

# **UNIVERSITY OF GHANA**

## **FACTORS THAT INFLUENCE CUSTOMER LOYALTY IN THE FREIGHT FORWARDING INDUSTRY IN GHANA**

**BY**

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**THIS DISSERTATION IS SUBMITTED TO THE UNIVERSITY OF  
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## DECLARATION

I Kwaku Boateng-Manu, the author of this project report "Factors that Influence Customer loyalty in the Freight Forwarding Industry in Ghana" do hereby declare that except for references to other people's work which are duly cited, this work was done by me in the Department of Port and Shipping Administration, Regional Maritime University. This work has never been presented either in whole or in part for any degree in this university or elsewhere.

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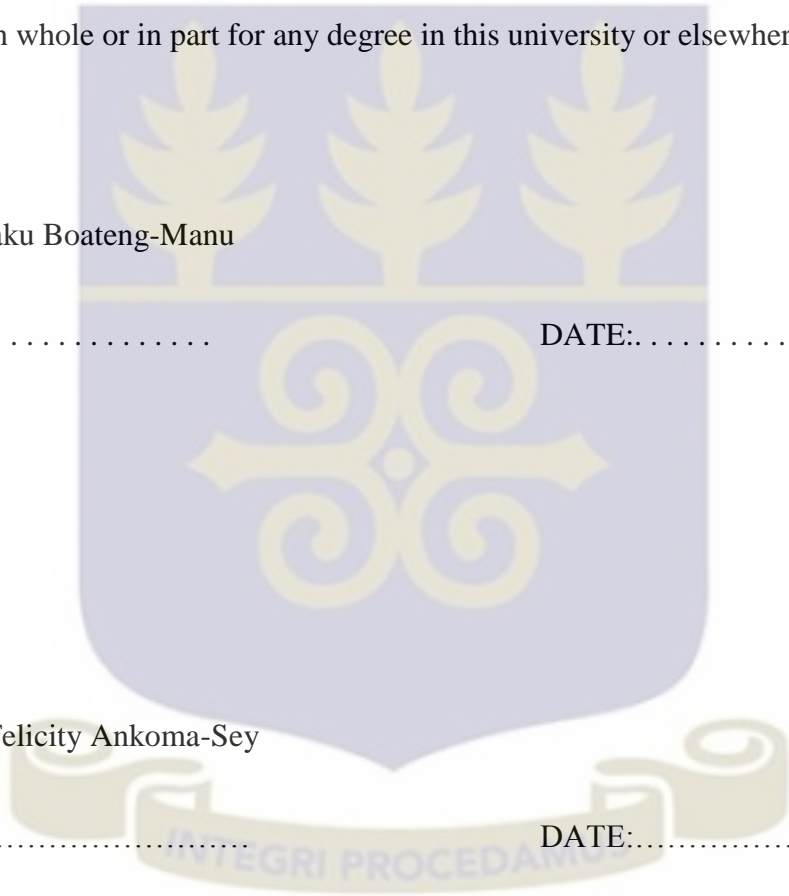
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## **DEDICATION**

This work is dedicated to God Almighty for his protection and to my Mother Akosua Afosaa Nyamekye and all my friends who helped me to complete this work successfully.



## ACKNOWLEDGEMENT

Every achievement in life is as a result of the many people who both directly and indirectly share their ideas, talent and wisdom with us all and this work is no exception.

I would first of all thank the Almighty God to whom all knowledge and wisdom belong. The Lord has been my strength, my saviour even in hard times. His faithfulness endures forever.

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## ABSTRACT

This research interrogates the influence of trust, price, service quality and customer satisfaction on customer loyalty in the freight forwarding service industry in Ghana. The research used primary data through a survey of 60 respondents. The respondents were importers and exporters, who have been clearing goods with freight forwarders working in Tema port. The Statistical Package for the Social Sciences (SPSS) version 20.0 software was used to analyse the data gathered using 25-item questionnaire. The results of the study showed that service quality, customer satisfaction, price satisfaction and trust significantly influence customer's loyalty. However, price significantly influences customer's loyalty negatively. Customer satisfaction gives significant positive impact on customer loyalty. This implies that when customers feel satisfied then certainly they will also have loyalty to the freight forwarding services industry. The study further found that trust does not mediate the relationship between customer satisfaction and customer loyalty. The research recommends that, freight forwarding service industries have to maintain quality service and continue to set right and fair price so that their customers would feel satisfied and become loyal to always use their services.



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## CHAPTER ONE

### 1.0 INTRODUCTION

When the imports and exports of goods through the use of ships began on a large scale in Ghana, the ships carrying the goods used to berth at natural harbours in Prampram, Cape Coast, James Town, Sekondi, Keta and so on. These ports were then called Sufferance wharfs. At these harbours, some individuals ferried the goods offshore and onshore ensuring easy and safe delivery for shippers. The work of these individuals served as the precursor to the clearing and forwarding business in Ghana (Baraku, 2010).

In December 1839, the British Government of the then Gold Coast passed an act imposing a duty of half per centum ad valorem on all goods and merchandise imported in to the colony (Danquah, 2011). As time went by, export duties were also introduced and many restrictions and prohibitions were imposed on goods as international trade activities increased tremendously in the Gold coast. There was also the need to meet the requirements of international trade by giving precise description and classification of all goods that entered international market. And in order to meet all these requirements, the customs authority introduced goods clearance procedures (custom procedures) which were very technical and became more and more complex as time went by (Baraku, 2010).

The complex nature of the custom procedures made it very difficult for traders to clear the goods themselves. This led to a significant need for the services of people with specialised knowledge in the custom procedures. This prompted some foreign nationals to open businesses in Ghana to

take advantage of this opportunity. The business also attracted some Gold coast scholars to engage in the clearing and forwarding businesses. They formed companies and increased in number as the Takoradi and Tema sea ports were constructed. As the new clearing business was found to be lucrative, there was huge influx of charlatans and non-conformists into the business. Therefore, the need for a legal framework to control and regulate the activities of practitioners became necessary. In 1978, the Supreme Military council (SMC) introduced the Custom House Agents (Licensing) decree (SMCD188) and was made operational by the Custom House Agents (Licensing Regulations 1978 (L.I.1178). Under the decree, the Commissioner of Customs was to issue licence to any person or body corporate that wanted to engage in the clearing and forwarding business (Danquah, 2011).

In the same year, the practitioners who felt that their image should be protected also formed an association known as the national Association of Custom House Agents (NACHA) to control and regulate the activities of their members. The association later in 1990 changed its name to Ghana Institute of Freight Forwarders (GIFF) (Danquah, 2011). In September 2005, the institute became a registered professional body in accordance with the professional bodies decree 1973 (NRD143) to ensure freight forwarding becomes a recognized profession in Ghana, (GIFF, 2010). Though, GIFF is the dominant association for freight forwarders in Ghana today, other splinter groups like Custom Brokers Association of Ghana (CUBAG) and Freight Forwarders Association of Ghana (FFAG) also exist and are all recognized by the Customs Authority (Danquah,2011).

## 1.1 Background of the Study

The FIATA Module Rules for Freight Forwarders define a freight forwarder as a person who concludes freight forwarding services with a customer. It further explains freight forwarding services as “any kind of service relating to the carriage, storage, consolidation, handling, packing or distribution of goods as well as the ancillary and advisory services in connection therewith; including but not limited to customs and fiscal matters, declaring the goods for official purposes, procuring insurance, securing documents or payments relating to the goods” (GIFF, 2010).

However, not all freight forwarders are able to provide these services and so specialization emerges resulting in different types of freight forwarders. The major types include Multimodal Transport Operators (MTOs), Non Vessel Operating Carriers (NVOCC), Custom House Agents etc. For instance, the majority of the freight forwarders operating at the Tema port are custom house agents. They are often referred to in the local parlance as “Clearing and forwarding Agents” because the services they render are limited to custom clearance. A Custom House Agent is any person or a body corporate to which a license has been granted under the Customs House Agents (Licensing) Decree of 1978 to transact business of customs on behalf of another person or another body corporate (Section 8, SMCD 188). Business of customs here means preparation, signing and presenting of documents with respect to imports and export of goods (section 8, SMCD 188). This law gives Clearing and Forwarding Agents a legal role as the intermediary between importers/exporters and the Customs Division of Ghana Revenue Authority. By virtue of this function, Clearing and Forwarding Agents pay duties to Customs on behalf of shippers who are either importers, exporters or both.

In Ghana, Clearing and Forwarding Agents help customers to export their goods through the port and also clear imported goods from the port. This has been the traditional role of the Clearing and Forwarding Companies in Ghana over the years. This role may also include consolidating cargo for shipment, negotiating freight charges with carriers, advising routing options and arranging inland transportation all on behalf of shippers.

