangibles:

Issues pertaining to tangible attribute were obtained from statements 1- 4 of the questionnaire. Table 5.7. shows the mean scores on expectations for tangibles.

Table 5.7 : Mean Scores on Tangibles.

Mean Scores on Tangibles.			
STATEMENT	ABI	PEPSI	QUAL BEV
ST 1. Modern Equipment facilities	4.02	4.50	4.57
ST 2. Physical Facility Appealing	4.0	4.50	4.64
ST 3. Neat and Presentable Staff	4.1	4.5	4.57
ST 4. Promotional Materials Appealing	3.83	4.35	4.64
AVERAGE MEAN SCORE	4.0	4.46	4.61

Figure 5.5. below is a visual presentation of the information table above.

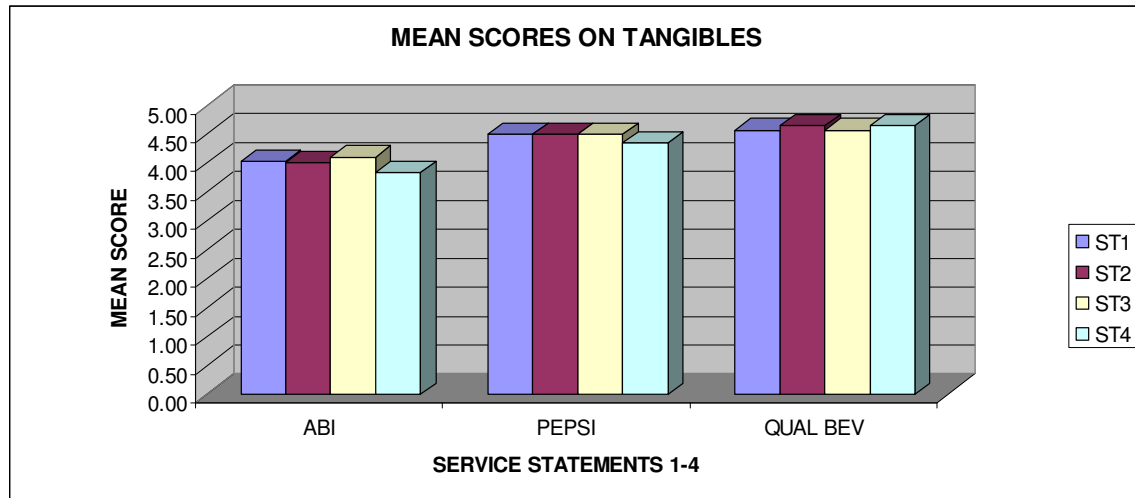


Figure 5.5. Mean Scores on Tangibility.

A detailed explanation of the results obtained from the 4 statements for measuring the tangible attributes is given below.

Statement 1 : The customers were asked to explain their actual experience and sentiments whether the supplier in question had modern looking equipment.

The average for all the three suppliers was 4.22 which show that the customers were generally satisfied with the equipment of the suppliers. The results indicate that customers are happy with the equipment that the suppliers are using. They

are also happy with equipment especially coolers or refrigerators. As part of the business deal CSD suppliers provide refrigerators for free to the traders. Traders are happy as indicated by the high mean scores ranging from 4.02 to 4.57 for the three firms. Specifically ABI had 4.02, Pepsi 4.5 and Quality Beverages 4.57. An analysis of results based on age groups shows a high score of 4.53 from the 50+ age group. The other age groups show an average of 4.10 score. All the four age groups as well as both sexes were generally happy with the quality of service. On occupation Buyers scored 4.67 for this service variable. It shows that buyers were very happy with the equipment of suppliers, the leading one being Pepsi. However retailers were not happy with the standard of equipment as shown by a mean score of 2.47.

Statement 2 : Customers were asked what their sentiments were about the appealing state of the suppliers' physical facilities.

The rankings on physical facilities were high ranging from 4.0 to 4.64 for all the three suppliers. The above 50 years age group felt that the physical facilities were appealing with a mean score of 4.65. In terms of occupation managers, buyers and owners had the same view.

Statement 3: Customers were asked to rank their perceptions on the presentation of supplier's staff.

Generally the three CSD firms' staff appearance was rated as very good with scores ranging from 4.1. to 4.57. Respondents above 50 years felt that staff

appearance was good. A similar trend is indicated in the occupation groups. The Indian respondents were also very pleased, as shown by a mean score of 4.33.

Statement 4 : Customers were asked what their perceptions were regarding promotional materials, such as pamphlets at their supplier's premises.

Customers rating indicate that the promotional materials supplied by the three firms are adequate. The scores for the three firms range from 3.83 to 4.64. All the three suppliers were rated highly as evidenced by mean score of 4.08. The 20 to 30 age group also scored highly on this aspect with a mean score of 4.57. An analysis using occupation and race did not show any significant differences.

5.5. Reliability :

5.5.1 Customer sentiments on Reliability attributes.

The five questions on reliability sought to find out whether customers felt whether staff were reliable or not. Five statements were given in this case where customers were asked to indicate their expectations on a scale of 1 to 5.

Table 5.8 : Mean Scores on Reliability.