In this study the term Freight Forwarding Company is used to denote a Clearing and Forwarding Agency while Customer refers to people who patronize the services of Freight forwarders. The customer could be an importer, exporter or someone engaged in both import and export all referred to here as shippers.

The customer is the key stakeholder in ensuring that business turnovers increase and to achieve this business owners are not only to increase their market base but also retain old customers and get them to become loyal. It is the desire of all freight forwarding firms to have a number of loyal customers who would use their services all the time because in a competitive industry like freight forwarding, survival of every company depends on the regular flow of traffic from loyal customers. Loyalty is used to describe the willingness of a customer to continue patronizing a firm's goods or services over a long period of time on a repeated and preferably exclusive basis and voluntarily recommending the firms products to friends and associates (Lovelock, 1996). However, customer loyalty does not just come; it is built over time depending on a number of factors which may influence customers' decision. Garbarino and Johnson (1999), Nguyen, Leclerc and LeBlanc (2013) enumerates some of the factors as trust, service quality, price, satisfaction, etc.

Anderson and Jacobson, (2000), see customer satisfaction as the result of an organization creating a benefit for customers so that they will maintain and increasingly repeat business with the organisation. Trust is the level of reliability ensured by one party to another within a given exchange relationship (Rotter, 1967). In a marketing context, it could be linked to consumer expectations concerning a firm's capacity to assume its obligations and keep its promises. Zeithaml, Parasuraman & Berry (1990), define service quality as the degree and direction of discrepancy between consumers' service perception of the service experience and their expectations before the experience. Price is the amount of money charged for a product or service, or the sum of the values that customers exchange for the benefits of having or using the product or service (Kotler & Armstrong, 2006). In a competitive market, service providers are expected to compete on both price and quality of services and also it is necessary for the service providers to meet the consumers' requirements and expectations in price and service quality. Freight forwarding firms therefore need to know about the extent to which all these factors influence customer loyalty so as to give them a competitive edge. It is against this background that the researcher sought to investigate the extent to which these factors influence shippers in Ghana to remain loyal to their freight forwarders.

## **1.2 Statement of the Problem**

The freight forwarding industry in Ghana has grown tremendously and is now attractive to a lot of investors. Since more and more freight forwarding firms are being registered every year, competition for customers in the industry has been very high. For instance, records at the headquarters of the two major freight forwarding associations in Tema show a steady increase in their membership over the last three years as indicated in the table below.

Table 1.0 GIFF and CUBAG membership from 2011 to 2013

Year →	2011	2012	2013
Association ↓			
<b>GIFF</b>	413	446	459
<b>CUBAG</b>	40	72	140

Sources: GIFF Secretariat and CUBAG Office

This supports Michael Porter's five forces theory which posits that high competitive rivalry puts pressure on firms to cut prices and/or improve quality in order to retain customers since new entrants into the market bring extra capacity and intensify competition (Chapman, 2013).

In addition to the proliferation of new freight forwarding companies, some shippers are also "self-declarants" meaning they have licence to clear their goods from the port without engaging the services of any freight forwarding company.

As a result, individual firms strive to win over the prized few customers using the traditional marketing approaches; direct sales, advertising, e-marketing among others. However, getting a customer is one step, but in a very competitive sector like freight forwarding, winning a customer's loyalty is the ultimate. It is therefore important for freight forwarding firms to move a step further from mere customer attraction to understanding of customer loyalty and the factors that influence it since that would help them maintain loyal customs.

### 1.3 Purpose of the Study

The purpose of the study was to investigate the extent to which trust, price, service quality, and customer satisfaction influence customer loyalty in the freight forwarding industry in Ghana.

## 1.4 Research Objectives

The broad objective of this study was to determine how customer loyalty in the freight forwarding industry in Ghana is influenced by customer satisfaction, trust, price and service quality.

Specific objectives of the study are:

1. To explore the relationship between customer loyalty on the one hand and, customer satisfaction, trust, price and service quality, on the other hand.
2. To identify which of these factors are significant for understanding what influences customer loyalty in the freight forwarding industry.
3. To determine whether trust mediate the relation between customer satisfaction and customer loyalty within the freight forwarding industry in Ghana.

## 1.5 Research Questions

The study specifically addressed the following research questions:

1. To what extent does trust affect customer loyalty in the freight forwarding sector?
2. To what extent does price affect customer loyalty in freight forwarding?
3. To what extent does service quality affect the loyalty of a customer in the freight forwarding industry?
4. To what extent does customer satisfaction affect customer loyalty in the freight forwarding industry?
5. How do the variables mentioned above predict customer loyalty?

6. Does the trustworthiness of the forwarding firm mediate the relationship between satisfaction and customer loyalty?

## **1.6 Scope of the Study**

The study only looked at shippers who have offices in Tema and have business with freight forwarding firms that operate at the Tema port with focus on those in Tema metropolitan area. It sought to investigate the extent to which these factors: trust, price, service quality and customer satisfaction influence shippers loyalty in the freight forwarding industry.

## **1.7 Significance of the Study**

1. The study will contribute to the improvement of customer loyalty within a service businesses sector.
2. The findings and recommendations that will come out of the study will inform freight forwarders to know how to deal with their clients.
3. It will also help freight forwarders to re-align their marketing strategies to obtain larger market share, higher customer retention and greater profitability for their businesses over a long term.

## **1.8 Justification of the Study**

A survey of the literature revealed that these factors -- customer loyalty, customer satisfaction, trust, services quality among other variables -- have been measured in sectors other than maritime. For instance, the work of Alsajjan, (2014), looked at the mobile communication sector, Chinomona & Dubihlea, (2014), the retailing sector, Osman, (2013), studied Rural

tourism, whilst Eid, (2011), focused on E-commerce. These studies also, apart from being in different sectors, show that it is an emerging area for research exploration. Not much has been done in terms of research in the area of customer loyalty. Recent studies that have examined loyalty as a dependent variable in Ghana include Adjei and Denanyoh, (2014) and Nimako, S. G. (2012). Though Adjei and Denanyoh (2014), had their study in the telecom sector, they suggested that the study should be replicated in other industries as well as in different countries. A study by Chinomona and Dubihlea (2014), also revealed that despite the increasing researches on consumer behaviour, there are few studies that have focused on the influence of customer satisfaction on loyalty in the African context.

Indeed, the various studies on the antecedents of customer loyalty have been centered in sectors other than freight forwarding. Since many of these studies have been conducted outside Ghana, this study sought to fill the gaps identified by examining the extent to which trust, customer satisfaction, service quality and price affect the loyalty of the customer of the freight forwarding company in Ghana.

## **1.9 Organisation of the Report**

The whole work was divided into five chapters, each of them dealing with a particular area. The first chapter introduced the idea followed by the problem statement, objectives and research questions of the study. Chapter two reviewed related literature. The third chapter highlighted the methodology of the study. The fourth chapter looked at the results and discussions of the research. The fifth chapter finally dealt with summary of the findings, the conclusion and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter presents literature relevant to the study and also provides a theoretical framework of the study. The chapter reviews definitions and some measurements of customer loyalty and its antecedents including service quality, customer satisfaction, trust and price satisfaction which lead to the conceptual frame work of the study.

#### **2.1 Customer Loyalty**

Loyalty has been referred to in academic literature as a dominant force in a service industry. The concept has been variedly defined. What is so key and predominant among the various definitions is the importance of loyalty in making and breaking businesses. Loyal customers sell products/ services of companies whereas disloyal customers say not very important things about companies. What then is loyalty?

Oliver (1999), defined loyalty as “a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing...”. Customer loyalty can also be defined as “customer behaviour characterized by a positive buying pattern during an extended period (measured by means of repeat purchase, frequency of purchase, wallet share or other indicators) and driven by a positive attitude towards the company and its products or services” (Looy, Gemmel & Dierdonck, 2003). Jaishanta, Arnold & Kristy (2000), described loyalty as a product of repeat purchase, self-stated retention, price sensitivity, resistance to counter persuasions, and recommendations to others.

Drwyer, Schurr & Oh (1987) and Fornell (1992), noted that willingness to spread positive word-of-mouth about a service provider and repeat purchasing behaviour are the most common indicators of customer loyalty. A number of earlier researches have treated these two behaviours as loyalty indicators (Zeithaml et al.1996 and Singh & Sirdeshmukh, 2000). Notwithstanding this, loyalty manifests itself in not only behavioural fashion but also gets influenced by the attitudinal set up of mind.

Thus customer loyalty was considered bi-dimensional, including both attitudinal commitment and behavioural re-purchase intention, based on prior studies (Lin and Wang, 2005). Customer loyalty was defined as the customer's favourable attitude toward a brand, resulting in repeat purchase behaviour.

Practitioners and researchers have not clearly identified a theoretical framework, identifying factors that could lead to the development of customer loyalty (Gremler and Brown, 1997). However, there is a consensus amongst practitioners and academics that customer satisfaction and service quality are prerequisites of loyalty (Gremler and Brown, 1997; Cronin and Taylor, 1992). Those technical, economical and psychological factors that influence customers to switch suppliers are considered to be additional prerequisites of loyalty (Gremler and Brown, 1997). Recent studies also indicate that the firm's image may influence customer enthusiasm: value, delight, and loyalty (Bhote, 1996).

Loyalty behaviours, including relationship continuance, increased scale or scope of relationship, and recommendation (word of mouth advertising) result from customers' belief that the quantity of value received from one supplier is greater than that available from other suppliers (Hallowell, 1996). Loyalty, in one or more of the forms noted above, creates increased profit through

enhanced revenues, reduced costs to acquire customers, lower customer-price sensitivity, and decreased costs to serve customers familiar with a firm's service delivery system (Reicheld and Sasser, 1990). Yi's "Critical review of customer satisfaction" (1990) concludes, "Many studies found that customer satisfaction influences purchase intentions as well as post-purchase attitude".

Consumer satisfaction is believed to mediate consumer learning due to prior experience and to explain key post purchase behaviours such as complaints, word of mouth, repurchase intention and product usage (Oliver, 1997, Westbrook, and Oliver, 1991). Anderson and Sullivan (1993) suggested that "a dissatisfied customer is more likely to search for information on alternatives and more likely to yield to competitor overtures than a satisfied customer". In addition, a past research shows that satisfaction is a reliable predictor of re-purchase intentions (Wang and Tang 2001). Maximization of customer loyalty is a priority for most industries.

Loyal customers are individuals who remain clients of their original supplier even if a competitor proposes more advantageous conditions. They are the most profitable ones and they are free marketing channels in terms of benefits received by companies from word-of-mouth. These customers are the most liked. Lejeune (2001), mentioned in his research that, Churn management consists of techniques that enable firms to keep their profitable customers and its aims at increasing customer loyalty.

Previous studies considered several factors influencing customer loyalty. Winsted (1997), Furrer, Liu, & Sudharshan, (2000) and Lopez, Kozloski & Rampersad (2007), among others have also found that culture is an important determinant of customers' perception of service quality and its impact on loyalty. Winsted (1997), reported that customers in different cultures may receive service quality differently.

Some studies tried to analyse the mediating role of trust between customer satisfaction and customer loyalty. In that regard Nukpeza and Nyumuwu (2009), emphasised that some studies could not establish the mediating role of trust between customer satisfaction and loyalty. Nukpeza and Nyumuwu explained that different business sectors in which the studies were done and also the cultural context within could have accounted for different findings. Also Jia and Ping (n.d), noted that trust is proved to be an important mediator between customer satisfaction and repurchase loyalty.

### **2.1.1 Factors that influence Customer Loyalty**

Like an overhead which are driven by certain factors, customer loyalty also have peculiar precursors. Most researchers and practitioners in the field of customer loyalty for instance Johnson, Herrmann & Huber (2006), have ascertained that the factors leading to loyalty are complex and dynamic, changing and evolving over time. This complex and revolving nature of factors that determine loyalty might have influenced Taylor, Hunter & Fellow (2006), to have noted a number of important gaps in the understanding of loyalty and other relationship marketing constructs. Balletal (2004), mentioned that measuring customer loyalty and its determinants into different markets and countries may bring out significant variance in the explanation of loyalty. Brady et al. (2005), argued that despite various studies focusing on drivers of loyalty, scholars as well as practitioners are uncertain in the understanding of the loyalty determinants and their relative importance. Yet some key factors have been identified by various researchers in the field. Some of the variables noted in literature as the antecedents of customer loyalty include: Service quality, Customer satisfaction, Trust, Price, Corporate Image etc. The variables being investigated in the study are elaborated in the following sections.

## 2.2 Customer Satisfaction

The rationale for customer relation management is that it improves business performance by enhancing customer satisfaction and driving up customer loyalty and consequently improving performance of businesses. Customer satisfaction is a key factor which brings success to a business. Customer satisfaction, as a construct, has been fundamental to marketing for over decades. As early as 1960, Keith (1960), defined marketing as “satisfying the needs and desires of the consumer”. Hunt (1982), also reported that by the 1970s, interest in customer satisfaction had increased to such an extent that over 500 studies were published. Customers are key stakeholders of any business. Thus satisfying their interest is as key as offering quality product or service. Oliver (1997), noted that customer satisfaction has been the subject of considerable research and has been defined and measured in various ways. Customer satisfaction may be defined as “the customer’s fulfillment response to a consumption experience, or some part of it.” Customer satisfaction is a pleasurable fulfillment response while dissatisfaction is an unpleasurable one (Buttle, 2004).

Generally, customer satisfaction may be considered to be one of the most important outcomes of all marketing activities in a market-oriented firm. The obvious need for satisfying the firm’s customer is to expand the business, to gain a higher market share, and to acquire repeat and referral business, all of which lead to improved profitability (Barsky, 1992). Studies conducted by Cronin and Taylor (1992), in service sectors such as: banking, pest control, dry cleaning, and fast food; found that customer satisfaction has a significant effect on purchase intentions in all four sectors. Similarly, in the health-care sector, McAlexander et al. (1994), found that patient satisfaction and service quality have a significant effect on future purchase intentions.

Parker and Mathew (2001), expressed that there are two basic definitional approaches of the concept of customer satisfaction. Where one of the approaches defines satisfaction as a process, the second approach defines satisfaction as an outcome of a consumption experience. These two approaches are complementary, as often one depends on the other.

Customer satisfaction as a process is defined as an evaluation between what was received and what was expected (Oliver, 1997), emphasizing the perceptual, evaluative and psychological processes that contribute to customer satisfaction (Vavra, 1997).

Parker and Mathews (2001), however noted that the process of satisfaction definitions concentrates on the antecedents to satisfaction rather than satisfaction itself. Satisfaction as a process is the most widely adopted description of customer satisfaction and a lot of research efforts have been directed at understanding the process approach of satisfaction evaluations (Parker and Mathews, 2001). This approach has its origin in the discrepancy theory (Porter, 1961), which argued that satisfaction is determined by the perception of a difference between some standard and actual performance.

Also satisfaction and dissatisfaction are two ends of a continuum, where the location is defined by a comparison between expectations and outcome. Customers would be satisfied if the outcome of the service meets expectations. When the service quality exceeds the expectations, the service provider has won a delighted customer. Dissatisfaction will occur when the perceived overall service quality does not meet expectations (Looy, Gemmel & Dierdonck, 2003). Sometimes customer's expectations are met, yet the customer is not satisfied. This occurs when the expectations are low (Buttle, 2005). For example, the customer expects the flight to be late and it gets late.

Satisfaction can be acknowledged in various senses depending on what needs the customer had before the service; it ranges from feelings of fulfillment, contentment, pleasure, delight, relief, and ambivalence. Although it tends to be measured as a static quantity, it is dynamic and evolves over time being influenced by a variety of factors.

### **2.2.1. Effects of Customer Satisfaction on Customer Loyalty**

Bowen and Chen (2001), said that just satisfying customers is not enough, there has to be extremely satisfied customers. The reason is that, customer satisfaction must lead to customer loyalty, so Bansal and Gupta (2001), had noted the business dynamics of building customer loyalty. In that regard, Bansal and Gupta (2001), opined that building customer loyalty could no longer be a matter of choice by businesses. They assigned reasons to support their proposition and further noted that building customer loyalty was the only way businesses could build sustainable competitive advantage. Satisfaction is necessary but not a sufficient condition of loyalty. In other words, we can have satisfaction without loyalty, but it is hard to have loyalty without satisfaction.

Customer loyalty, possibly, has been considered to be important influence on profitability of businesses. To advance this line of argument for important roles customer loyalty could play in business performance, Bowen and Chen (2001), surmised that there is a positive relationship between customer loyalty and profitability. Thus, it is not surprising to see marketers aggressively seeking information and adopting strategies on how to build and maintain customer loyalty. It should however, be noted that increased profit perhaps might come from reduced marketing costs, increased sales and reduced operational costs. In addition, it appears that loyal customers may cost less to serve, in part because they know the product and require less

information. And also partly because efforts and resources that might be directed towards new customer acquisition might have been minimised when one deals with loyal customers. They could even serve as part-time employees in propagating the good news about the products/services of businesses. Therefore, loyal customers do not only require less information themselves but they also serve as an information source for other customers.