Mean Scores on Reliability.			
Statement	ABI	PEPSI	QUAL BEV
ST 5. Fulfillment of promise on time	2.65	3.62	3.79
ST 6. Sincere interest in solving a customer's Problem	2.83	3.73	3.86
ST 7. Ability to perform service right the first Time	3.02	3.96	3.93
ST 8. Provision of service at the time it was Promised.	2.63	4.88	3.79
St 9. CSD Supplier insist on error – free Invoices	4.22	4.54	4.43
AVERAGE MEAN SCORE	3.07	4.15	3.96

The figure below is a visual presentation of Expected Reliability Attribute

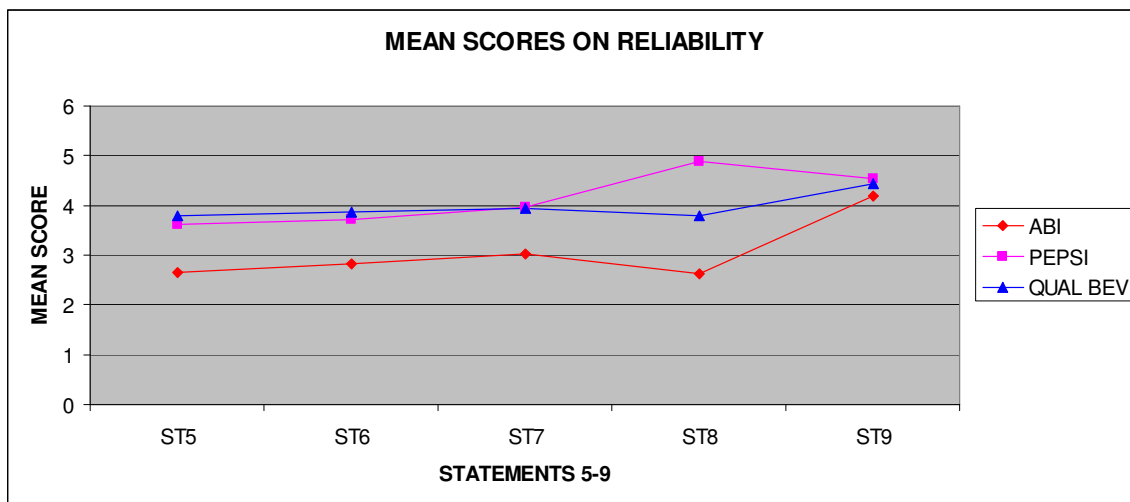


Figure 5.6 : Customer Reliability attribute mean scores.

The detailed analysis of all the individual statements on reliability is given below.

Statement 5: Customers' expectations on adherence to promised service.

The respondents for the three CSD firms consider this a very important service ingredient but there was average satisfaction as evidenced by the mean score of 3.06. However the mean score of 2.63 shows that the traders dealing with ABI were disappointed with their service and these customers were 60% of the total sample. A closer analysis shows that the big retailers and wholesalers were generally happy with the service as evidenced by a mean score of 3.5. The fact that wholesalers dealing with ABI recorded 2.67 shows that they were unhappy with the service they got from this particular supplier. The majority of the traders namely small and medium retailers, service stations and restaurants, who constituted 71% of the sample outlets in terms of number, were disappointed with the quality of service as evidenced by a low mean score.

Buyers were disappointed as reflected by 2.56 score. Similarly the 31 to 40 age group was also unhappy as portrayed by the mean value of 2.63. Whites, who were 47% of the sample, were very particular about the issue of meeting time. The Whites' disappointment is evident from shown by the mean score of 2.79. The other races namely Indian, Black and Coloured were not so particular about delivery being done at the promised time as long as it was done on the promised day. The restaurants were not happy with the quality of service as evidenced by the mean score of 2.75, but the rest of the other channels recorded moderate scores.

A different scenario was apparent for Pepsi and Quality Beverages as they had mean scores of 3.62 and 3.79 respectively, an indication that their customers were happy. It is however important to note that Pepsi and Quality Beverages had 26% and 14% of the sample respondents respectively. These percentages are also a reflection of their relative market shares. The difference can also be attributed to the fact that these two suppliers are dealing predominantly with big retailers and wholesalers.

Statement 6 : Customers were asked to indicate their perceptions on whether staff sincerely solved their problems.

The average mean for all the three suppliers was 3.21 which indicate an above average satisfaction. Customers felt that staff was fairly sincere in solving their problems. Specifically ABI had the least score of 2.83 whereas the other two firms were slightly above average. The two age groups that scored very high on this statement are the 20-30 and the 50+ age groups. The 31 - 40 age group had a score of 2.73 indicating that they were not satisfied with the service rendered. The occupation category showed that owners were unhappy (2.90). ABI is the only supplier which ended up with a mean value of less than 3, (2.83) an indication that the supplier was failing to meet the basic requirements of its trade customers.

Statement 7 : Customer sentiments on Supplier staff doing it right the first time.

Mean scores were generally moderate for “doing it right first time”. The mean scores according to suppliers ranged from 3.02 to 3.93 for the three firms. This shows that on average all the three suppliers performed service right the first time. According to age, all the scores were high, but the highest was received from the 41-50 years age group. Restaurants were not happy with the aspect of staff performing service right the first time because they recorded a mean score of 2.80. Perceptions were however similar according to race and gender.

Statement 8: Perceptions on whether customers received the service at promised times.

The perception on the service delivery at the promised time was low at 2.63 for ABI. This service attribute scored the least at 2.22 compared to all the other aspects from the perspective of Buyers. Owners were also unhappy as shown by the score of 2.80. The only unhappy age group was the 31 to 40 years with a value of 2.56. Whites were also unhappy with the issue of a supplier being unable to fulfill its promise. The only Coloured respondent who was male was also unhappy with service quality as shown by his rating of 2. A notable distinguishing feature is the fact that Pepsi was rated at 4.88 whilst Quality Beverages was pegged at 3.79.

Statement 9 : Customer perceptions on whether they received error free invoices.