For organisations to ensure that there is customer loyalty, they must be able to anticipate the needs of their customers (Kandampully & Duffy, 1999). For companies or businesses to build and maintain a loyal customer relationships depends on the businesses' or the companies' ability to anticipate customer's future needs and offer these to the customers before anyone else does.

Also, service management literature proposes that customer satisfaction influences customer loyalty (Hallowell, 1996). Besides, Anderson and Sullivan (1993), reported that the customers' repurchase intentions in Sweden are strongly connected to their satisfaction from specific product categories. Anderson et al. (1994), further explained how customer satisfaction could lead to increase loyalty. According to them, it is possible that when customers are highly satisfied it could lead to increase in customer loyalty. Again, they stated that when price elasticity is decreased, current market shares are protected, the cost of failures could be decreased. Consequently, businesses and/ companies could stand the chance of attracting new customers. This could ultimately help companies to build a positive corporate image.

From the foregoing discussions, it is important for Freight forwarding companies in Ghana to strive to provide high quality services that will make shippers feel absolutely delighted and completely satisfied. Complaints from customers are important and should be promptly dealt with because customers whose complaints are not handled well are more likely to leave for your

competitors. Again, freight forwarding staff should be equipped enough to explain the clearance procedures at the port to their customers as this would reduce the anxiety that shippers go through when their goods are being cleared from the port.

### **2.3 Service Quality**

From time immemorial, quality of service has been conceptualized as the difference between customer expectations regarding a service to be received and perceptions of the service being received (Grönroos, 2001; Parasuraman, Zeithaml & Berry, 1988). Some literature on earlier studies defined service quality as the extent to which a service meets customers' needs or expectations (Lewis & Mitchell, 1990; Dotchin & Oakland, 1994). Service quality is also conceptualized as "the consumer's overall impression of the relative inferiority or superiority of the services" (Zeithaml, Berry & Parasuraman, 1990).

Various researchers have expressed their opinions on the dimensions of service quality. Parasuraman et al. (1988), for instance, identified five dimensions of service quality (viz. reliability, responsiveness, assurance, empathy, and tangibles) that link specific service characteristics to consumers' expectations. According to Parasuraman et al. (1988), (a) Tangibles are physical facilities, equipment and appearance of personnel; (b) Empathy are caring, individualized attention; (c) Assurance deals with knowledge and courtesy of employees and their ability to convey trust and confidence; (d) Reliability encompasses ability to perform the promised service dependably and accurately; and finally (e) Responsiveness is willingness to help customers and provide prompt service.

A comprehensive review of service quality studies reveals interesting facts. In the work of Asubonteng, McCleary & Swan (1996), they concluded that the number of service quality dimensions varies in different industries. Kettinger and Lee (1994), on that note have identified four dimensions in a study of information systems (IS) quality, which did not have tangible dimension. Also Cronin and Taylor (1992), developed a one-factor measurement instrument instead of the five-factor measures proposed by Parasuraman et al. (1988). Besides SERVQUAL, Sureshchandar, Rajendran, & Anantharaman (2003), have identified five factors of service quality from the customers' perspective. These are: a) Core service or service product, b) Human element of service delivery, c) Systematization of service delivery: non- human element, d) Tangibles of service, and e) Social responsibility.

The newly defined construct of service quality by Sureshchandar et al. (2003), has some resemblance with the definition provided by Parasuraman et al. (1988). For the purpose of this study, the researcher has employed five dimensions of service quality akin to those proposed by Parasuraman et al. (1988). In this regard service quality was measured with constructs as prompt delivery of goods, performance beyond expectation, value- for- money for high quality services, delivery of excellence overall service and superior service delivery in every ways with respect to the services provided by freight forwarders.

### **2.3.1 Effects of service quality on customer loyalty.**

The question thus is has service quality an effect on loyalty of customers? In trying to answer this question, literature on various studies conducted in an attempt to establish relationship between service quality and customer loyalty have been reviewed. For instance, when the earlier works of Boulding, Kalra, Staelin, & Zeithaml (1993) and Cronin & Taylor (1992) were

examined, the finding of Cronin & Taylor (1992) was that service quality did not appear to have a significant (positive) effect on repurchase intentions. Their study focused solely on repurchase intentions.

However, Boulding et al. (1993), on the other hand, found positive relationships between service quality and repurchase intentions and willingness to recommend. The focus of the study of Boulding et al. went beyond repurchase intentions of customers. It included the elements of repurchasing as well as the willingness to recommend.

The findings of both Cronin & Taylor (1992) and Boulding et al. (1993), were in sharp contrast to the significant positive impact of service quality on repurchase intention. The differences in the findings of the two studies reviewed might include but not be limited to the different number of independent variables used as discussed earlier.

## **2.4 Trust**

Trust appears to be a powerful force to be reckoned with in all social interactions. Every social setting creates some sort of social transaction between/ among the players present. The sort of social transactions created may either be perpetuated or terminated in essence. Thus continuing any sort relation does call for some amount of mutual understanding among the players. This understanding may lead to what is popularly referred to as trust.

In business trust is viewed as one of the most relevant antecedents of stable and collaborative relationships. Researchers had established that trust is essential for building and maintaining long-term relationships (Rousseau, Sitkin, Burt, & Camerer, 1998; Singh & Sirdeshmukh, 2000).

Morgan and Hunt (1994) stated that trust exists only when one party has confidence in an exchange partner's reliability and integrity. While defining trust Moorman, Deshpande & Zaltman (1993), referred to the willingness to rely on an exchange partner in whom one has confidence. According to Lau and Lee (1999), if one party trusts another party that eventually engenders positive behavioral intentions towards the second party.

Following Anderson and Narus (1990), it could be deduced that if one party believes that the actions of the other party will bring positive outcomes to the first party, trust can be developed. Doney and Cannon (1997), added that the concerned party also must have the ability to continue to meet its obligations towards its customers within the cost-benefits relationship; so, the customer should not only foresee the positive outcomes but also believe that these positive outcomes will continue in the future.

Dabholkar and Sheng (2012), believe that customers trust service providers if they believe that the product or service provides benefits to them. Customer trust influences the development of consumer commitment to the service provider because of the positive experiences they had with the product or service (Olaru, Purchase & Peterson, 2008). This indicates that services/products providers need to make sure that the service encounters satisfy customers in order to ensure commitment by consumers. Echoing the same sentiments, Boshoff and du Plessis (2009), assert that customer trust is a key component of relationship building. Customer trust involves taking a certain degree of risk as customers are vulnerable to the service providers (Hong & Cho, 2011).

Therefore, to gain customer trust, the service providers should be reliable and competent in service provision. It is in the light of this that article 23 of the Standard Trading Conditions of GIFF mandates members to warrant and undertake:

- “To always act diligently and in good faith when delivering services to the customer.
- Not to forge, falsify, deface or in any manner mischievously alter any document submitted to by the customer.
- Not to defraud, deceive or in any fraudulent manner mislead or tell lies to the customer while rendering services to the customer.
- Not to embezzle, misappropriate or misapply any fund advanced by the customer in furtherance of the services required by the customer.
- To refund to the customer on demand any fund embezzled, misappropriated or misapplied by it or any of its servants and to indemnify the customer for any loss or damage suffered as a result of such embezzlement, misappropriation or misapplication of the customer’s fund”.

The above article seeks to protect customers from being cheated by fraudulent freight forwarders who would want to take advantage of the ignorance of shippers and clear goods dishonestly to breach the trust that exists between freight forwarders and their customers.

#### **2.4.1 Effects of Trust on customer loyalty**

Does a trust of service/product provider in any way make customers loyal? Indeed it may seem a rather simplistic to conjecture that trust has significant effects on loyalty with reviewing the works of earlier researchers. There are indeed several studies carried out in attempt to come out with empirical studies establishing relationship between trust and loyalty. According to Hong and Cho (2011), the trustworthiness of a business plays a critical role in creating and maintaining

customer loyalty. Also when customers trust the service provider, they are likely to be loyal toward the service provider (Deng, Lu, Wei & Zhang, 2010).

The study of Bansal, Irving & Taylor (2004), showed that there is a significant positive relationship between customer trust and loyalty. The results are compatible with a study by Lin and Wang (2005). Avramakis (2011), studied the customer relationships in the Swiss Financial system and reported that customer trust positively predicts customer loyalty. This positive relationship was also substantiated by Sirdeshmurk, Sigh & Sabel (2012), who developed a framework of understanding customer trust and loyalty relationship in the airline and retailing industry. The results of the study of Sirdeshmurk, Sigh & Sabel indicate that customer trustworthy behaviour directly influences loyalty. The authors argued that when the service providers manage to build customer trust, customers do perceive low risk and will have more confidence in the service provider's reliability and integrity and as a result become loyal. Deng et al. (2010), argues that achieving a customer trust is the main contributor to customer loyalty.