Customers feel that invoices have no errors as reflected by high scores ranging from 4.22 to 4.54 for ABI and Pepsi respectively. Quality Beverages occupied the middle position with a mean score of 4.43. According to all the age groups invoices were perceived to be accurate at all the times. A similar trend was reflected in all the occupation categories. All the 100 respondents of the sample were happy with the documentation especially invoicing of virtually all the three suppliers because none of them rated a supplier below the 3 point scale. Blacks and respondents in the 41 - 50 age group rated this aspect of service at 4.6 and 4.86 respectively. The Other category which consisted of bars and clubs was very happy with this aspect as evidenced by the maximum mean score of 5.

5.6 : Customer Perceptions on staff Responsiveness.

The statements on responsiveness sought to find out the extent to which staff will respond to customer needs. Four statements were given and customers were required to indicate their sentiments. Table 5.9. summarizes the responses for the four statements on Responsiveness.

Table 5.9 : Responsiveness attribute mean score.

Responsiveness Mean Scores			
STATEMENT	ABI	PEPSI	QUAL BEV
ST 10. Staff can tell when service available	3.25	3.77	3.71
ST 11. Staff able to give prompt service	2.97	3.73	3.36
ST 12. Staff willing to help customers	3.13	3.85	3.35
ST 13. Staff never too busy to help	3.1	4.0	3.64
AVERAGE MEAN SCORE	3.1	3.84	3.52

Statement 10 : Customer expectations on staff's ability to tell exactly when service will be performed.

Buyers were unhappy as reflected by a score of 2.67. The 31 - 40 age group was also dissatisfied. On the whole the sample indicated a moderate satisfaction with scores ranging from 3.25 to 3.71 for all the three suppliers. This means that customers generally felt that staff would inform them when service will be performed. This shows that communication mainly telephonically or verbally via delivery staff was good although the services were not performed according to promises made.

Figure 5.7. below is a visual presentation of information in table11 above.

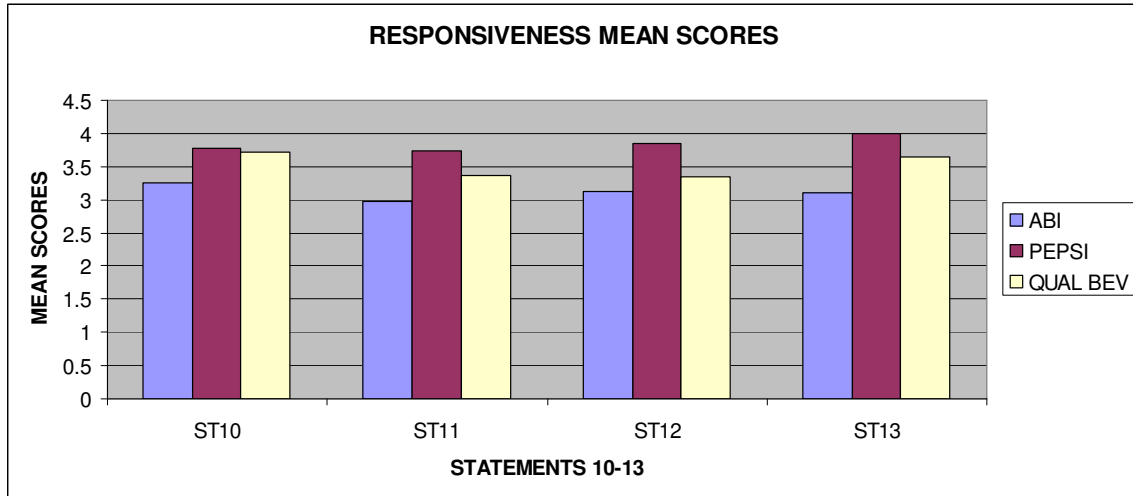


Figure 5.7 : Responsiveness Mean Scores.

Statement 11 : Expectation on staff that gives prompt service.

There were mixed feelings among customers on the suppliers giving them prompt service. Buyers were unhappy with ABI in particular as shown by a 2.8 mean score. The 31 - 40 age group was unhappy as well (2.8). There were moderate levels of satisfaction across all the races. On the contrary Pepsi recorded the highest score of 3.73 whilst Quality Beverages had a score of 3.36. Buyers, owners and managers were happy with these two suppliers.

Statement 12 : Expectation on staff's willingness to help customers.

All the scores were above average ranging from 3.13 for ABI and 3.85 for Pepsi. Quality Beverages occupied the middle position with a mean score of 3.35. An analysis of scores by channel shows that retail outlets were the most satisfied as well as respondents who were aged more than 50 years. Although all the ratings

were not so high on this aspect most of the customers felt that the staff of all the three suppliers were willing to help customers.

Statement 13 : Perceptions on whether staff were never too busy to respond to customer requests.

Customers were generally happy about staff being able to respond to their requests even though they were busy. The three firms scored above average ranging from 3.1 to 4.0. This aspect was rated the least by Blacks.

5. 7. Assurance :

Customer perceptions about the behaviors that were giving assurances to customers.

This section of the questionnaire sought to find out whether customers perceived staff as having an assuring attitude during their interaction. Four statements were given to customers to find out their evaluation of supplier staff behavior whether it was assuring. The table 5.10. below shows the responses to all the 4 questions asked on Assurance.

Table 5.10 : Assurance Mean Scores.

ASSURANCE MEAN SCORES.			
	ABI	PEPSI	QUAL BEV
ST 14. Instill confidence	3.45	4.35	4.21
ST 15. Feel safe during transaction	3.73	4.34	4.07
ST 16. Consistent courtesy	4.18	4.65	4.42
ST 17. Knowledge to answer questions.	3.97	4.46	4.21
AVERAGE MEAN SCORE	3.83	4.45	4.23

The figure below is a visual presentation of the information on the table 12 above. The table summarizes the ratings for the four statements which were given to customers to evaluate their expectations on assurance.

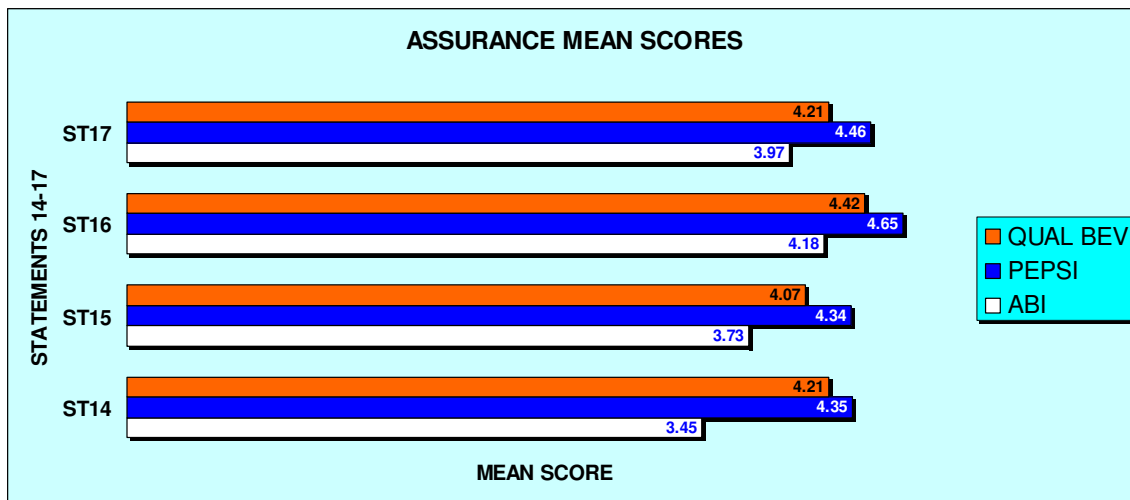


Figure 5.8 : Assurance Mean Scores.

Statement 14. Customer expectations on staff behaviour that instills confidence. Pepsi had the highest score in the supplier category with a mean

score of 4.35 closely followed by Quality Beverages at 4.21. However ABI had a moderate score of 3.45. The highest score on the age category came from respondents aged 50 and above with a value of 4.29. From the occupation category Buyers were happy with a mean score of 4.4 whilst Managers were disappointed with a score of 2.6

Statement 15: Customer feelings on safe transactions.

All the three suppliers had above average scores with Pepsi having the highest score of 4.34. The fact that wholesalers had a mean score of 4.4 shows that they were very happy and safe with the transactions of the suppliers. Buyers were also very happy with this aspect of service because of the mean score of 4.50. The occupation category ranged from 3.9 to 4.5. There were no significant differences across all the four age groups as they all registered above average levels of satisfaction.

Statement 16 : Customer views on consistently courteous staff.

Generally this statement scored very highly than the others for virtually all the three suppliers. The highest average mean score of 4.65 was for Pepsi, whilst Quality Beverages and ABI had 4.42 and 4.18 respectively. The respondents explained that the staff for all the three suppliers were courteous over the phone and when they came to deliver, to take orders or to repair their coolers. Blacks were the most pleased race as shown by a score of 4.4. The highest score came from wholesalers.

Statement 17. Customer feelings on staff's knowledge to answer questions.

Overall this statement was scored highly compared to previous questions. The highest score of 4.46 was obtained Pepsi, whilst the other two firms, Quality Beverages and ABI got 4.21 and 3.97 respectively. The range for the age groups was 3.75 to 4.43 whilst the range across trade channels was from 3.80 to 4.44.

5.8 : Empathy / Individual Attention.

Perceptions on empathy.

This part of the questionnaire sought to evaluate customers' perceptions about the staff empathetic behaviour.

Table 5.11 : Customer Empathy Attribute Mean Scores.

EMPATHY MEAN SCORES :			
	ABI	PEPSI	QUAL BEV
ST 18. Company gives individual attention	3.02	4.27	3.79
ST 19. Firm has convenient operating hours	3.08	3.88	3.64
ST 20. Staff gives personal attention	2.72	3.88	3.43
ST 21. Staff has customers Interests at heart	3.07	3.92	3.64
ST 22. Specific needs known	3.1	4.0	3.64
AVERAGE MEAN SCORE	3.0	4.0	3.61

Figure 5.9 below is a visual presentation of the above responses on Empathy.

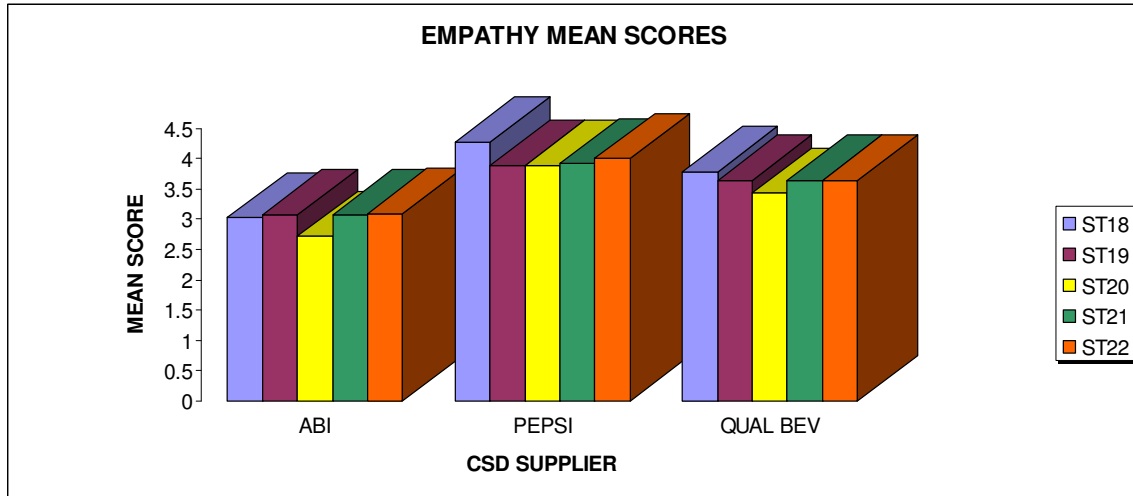


Figure 5.9 : Empathy Mean Scores.