## **2.5 Price**

The consumers pay for services/ products they consume. The service or product providers charge for their services. The price of service is what the service or the product is worth. The question again is that to what extent will a customer be satisfied with price of goods/services they bought? Dovaliene and Virvilaite (2008), state that price is one of the most flexible marketing mix elements that can be quickly changed, after changing specific product and service characteristics. Besides, decisions for price are most effective when harmonized with other marketing mix elements – product or service, place and promotion. According to Nagle & Hogan (2006) and

Ginevicius (2008), product and service creation, its sale and promotion are the successful beginning of business, and optimal price determination assures income. Likewise many scientists indicate and Ostaseviciute & Sliburyte (2008), confirm that service price is the only marketing mix element bringing income to an enterprise.

Consuegra, Molina & Esteban (2007), state that striving to determine relationship between service price and customer loyalty first of all it is necessary to discuss such concepts as price fairness and price acceptance.

Consuegra et al (2007), based on Kimes and Wirtz (2003), state that customers may treat demand conditioned price determination and price related with income management, as a breach of customer confidence, related with dual obligation principle. Following Vaidyanathan and Aggarwal (2003); Wirtz and Kimes (2007), opinion dual obligation principle states that majority of customers think that they have a right to know base (reference) price and service enterprise has a right to know base (reference) profit. Increase of service price concurrent with cost increase is treated as fair and acceptable to the customer as well. In such a case, change of price status quo should not be implemented at once or for the aim to increase service enterprise profit and when the price increased, to trade on excess profit or newly obtained power of monopoly (Bolton, L. E., Warlop, L. & Alba, J. W, 2003). In respect to this, it is expected that price increase would be estimated as not very fair, if causality relationships are pointed to internal part of the enterprise. Generalising, it can be stated that customers' value quoted prices comparing them with other but the same taking into account circumstances as well (Beldona & Manasivayam, 2006).

In marketing literature a price is indicated as the most important factor, conditioning customers' satisfaction, because, if customers estimate the value of obtained service, they usually think of price (Zeinhaml, 1988; Anderson & Sullivan, 1993).

In the freight forwarding industry in Ghana, the Ghana shippers Authority and the membership associations of the freight forwarders meet annually to discuss and agree on the amount that forwarders should charge depending on the kind of services provided. And this price list is published on the website of the Ghana Shippers Authority and captioned "Do not Pay More to your Agent" ([www.shippers.org.gh](http://www.shippers.org.gh)). However, not all shippers pay attention to such publications, if they do, some may still need some tailor made services from forwarders which could not be captured in this agreed price list. This makes it very difficult to have the same charges across board for clearing cargo.

In the light of all these, the researcher assessed price with constructs on reasonability of charges/prices compared to others, consistency of prices with that approved by Shippers Authority, handing over of all receipts to shippers after completion of job, willingness to pay premium prices/charges for the services of their freight forwarder.

### **2.5.1 Effects of Price on Customer Loyalty**

Competitive pricing is another attribute that is hypothesised to relate to customer loyalty. According to economic theory, the price level dictates demand in a competitive market. Thus price is an important influence on product and service acceptance. However perception may neutralise this view in that customers may accept premium price because of perceived quality, image and loyalty to a brand. According to Best (2009), acceptable price may not attract

customers because of switching cost and loyalty to a competitor's brand. It suggests therefore that the evidence regarding the relationship between price satisfaction and customer loyalty may be inconclusive.



## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This section provides the description of how the study was conducted. It brings out the description of the study area, research design, target population, sampling procedure and size, data collection instruments, data analysis techniques and interpretation tools for the study.

#### **3.1 The study Area**

The study was carried out in the Tema Metropolitan Area. The city was chosen for the research because it is strategically located in terms of business and economic activities; having the biggest sea port and serving as the principal cargo gateway to Ghana. There is a wide range of commercial and industrial companies that use the port for imports and exports of products be it raw, semi-finished or finished products. In view of these, there is quite a huge number of Freight forwarding companies that render services to the shippers (Exporters and Importers) in Tema metropolis and beyond. Tema is a home to several freight forwarding firms because of the presence of the port, creating huge competition for the few existing importers and exporters. There are daily business interactions among shippers and freight forwarding firms. Tema is located along the coast of the Atlantic Ocean and it is about 29 km east of the capital city of Accra, Ghana.

### 3.2 Research Design

Research design is the overall plan or structure used to answer the research questions, Tharenou, Donohue & Cooper (2007). There are several designs and a researcher therefore needs to ensure that the design chosen suits the particular research questions.

The design chosen for this study was the correlational field survey research which according to Tharenou et al. (2007), involves the administration of questionnaires to gather data to test a research question(s) and/or specific hypotheses. However, it can also be used with other data collection techniques including interviews and observations. This design therefore, makes it possible for a researcher to collect both quantitative and qualitative data to help address research questions appropriately.

Correlational field survey usually requires the measurement of several independent variables and one or more dependent variable(s). The aim of a correlational research design according Tharenou et al. (2007), is to assess the extent of relationships (correlations) between the independent variables and the dependent variable(s). The variables are selected to help the researcher answer research questions or to test hypotheses and are usually chosen based on the theories that underlies the explanations proposed for the phenomenon being studied.

Mitchell (1985) as cited in Tharenou et al (2007), summarised that a correlational research design typically aims to (a) measure the relationship between dependent variable and several independent variables. (b) Uses questionnaire to measure the variables. (c) Suitably used to answer research questions or test hypotheses on a large sample of people. (d) Examine the extent

to which the dependent variable and each independent variable are related (d) Examine real-life settings and use people facing those situations.

The above attributes of correlational research design made it the ideal choice of design for this research which sought to examine the influence of trust, service quality, Pricing and customer satisfaction (independent variables) on customer loyalty (dependent variable) in the freight forwarding industry in Ghana.

### **3.3 The Population**

Population of a study refers to set of elements or people who fall within the domain of a particular study. The set of element or people are scarcely homogenous. However, population constitute the unit about whom the findings of a study can be generalised. The population for this study were all the shippers in the export and import business in Ghana.

The population that share common characteristics from which the researcher aims to generalize his/her results is the target population (Sowell, 2001). The target population for this study was the two hundred (200) shippers in the Tema Metropolis who are registered with the Ghana Shippers Authority and use the services of freight forwarders to clear their goods through the Tema Port.

### **3.4 Sample Size**

The sample for the study comprised of shippers who have offices in Tema and patronise the services of freight forwarding companies within the Tema metropolis. According to Bless and Higson-Smith, (2000), a representative sample must have the same properties as the population

from which it is drawn. Gay and Airasian, (2003), stated that a sample size of 10% to 20% of the target population is often used in descriptive research.

Based on the afore-mentioned points, the researcher drew a sample size of sixty (60) shippers from the target population. This represents 30% of the target population based on the Ghana Shippers Authority figures of two hundred (200) registered shippers.

### **3.5 Sampling Procedure**

The sampling procedure refers to the methods or strategies required for selecting respondents from the target population. The population considered for the study was finite so there was a reliable sampling frame from which the respondents were selected. The availability of the sampling frame therefore aided the use of probability sampling techniques in selecting the respondents. The researcher employed this technique to select the 60 shippers randomly from a list of shippers obtained from the Ghana Shippers Authority's local office in Tema.

### **3.6 Research instruments**

The main research instrument used for the study was questionnaire. The questionnaire used to collect data for the research comprised two sections A and B. It began with a brief introduction of the researcher, the research topic and the objectives of the research to the prospective respondents. It also assured respondents' of protecting their identity as well as the confidentiality of the information they provide.

The questions were framed in line with the objectives of the research as well as the research questions. The questionnaire contained two set of information. The first was the bio-data information about the respondents and second, information about freight forwarding.

The questionnaire consisted mainly of a 5-point Likert scale type items with responses such as Strongly Agree (SA), Agree (A), Not Sure (NS), Disagree (D) and Strongly Disagree (SD). Respondents were then required to determine the extent to which they agreed or disagreed with the items on the scales by ticking their choices. The responses consisted ‘Strongly Disagree’, ‘Disagree’, ‘Not Sure’, ‘Agree’, ‘Strongly Agree’ and were assigned values of 1, 2, 3, 4 and 5 respectively. The score that was assigned to each major variable (construct) was the summation of the response values for all the related group of statements.