Statement 18 : Customer perceptions on whether the Supplier Company gave personal attention.

The results indicate moderate to high range of 3.02 to 4.27. The range of scores shows that in some cases the company were giving limited personal attention to customers whilst in other cases more individual attention was given. The Other category which comprised bars and clubs registered dissatisfaction as evidenced by the 2.17 mean score. Restaurants were also unhappy given the mean score of 2.90.

Statement 19 : Customer perception on operating hours.

There were moderate scores pertaining to the operating hours from the three firms as shown by an average mean score of 3.37. However restaurants mean value of 2.65 and 2.33 by the Other category both reflect that the operating hours

of the suppliers did not suite their business. Their comments reflected that they wanted deliveries to be done late in the afternoon.

Statement 20 : CSD company flexibility in dealing with each customer.

This statement intended to investigate the views of the customers with regards to the flexibility in suppliers in dealing with any unique feature(s) of the customer.

There was a mixed bag with ABI customers unhappy with the lack of flexibility as shown by the low score of 2.72, whilst Pepsi customers appreciated the supplier's flexibility as shown by a score of 3.88. The 31-40 age group was unhappy. Similarly restaurants and others (2.0) were unhappy.

Statement 21 : Customers' perceptions on whether supplier staff had customer best interest at heart.

Customers had mixed feelings on this aspect because customers dealing with ABI felt that their staff did not have their best interest at heart. On the other hand customers dealing with Pepsi felt that the company staff had their best interest at heart. Infact customers dealing with both suppliers especially Buyers had contrasting sentiments about the suppliers in question.

Statement 22 : Customers' expectations on suppliers who understand specific customer needs.

The results on this statement show that staff for all the three companies understand specific customer needs. All the three firms scored above 3 with a

range of 3.07 to 3.92 for ABI and Pepsi respectively. For the first time the 20 to 30 age group registered unhappiness with the suppliers.

5.9. Application of the Gaps Model:

Analysis on service gap measures : Expectations VS Experience.

Before rating the customer's actual experience the interviewer asked each respondent on what their ideal expectations were of CSD suppliers without specifically mentioning the supplier they were dealing with. All the 100 respondents indicated that they expected maximum satisfaction as shown by a score of 5 on the 1 - 5 point scale. This was designed to find out if there were any gaps between Expectation and Actual experience. There were of course rare situations where respondents rated 5 for the actual experience. This means there were no gaps as shown by the formula below:

$$\begin{array}{rcccc} \text{Actual Exp} & - & \text{Expectation} & = & \text{Gap} \\ 5 & - & 5 & = & 0 \end{array}$$

In this case **0** meant maximum satisfaction because actual experience matched expectations. As far as this research was concerned there were no situations where actual experience exceeded expectations because all the respondents had high expectations. If the answer was negative (- **1.5**) it meant that gaps existed. It is important to note that the gap scores are relative and not absolute. For instance a mean score of 4.5 on a 1 to 5 point Likert scale under normal

circumstances meant above average satisfaction. But using the gaps theory it reflects a dissatisfaction of **-0.5**

After analyzing results of the questionnaire the gaps were computed. The gaps are computed for each of the five service attributes, namely Tangibles, Reliability, Responsiveness, Assurance and Empathy.

5.9.1. Gaps on Tangibles :

Table 5.12 : The Gaps on Tangibles attribute

TANGIBLES ATTRIBUTE				
	ST 1 : Modern Equipment	ST 2 : Appearance of Physical Facilities	ST3 : Presentable Neat Staff.	ST 4 : Promotional Materials.
ABI	-0.08	-1.0	-0.90	-0.27
PEPSI	-0.5	-0.5	-0.50	-0.65
QUAL BEV	-0.43	-0.36	-0.63	-0.36
20 -30 Yrs	-0.86	-0.45	-0.88	-0.83
31 -40 Yrs	-2.0	-2.0	-2	-2.0
41 – 50 Yrs	-0.67	-0.73	-0.77	-1.0
+ 50 Yrs	-0.69	-0.54	-0.74	-0.92
White	-0.79	-0.79	-0.96	-0.14
Indian	-0.90	-0.93	-0.76	-0.93
Coloured	-0.79	-0.71	-0.5	-0.64
Black	-0.46	-0.47	-0.47	-0.76
Owner	-2.0	-0.20	-0.30	-0.30
Manager	-0.77	-0.76	-0.70	-0.90
Buyer	-0.33	0.56	-0.44	-0.77

The Gaps on tangibles were computed by evaluating all the four attribute statements using the formula stated above. All the four statements indicated that there was a gap between what customers expected and the actual service delivered. A detailed analysis shows that the responses for the three CSD firms showed that there were some gaps that exist in the service quality. ABI showed the highest gap of -1.0 on physical facilities followed by Pepsi with a gap of -0.5 and Quality Beverages with -1.4. ABI also had the biggest gap on the “Modern looking equipment”. On “Neat appearing staff” the biggest gap came from the Coloured respondent. This indicates that customer’s expectations are higher than the service rendered by CSD suppliers. There is need to close the gaps in order to dazzle customers.

5.9.2. The gaps on reliability attributes.

This part of the questionnaire intended to investigate if gaps exist between customer expectations of service and the actual service that they receive. Five statements were evaluated by the customers and the gaps were computed. Details of the gaps are shown on Appendix 8.3.1. The results show that Gaps exist in this industry. ABI recorded the biggest gaps than the other two CSD firms. The Biggest Gap came from Buyers -2.44 and Whites -2.21 pertaining to fulfillment of promises. Buyers and the 31-40 age group recorded the highest Gaps on sincere interest in solving customer problems with scores of -2.0 and -2.27 respectively. Whites showed unhappiness in the suppliers’ ability to provide service at the promised time as reflected by a score of -2.22. It is true but

unthinkable that gaps as big as -2.78 from buyer's perspective on the issue of provision of promised service at promised time. Some respondents indicated that certain delivery staff was apologetic to the extent that they confess to the customers that their company is being overwhelmed by demand for the product in the market. This is true especially in view of the fact that their warehouse sometimes runs out of stock. Some customers said it was actually an offense for the Coke brand to run out of stock. Some customers suspect suppliers especially ABI is discriminatory in its approach because it gives preference to some traders over others.

The gaps shown above are quite big, especially those that are reflected under ABI. The main issues of concern are providing right service the first time and delivering service at promised times. For instance when customers place an order either through a sales representative or telephonically they expect to receive the same quantities and flavours as per order without any variations. Service gaps of this magnitude show dissatisfaction but the gaps can be reduced if service is improved.

5.9.3 .The gaps on responsiveness attributes.

The Responsive attribute was represented by four statements and details on the computation of gaps are shown on Appendix 8.3.2.. The two issues of major concern were communication on when service will be provided and prompt

service. ABI is the worst service provider because it has the biggest gap of - 2.03.

The gap on the -2.33 on communication as far as Buyers are concerned is very big and a resolute effort should be made to ensure that this gap is reduced or eventually closed.

In the final analysis it is evident that the suppliers in general and specifically ABI have a lot to do in order to improve the service quality. If these gaps remain unchanged or widen any new players can swiftly take advantage of this which may result in customer switching. Quite a number of respondents have actually hinted that they will jettison the existing suppliers in favour of any new decent competition. The laxity on the part of the suppliers can be attributed to the oligopoly nature of the industry.

5.9.4.Gaps on assurance attribute.

Statements 14 to 17 of the questionnaire represented the assurance attribute. ABI had the biggest gaps compared to the other two firms in virtually all the scores. There were negative gaps throughout all the categories namely age groups, occupation, gender and race. ABI's inability to instill customer confidence is reflected by a gap of -1.55 , followed by Quality Beverages at -0.79 and Pepsi pegged at - 0.65. Managers of many outlets were extremely unhappy with this service aspect as evidenced by a gap of -2. Refer to Appendix 8.3.3 for details of these gaps.

On a positive note the Other category's expectations and service delivered matched as evidenced by a gap of 0. A closer analysis however shows that there were only 6 outlets of this category from a total sample of 100. Therefore the importance of their positive rating should not be exaggerated.

5.9.5. Gaps on empathy attributes.

Statements 18 to 22 of the questionnaire dealt with the empathy aspect of the service. The gaps are shown in Appendix 8.3.4. The importance of individual attention was an issue of major concern. Some respondents felt that they had been relegated to the status of "telephone customers" because sales representatives did not visit their outlets. Even those outlets which were visited by sales representatives some of the managers said they expected the sales reps to remember their names.

ABI had the worst gap of -2.18 due to its failure to give personal attention to its clients. The 20 to 30 age group showed that they needed to be treated differently as shown by the gap value of -2.2. The traders accused the suppliers for not making an attempt to understand their specific individual needs. Many cash customers explained the advantages of credit terms but this to them was a mere dream and a preserve of the "big players"

5.10. T test Differences among CSD Suppliers for service Characteristics.

T test differences between the three CSD suppliers namely ABI, Quality, Pepsi and Quality Beverages were computed and the results are shown in Table 5.10. below.

Table 5.10 : T - Test Differences among CSD Suppliers for service Characteristics.

PARAMETER	CSD Supplier	N	Mean	STD	T - test
Tangibles	ABI	60	4.0	1.21	1.34
	PEPSI	26	4.46	0.70	
	QUAL BEV	14	4.61	0.62	
Reliability	ABI	60	3.07	1.61	0.35
	PEPSI	26	4.15	0.95	
	QUAL BEV	14	3.96	0.79	
Responsiveness	ABI	60	3.1	1.34	0.28
	PEPSI	26	3.84	1.03	
	QUAL BEV	14	3.52	0.99	
Assurance	ABI	60	3.83	1.28	0.68
	PEPSI	26	4.45	0.59	
	QUAL BEV	14	4.29	0.57	
Empathy	ABI	60	3.0	1.38	0.34
	PEPSI	26	4.0	0.90	
	QUAL BEV	14	3.61	0.79	

Notes: The above one - tailed test was conducted at 95% confidence interval (or .05 probability) at 99 degrees of freedom. Equal variances were not assumed.

5.11: Chi - Square Test for Customer Satisfaction.

The following procedure, shown in table 5.11. was used in order to make meaningful analysis of research results using the 5 - point Likert scale used in this research:

Table 5.11: Classification of the Likert Scale.