### **3.7 Data Collection**

Primary data are considered as original data collected from the field under the control and supervision of the researcher or enumerator. They are original data that has been collected specifically for the purpose of a particular research. For the purpose of this study, the researcher required only primary data. Therefore, the main instrument for the collection of the primary data for the study was the questionnaire. The use of questionnaire allowed a great deal of information to be gathered on a large group of individuals in a relatively short time at a relatively lower cost, Kothari, (2003). Thus making this method ideal for this research since the researcher had to get a large number of shippers to respond to the questionnaires considering the relatively short time frame that the researcher had to complete and submit the report coupled with the limited financial resources available.

Considering the homogenous characteristics of the respondents, the researcher randomly selected respondents and administered the questionnaires to them personally. The researcher got the office location addresses and contact numbers of the sixty selected shippers from the Tema office of the Ghana Shippers Authority. This enabled the researcher to locate and deliver the questionnaires to each of them in their respective offices. It took one month for the researcher to locate and give out all the questionnaires to respondents. Follow up calls were made to remind respondents from time to time. It took another month to retrieve all the filled questionnaires. In all, it took two and half months for the researcher to distribute and retrieve all the sixty questionnaires after which the data was cleaned, coded and analysed.

### **3.8 Data Analysis Techniques**

Quantitative approach was used to analyse the data. According to Creswell, (1994), quantitative research focuses on examining a problem based on testing a theory and analysing it using statistical techniques. In order to investigate the relationships between the variables in the study, statistical techniques using correlation and regression analyses were employed. All measurements were at 5% level of significance. Descriptive statistics was used to describe the data collected. The Statistical Package for the Social Sciences (SPSS) version 20 was the main software used for the analysis of the study.

Data collected from the questionnaires were analysed and interpreted in line with the set research objectives and questions of the study. The researcher did coding of the various responses provided by the respondents by providing appropriate codes of numerals to the answers. The analyses of the data were done using Statistical Package for the Social Sciences (SPSS) by feeding the system with the various codes in order to generate descriptive tables, regression and correlation analyses. The SPSS gave the researcher an idea about the trend and meaning of the data. This eventually helped to generate a processed data which were then converted into various tables showing frequencies and percentages of the various responses as well as regression analysis. This was followed by the analyses of the various descriptive statistics and the inferential ones taking into consideration the various research objectives and questions. The analyses and interpretations were done by relating the information to the various theories and empirical review for the study.

The researcher applied Pearson's correlation coefficient which is a parametric measure of correlation. This is because interval scale was used to collect data; the data collected was perhaps normally distributed. Whether individual likert items could be regarded as interval level or ordinal data is subject of disagreement (Dawes, 2008). Whilst some scholars are of the view that they should be treated as ordinal data because "the psychological 'distances' between Likert scale points are not equal (Bendixen and Sandler, 1994 cited in Dawes, 2008). Others contend that the relation between the original scale values and the 'real' identified scale values is very close and thus justifies its treatment as interval level data in which case averages could be computed and parametric analysis carried out (Dawes, 2008; p 67). Thus, the study followed the view that Likert scale could be treated as interval scale.

A growing consensus therefore has been to approximate as interval level data when there are 5 or more components. This rationale and approach is consistent with data analysis and methodologies in the service management literature. For example Parasuraman et al (1988) measured service quality on the SERVQUAL scale using 7 point likert scale treated as interval data. Indeed Parasuraman et al. (1988; p. 31), stated that “SERVQUAL can be used to assess a given firm’s quality along each of the five service quality dimensions by averaging the different scores on items making up the dimension. It can also provide an overall measure of service quality in the form of an average score across all 5 dimensions.” Similarly Lopez et al (2007), used averages and correlations to investigate service quality and customer satisfaction among banking customers of different ethnic groupings in the United States of America using survey data by means of Likert scale measurements treated as interval data. Based on the empirical studies showing a reasonably close approximation to equal interval, and the precedent shown in the leading texts and journals, the data for this study was considered as being equal-interval. This approach ensured easy comparability of results with earlier works done.

### **3.9 Limitations of the Study.**

The research was carried out in the Tema Metropolitan Area, therefore it may not be possible to generalise the findings of this study to all Shippers in Ghana.

The researcher used only closed ended instruments to gather data which was analysed quantitatively, this may be a weakness in the methodology since it did not give respondents the opportunity to give reasons for the choices made.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND DISCUSSION

#### 4.0 Introduction

This chapter presents the analysis, interpretation and discussion of the data gathered from the survey conducted. A twenty-five (25) item questionnaire was used to gather data in line with the objectives of the study. In all, a total of sixty questionnaires were sent out to shippers in the Tema metropolitan area. The Statistical Package for Social Sciences (SPSS) software was used to get the statistical results of the data gathered on the sampled shippers. The data was analysed quantitatively using descriptive statistics, correlation and regression analysis all conducted in SPSS.

#### 4.1 Descriptive Analysis of Background Data

Table 4.1 below shows the descriptive statistics regarding the type of business activity the shippers cleared with freight forwarders

**Table 4.1: Businesses of Respondents**

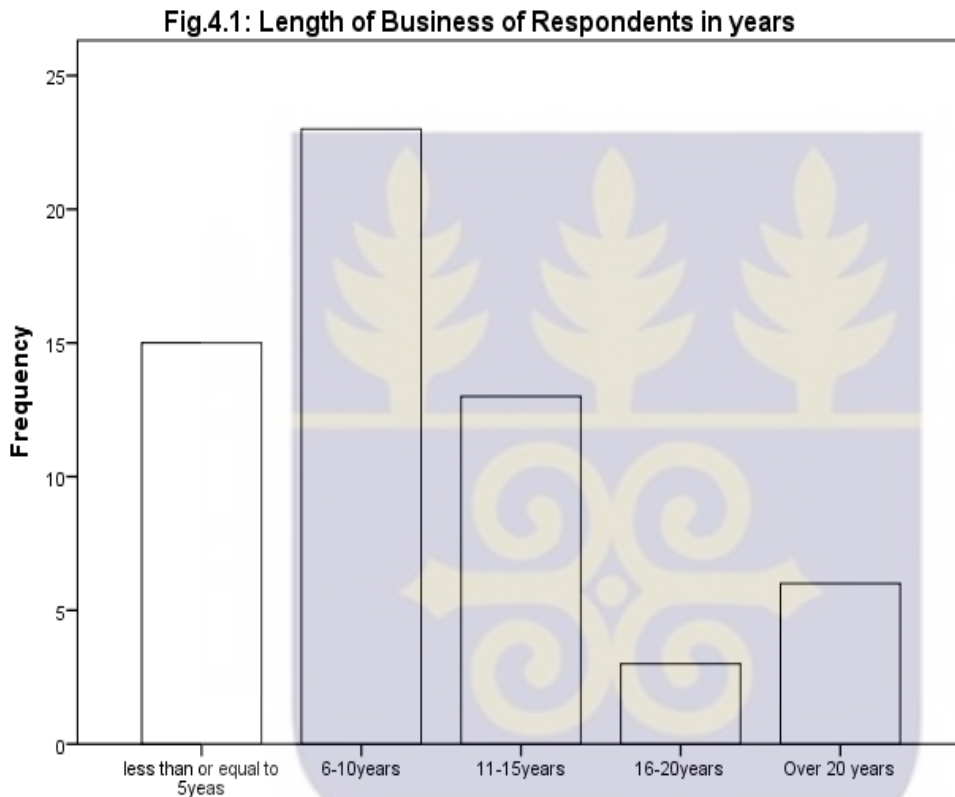
Business Type	Frequency	Percent
Import Only	35	58.3
Export Only	7	11.7
Both Export and Import	18	30.0
Total	60	100.0

Source: Field Survey (2014)

The results from table 4.1 shows that majority of the sampled respondents were importers 58.3% (35). A significant minority of 11.7% (7) were involved in exports only. This indicates that majority of the respondents cleared imported goods through the Tema harbour whilst 30% (18)

of the sampled respondents engaged in both export and import businesses. The findings suggest that Ghana is an import driven country.

Figure 4.1 below also depicts the number of years the shippers surveyed have been in business.



Source: Field Survey (2014)

The results in figure 4.1 above shows that 15 respondents representing 25% of the sampled shippers had been in the industry for five years or less, 23 representing 38.33% had been in shipping for between 6 to 10 years, 13 representing 21.67% had been working between 11 to 15 years, 3 representing 5.00% had been in shipping between 16 to 20 years and 6 representing 10% of the sampled population had been in the business for over 20 years.