LIKERT SCALE	SENTIMENT	NOMINAL CATEGORY
1.0	Strongly Disagree	Unhappy
2.0	Disagree	
3.0	Uncertain	Undecided
4.0	Agree	Happy
5.0	Strongly Agree	

As shown above those respondents who indicated that they Strongly Agree and Agree were classified as happy while those who said they Strongly Disagree and Disagree were classified as unhappy. However, those who rated 3.0. were classified as undecided because they were neutral and thus considered to be sitting on the fence.

Using the criteria above, actual counts were made in order to conduct a Chi - Square test for happy respondents. The rationale behind was to verify the null hypothesis which states that customer satisfaction in the CSD industry is

independent of who the category of the trade customer is. The results are shown in table 5.12. below.

Table 5.12: Chi - Square Test for happy Respondents.

CATEGORY OF TRADE CUSTOMER	NO. OF HAPPY CUSTOMERS	NO. OF RESPONDENTS INTERVIEWED	EXPECTED FREQUENCIES (% X 49)	CHI- SQUARE
Supermarkets	31	51	25	1.44
Restaurants	6	20	10	1.6
Service Stations	5	14	7	0.57
Wholesalers	6	9	4	1
Other	1	6	3	1.33
TOTAL	49	100	49	5.94

The chi square value of 5.94 is smaller than the critical value which is 9.49, at 95% confidence interval (or .05 probability) at 4 degrees of freedom. On that basis the null hypothesis is accepted. Thus customer satisfaction has nothing to do with and is not determined by any of the above five trade categories. Thus customer sentiments independent of the size or type of trader.

CHAPTER 6:

DISCUSSION, CONCLUSIONS & RECOMMENDATIONS:

6.1. Introduction.

The contribution of this study is that the SERVQUAL questionnaire which has been used predominantly in the services sector has been applied in the carbonated soft drink industry with the results showing that it can apply across industries. This study confirmed that the SERVQUAL questionnaire could achieve significant results since service quality can be broadly classified under the five variables. The study revealed that service quality is determined mostly by Reliability which scored 28% of the total weight followed by Responsiveness (22.4%), Empathy (21.8%) Assurance (16%) and the least in importance factor on customer satisfaction is Tangibility.

6.2. Reliability:

Reliability proved to be the most important service attribute. This was confirmed by one white respondent. He had this to say :

“Life is all about time. The difference between success and failure is a result of the extent to which you value time.”

How true! The study revealed that time is the most important requirement for customers yet ironically the biggest player ABI is not reliable to the level that the customers expect. It is important to note that all the three suppliers stick to the

delivery days but meeting time remains an issue of major concern. Although very few of the customers said they sympathize with the suppliers because of the congestion of traffic in Johannesburg, the majority of respondents still insist that deliveries be made according to scheduled and promised time. Whites were more particular about time compared to Blacks, Indians or Coloured. The Whites were the majority of respondents, who constituted 47% of the sample which means their sentiments should not be taken lightly. Most clients also mentioned the fact that delivery during lunch time interferes with their peak business time. They regard delivery during this time as an inconvenience. They receive the consignment reluctantly because they do not have a choice. To that effect most customers recommended that they prefer delivery either early in the morning or late in the afternoon. Unreliability and inconsistency in terms of time has forced customers to overstock the CSDs which is unhealthy because the Rand is unnecessarily tied up in stock. Customers feel there is an opportunity for improvement on time in view of the fact that delivery is only done once a week. It appears the delivery strategy on the part of suppliers is determined by geography since outlets in close proximity receive their consignment on the same day.

On a positive note the other two suppliers namely Pepsi and Quality Beverages are relatively better than ABI but still need to improve their time schedules. Perhaps this is due to the fact that these two smaller suppliers deal with fewer customers in terms of both volume and number. These two players tend to focus

on big supermarkets and wholesalers only. These outlets are mainly Checkers, Pick n' Pay, Spar, Shoprite, Jagers, Macro and Game. That partly explains why their few customers are relatively happy.

6.3. Responsiveness:

Responsiveness is the second most important attribute according to the rating results of the research. ABI is perceived to be irresponsible as shown by the mean score of 2.97. Customers feel they do not receive prompt service.

Communication is very good and some buyers said they even receive SMSs about when they should expect delivery but this does not materialize. When they have problems it takes time before they are rectified. For instance if coolers are not functioning properly customers feel the suppliers' staff should respond swiftly and repair them.

6.4. Empathy:

This is the third most important aspect for customers. Customers need individual attention. Quite a number of unhappy customers were aware of the fact that the supplier, especially ABI had sales representatives but they had not visited their outlets for more than 6 months. They said they had been relegated to the status of "telephone customers" because the relationship is now confined to the phone once a week when they phone the supplier to place their order. The only personal interaction is when delivery staff of which their core business is to deliver soft drinks, nothing more nothing less. There are no visits from senior

management and they are disgruntled because business interaction means a lot more than just phoning in for orders. There are few isolated cases where senior personnel ask customers some service related questions informally. Outlet managers later discover that the reason why they patronize their outlet is because these senior personnel reside close to their outlet. Even with regard to telephone service some wholesaler buyers said the telephone service was virtually non-existent during the weekends. They recommended that at least skeletal staff can be on standby to answer phone calls during the weekend.

6.5. Assurance:

Customers said they have confidence and trust in the suppliers only as far as product quality and accuracy of invoices is concerned. However the service attached to these products is poor. For instance there were very few cases of faulty products, known as allergies being delivered. Some of the products were damaged in transit or during delivery. Supplier company staff do not swap these alleges regularly as they promise and this is a bother for most traders. The old adage which states that it's the little foxes which spoil the vine seem to apply in this instance.