The results suggest that respondents might have some level of experience in export and import activities and may help assess the satisfaction and loyalty levels of shippers regarding the services rendered to them by freight forwarders. It further provided the opportunity to assess quality of service and trust of freight forwarders from the shippers' perspective. This is because majority of the sampled shippers, 45(75%) have been using the services of freight forwarders over 5 years.

#### **4.2 Analysis to determine whether Trust influence Customer Loyalty**

Correlation and Simple linear regression tests were conducted using trust scores as predictive variable and loyalty as explained variable to see whether trust predicts loyalty.

The results gave a Pearson correlation coefficient of 0.638 which indicated a positive correlation between trust and loyalty. The relationship that exists between the variables was significant at an alpha level of 0.05, since ( $\rho = 0.001$ ) is less than 0.05. (Refer to table 4.2 in appendix 1)

The regression analysis showed that F-test was significant at  $F_{computed} = 39.81 > F_{Critical} = 4.03$ . The R square value was 0.407. (Refer to table 4.3 in appendix I).

#### **4.3 Analysis to determine the Influence of Price on Customer loyalty.**

Correlation and Simple linear regression tests conducted using price scores as predictive variable and loyalty as explained variable to see whether price predicts loyalty gave a Pearson's correlation coefficient ( $r$ ) value of 0.261 which was significant ( $\rho = 0.044 < 0.05$ ) (table 4.4 in appendix I) and shows a positive correlation between price and loyalty of shippers even though the correlation was weak.

The results of the regression analysis (table 4.5, appendix I) gave  $F$ -value of 4.251, and  $p$ -value of 0.044. R square was 0.068. The results indicate that variance in the mean scores of price score and loyalty score was significant at  $p < 0.05$ .

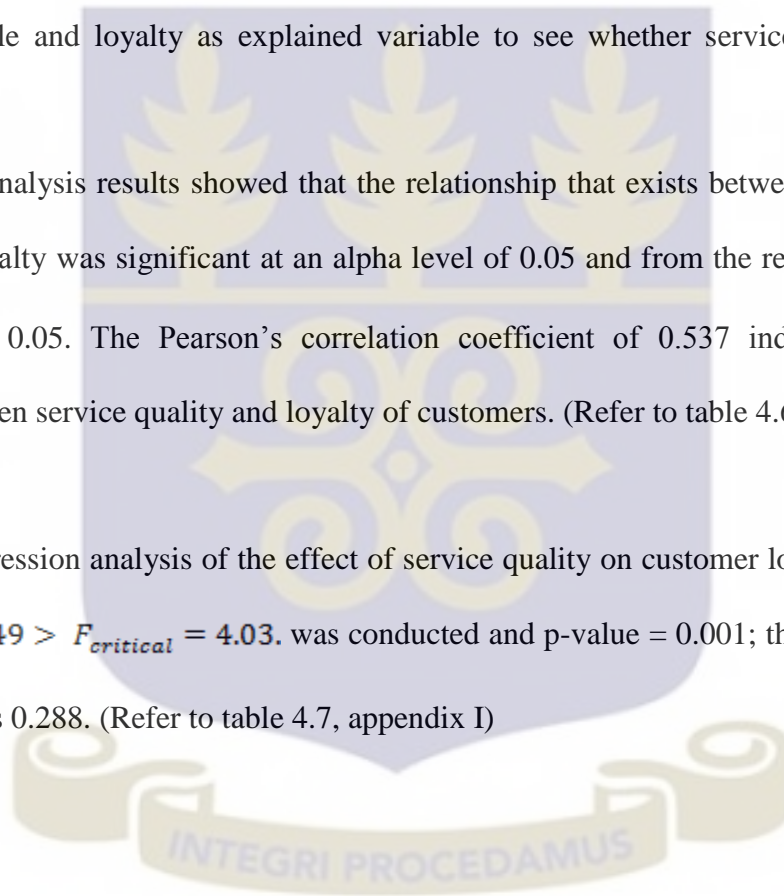
#### **4.4 Analysis to determine the Influence of Service quality on Customer loyalty**

Correlation and Simple linear regression tests were conducted using service quality scores as predictive variable and loyalty as explained variable to see whether service quality predicts customer loyalty.

The correlation analysis results showed that the relationship that exists between service quality and shippers' loyalty was significant at an alpha level of 0.05 and from the results ( $\rho = 0.001$ ) was lower than 0.05. The Pearson's correlation coefficient of 0.537 indicates a positive correlation between service quality and loyalty of customers. (Refer to table 4.6, appendix I)

The result of regression analysis of the effect of service quality on customer loyalty, an F-test of  $F_{computed} = 23.49 > F_{critical} = 4.03$ . was conducted and  $p$ -value = 0.001; this was significant.

The R square was 0.288. (Refer to table 4.7, appendix I)



## **4.5 Analysis to determine the influence of Customer Satisfaction on Customer Loyalty**

Correlation and Simple linear regression tests were conducted using customer satisfaction scores as predictive variable and loyalty as explained variable to see whether customer satisfaction predicts customer loyalty.

The results showed that the relationship that exists between shippers' satisfaction and loyalty was significant at an alpha level of 0.05. That is satisfaction and shippers' loyalty ( $p = 0.0001$ ) and the Pearson  $r = 0.595$ . (See table 4.8, appendix I). There was a tendency of strongly agreed score on satisfaction measures associating with strongly agreed score on loyalty measure.

The F test ( $F = (1, 58) = 31.748, p < 0.001$ ) associated with the independent variable (Customer satisfaction) was significant indicating that the independent variable predicted the dependent variable. R square value = 0.354 meaning customer satisfaction predicted loyalty by 35.4%. (refer to table 4.9, appendix I).

## **4.6 Investigating how all the independent variables predict customer loyalty.**

A multiple regression analysis model was used to explore how well trust, price, service quality and Customer Satisfaction could predict shippers' loyalty to providers of freight forwarding services. The results are displayed in tables 4.10, 4.11 and 4.12 of appendix I.

The ANOVA results (Refer to table 4.10, appendix I) showed  $F$ -value of 17.570, and  $p$ -value of 0.001. Thus the mean differences between the variables are significant. The  $p$ -value obtained 0.0001 is less than 0.05, therefore, the conclusion that a linear relationship exists between all the

four independent variables (trust, price, service quality and customer satisfaction) and dependent variable (customer loyalty).

The coefficient of which each of the four independent variables influences the variance in customer loyalty is captured in the correlation result (table 4.11, appendix I). The beta values under standardized coefficients, 0.436, 0.370 and - 0.295 for trust, Customer satisfaction and price respectively are significant at p-values of 0.000, 0.007 and 0.021 levels. Therefore, results showed that there was significant relationship between trust, customer satisfaction, price and customer loyalty at the  $p < 0.05$ . The positive beta weights indicate that if customer trust and customer satisfaction (which are necessary to enhance customer loyalty) are increased, customer loyalty level will accordingly be enhanced. The negative beta weight indicates that customer loyalty will increase if price levels are lowered. Service quality (beta = 0.261,  $p = 0.076$ ) variable has no significant effect on customer loyalty ( $p > 0.05$ ). However at 10% significant level, service quality was significant ( $p < 0.10$ ).

Table 4.12 of appendix I displays the summary of regression analysis model used to explore how well trust, price satisfaction and service quality could predict customer loyalty to freight forwarders. The  $R^2$  value for loyalty was 0.56. This means the four predictor variables predicted loyalty of shippers by 56%. Based on the standardized coefficients (Table 4.11) the regression model 1 at 5% significant level was as follows: Customer Loyalty = 0.44Trust + 0.37Satisfaction - 0.30Price.

## 4.7 Analyses to Determine Whether Trust Mediate Customer Satisfaction and Customer Loyalty

In order to determine whether trust mediates the relationship between Loyalty and customer satisfaction, first a bivariate correlation analysis was performed to determine whether there was a significant linear relation, and then followed by simple regression analysis. (Refer to tables 4.13, 4.14, 4.15 and 4.16 of appendix I).

The results in table 4.13 of appendix I show that the relationship that exists among the variables is significant at an alpha level of 0.05. That is customer loyalty and Trust ( $\rho = 0.001$ ), Customer Loyalty and Customer Satisfaction ( $\rho = 0.001$ ), Trust and Customer Satisfaction ( $\rho = 0.02$ ).

(Table 4.14 of appendix I) examines the extent to which the predictor variable explains the outcome. From the simple regression analysis, R Square is 0.394 (39.4 %). This is relatively high to account for the influence of the mediator between loyalty and Customer Satisfaction. In addition, satisfaction predicts loyalty at an alpha level of 0.05.