6.6 Tangibles:

This was the least important attribute but it scored highest. The three companies supply refrigerators or coolers to their customers for free and in the event of a

breakdown or malfunction the supplier staff come to do repairs. Most respondents felt it was a must for suppliers to provide this equipment because the business deals with cold drinks. This is thus regarded as a basic factor or prerequisite which if accomplished does not satisfy the customer. Staff appearance meets customer expectations. Respondents said delivery staff come in uniform such as work suits and overalls so it is difficult to assess whether they are smart or not.

6.7. Corporate Image.

It is not clear whether it is a deliberate strategy of CSD suppliers to satisfy certain customers at the expense of others. There was no evidence in this research to justify such an allegation. However if an organisation chooses to do business with all and sundry it should make a concerted effort to satisfy all its customers. A number of frustrated customers are however unable to switch to other suppliers due to the monopolistic nature of ABI and they just hope one day new players who are customer conscious will come into the industry and give ABI decent competition.

6.8. Service excellence.

Carbonated Soft Drink companies should thrive to achieve service excellence status that accommodates the dynamic nature of the market. Quite a number of clients indicated that it is convenient for them to transfer funds electronically into

the supplier's account. Unfortunately this facility is not available to them and the supplier is still using traditional methods of cash or check. Internet banking is convenient for customers but its application in this case remains a dream. It is therefore recommended that the CSD firms take advantage of technology and allow customers to make payments using electronic bank transfers.

Benchmarking against the best service providers in other industries can be one strategy of implementing simple and flexible policies. Only certain senior personnel at the CSD firms have jurisdiction over the authorization of such transactions. Respondents said these senior personnel were not readily contactable by telephone or cell phone.

6.9. Customer complaint management system.

There are many depots or distribution points in Johannesburg. If there is a query it is not clear to the customer where and who they should contact. Delivery staff seem not to be conversant with the procedures to be followed. They are mere facilitators and not decision makers. A customer complaints management system should be in black and white and needs to be implemented by all firms. This system would go a long way in solving recurrent problems.

Statement 17 on the questionnaire revealed that front line staff, both delivery staff and those at the reception are conversant with issues pertaining to product handling and invoicing only. However customer service goes beyond that. The

business environment is dynamic, therefore the demands that customers put on the staff are also rapidly changing. In order to cope with this, regular training for frontline staff is essential in order to equip delivery staff on how to handle not just the product but the people as well. Delivery efficiency can also be embarked upon by increasing their transport fleet since they use the door- to - door delivery strategy whilst managing the additional cost entailed.

The fact that ABI has a call centre that entertains customer queries means the supplier has already made a giant step to solve customer complaints but at the moment it is not yet yielding results because quite a number of respondents are disgruntled.

A paradigm shift is essential so that service strategy is customer oriented rather than cost oriented. This philosophy would help the supplier firms to change their mind set by looking at service delivery from a customer view point. In fact the customer is the most important stakeholder for the organisation before we even consider the shareholder and employees who are more popularly known as internal customers.

6.10. Customer satisfaction surveys.

In order to develop an accurate and current understanding of customer needs it is important to collect information from the market on a regular basis. This information will clearly spell out customers' expectations. It is easy to track

customer changes in a dynamic environment at an early stage and become proactive rather than reactive. CSD suppliers should desist from implementing reactive fire fighting strategies and embark on plausible proactive strategies. A lot of flexibility is required at the level of policy implementation in order to reduce bureaucracy and the delays associated with it. As noted earlier, customers are heterogeneous such that CSD firms need to design tailor made services to suit their customers. The onus is on the organisation to consistently seek ways to meet customer needs and satisfy them in the process.

Customers place orders and the suppliers accept them on the basis that they will deliver. Customers dealing with ABI indicated that that the Coke brand constitute 50% of their sales and other flavours such as Fanta, Sprite, Lemon etc are merely supporting brands. As we approached the hot season this year in September and October, the supplier had insufficient stocks of Coke and this frustrated a number of operators. In my opinion the supplier should have naturally anticipated an escalation in demand. The firm is over committing itself and under delivering.

There is a serious disparity between what is communicated to the customers and what is eventually delivered. Statement 18 of the questionnaire asked whether employees of CSD companies tell customers exactly when services will be performed. There was a general satisfaction about communication for all the three suppliers as evidenced by an above average mean scores. However when

juxtaposed against the statements on reliability, the results were disastrous.

Although ABI was the worst relative to the other two suppliers, all the suppliers still fall short of customer expectations in terms of fulfilling their promises or doing it right the first time. The respondents from especially from wholesalers said they are not amused by receiving SMSs from certain suppliers informing them of when delivery should be expected if they never fulfill their promises.

To sum it all one respondent said,

“Suppliers should stop playing lotto with customers hoping that one day they will hit the correct numbers and achieve customer satisfaction.”

6.11. Conclusion :

It is not clear what the constraints of the CSD suppliers are. Perhaps further research in future from the point of view of the suppliers would shade more light into this matter. However customers are by no means unreasonable as far as their demands and expectations are concerned. Their role in facilitating the sale of CSD products to reach the final consumer or end user should never be underestimated. At the moment there is a paradigm shift from customer satisfaction to a satisfied customer. This means each customer is indispensable. It is clear that fulfillment of promises, management of time, individual attention, trust, among others are the key drivers of customer service quality. Walking the talk is what matters. Suppliers should learn a lesson that courtesy will never be a

substitute for service excellence and professionalism. A number of recommendations on effective strategies have thus been promulgated and if adopted CSD suppliers move from good to great.