In order to ascertain whether trust is a mediator variable, the predictor variable, Customer satisfaction, was regressed on trust, the outcome variable. Although the model has a low R Square of 0.245, customer satisfaction was found to be significant at  $\rho = 0.001$ . (See table 4.13)

In the final model, both the mediating and the predictor variable were regressed on customer loyalty. The model reported an R Square of 0.510 (51%). (Refer to table 4.16, appendix I). Both trust and loyalty were found to be significant. Since the mediating variable does not reduce in its significance level, we conclude that trust does not mediate the relation between customer satisfaction and customer loyalty.

## 4.8 Discussion of Findings

In order to determine the extent to which shippers' trust relate to their loyalty to freight forwarding companies, the findings showed there was a positive correlation between trust and customer loyalty in freight forwarding industry in Ghana.

The regression result also showed that 40.7% level of change in shippers' loyalty in the freight forwarding industry could be explained by their trust to freight forwarders' activities. The findings showed that trustworthiness of freight forwarders in the services rendered play a critical role in creating and maintaining shippers' loyalty. This means the more forwarders clear goods in an honest manner without tempering them, do not take advantage of their clients' ignorance and stick to whatever they decide with customers, the more shippers would trust them and become loyal to them.

This confirms results of Bansal et al. (2004), that there is a significant positive relationship between customer trust and loyalty. Again, the result is consistent with that of Deng et al. (2010), that achieving a customer's trust is a main contributor to customer loyalty.

To determine the extent to which price relates to and predicts shippers' loyalty to freight forwarding companies, a correlation and simple regression analysis carried out showed that although there is positive correlation between price and customer loyalty, the relation is weak and could explain only 6.8% change in customer loyalty. The researcher assessed price with constructs on reasonability of charges/prices compared to others, consistency of prices with that approved by Shippers Authority, handing over of all receipts to shippers after completion of job, willingness to pay premium prices/charges for the services of their freight forwarder. Shippers agreed that their freight forwarders hand over all receipts to them after clearing, however, they

were not sure whether the prices they paid were reasonable compared to others, some too were not sure whether what they pay to their forwarders were consistent with the prices approved by the Ghana Shippers Authority.

The findings are consistent with the results of earlier studies of Best (2010), that the evidence regarding the relationship between price satisfaction and customer loyalty may be inconclusive.

To determine the extent to which service quality of freight forwarders affects customer loyalty, the correlation and the simple regression analysis conducted showed that there is a positive correlation between service quality and customer loyalty. This means that the more freight forwarders offer quality services to their customers, the more loyal they would become.

Results from the regression analysis also showed that 28.8% change in shipper's loyalty could be explained by the quality of services offered by freight forwarders. This may be achieved by adhering to some service quality indicators such as prompt delivery of goods to the carrier for export or prompt clearance of imported goods from the port and delivering it to its final destination, freight forwarders going beyond their normal duties to deliver overall excellent service beyond the expectations of the shipper and so on.

Although the results contradict the finding of Cronin and Taylor (1992), that service quality did not appear to have a significant (positive) effect on repurchase intentions, they confirm Boulding et al. (1993), that positive relationships exist between service quality and repurchase intentions and willingness to recommend.

To examine the extent to which customer satisfaction influence customer loyalty, the correlation and regression analysis results gave a positive correlation between customer satisfaction and customer loyalty.

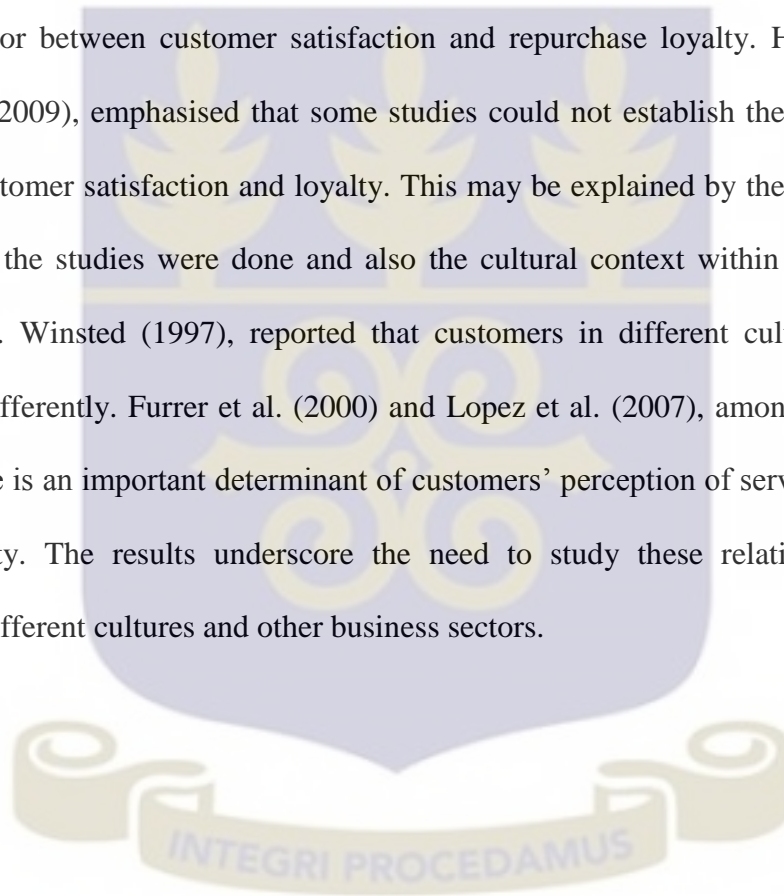
The regression analysis showed that 35.4% of the variance in shippers' loyalty in export and import related activities were found to be attributable to satisfaction characteristics. If shippers know that their freight forwarders give them high quality service, they would be satisfied and become loyal. The results confirm Anderson et al. (1993), that higher level of customer satisfaction increases customer loyalty.

To investigate how all the variables predict customer loyalty in the freight forwarding industry in Ghana, a multiple regression analysis model was used to explore how well trust, price satisfaction, service quality and Customer Satisfaction could predict shippers' loyalty to providers of freight forwarding services. The results revealed that the four variables predicted loyalty of shippers to freight forwarders by 56%. The results of the multiple regression analysis suggested that trust, customer satisfaction and price are the most influential factors or have strong effect in explaining shippers' loyalty to freight forwarders. Therefore, enhancing trust, customer satisfaction and lowering prices by freight forwarders would influence shippers' loyalty to freight forwarding services providers. .

This result of the study showed that Trust, customer satisfaction, Price and service quality affect loyalty of shippers. The findings confirms Zeithaml et al, (2006), and Fornell (1992), that customer satisfaction is a measure or evaluation of a product or service's ability to meet a customer's need or expectations. The result was also consistent with Yi's (1990), conclusion that "many studies found that customer satisfaction influences purchase intentions as well as post-purchase attitude. Again, the results did not contradict Wang (2001), that customer satisfaction is a reliable predictor of re-purchase intentions.

Finally, to determine whether trust mediates the relation between customer satisfaction and customer loyalty within the freight forwarding industry, the study revealed that trust does not mediate the relation between customer satisfaction and customer loyalty. Thus when shippers are satisfied with the services rendered to them by their freight forwarders, they do not necessarily have to trust them before they become loyal to them.

The findings contradict that of Jia and Ping (n.d), which noted that trust is proved to be an important mediator between customer satisfaction and repurchase loyalty. However, Nukpeza and Nyumuwu, (2009), emphasised that some studies could not establish the mediating role of trust between customer satisfaction and loyalty. This may be explained by the different business sectors in which the studies were done and also the cultural context within which the studies were carried out. Winsted (1997), reported that customers in different cultures may receive service quality differently. Furrer et al. (2000) and Lopez et al. (2007), among others have also found that culture is an important determinant of customers' perception of service quality and its impact on loyalty. The results underscore the need to study these relationships from the perspectives of different cultures and other business sectors.



## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

The aim of this thesis was mainly to examine the factors that influence customer loyalty in the freight forwarding sector and to develop an appropriate framework that can explain customer loyalty. This has so far been achieved through discussions of customer trust, customer satisfaction, service quality and price satisfaction and customer loyalty.

#### 5.1 Summary of findings

The overriding purpose of this study was to determine whether customer trust, customer satisfaction, service quality and price satisfaction influence customer loyalty in the freight forwarding industry in Ghana. Data of sampled shippers in Tema was gathered and SPSS (Statistical Package for Social Sciences) version 20 software was used to get the statistical results. To analyse the quantitative data, correlation and regression analysis were conducted in SPSS.

Simple regression analysis was performed to determine how the explanatory variables affect customer loyalty. The results indicated that price, trust, service quality, and Customer satisfaction of shippers significantly influence their loyalty to freight forwarders. Specifically the findings of the study were that:

- i. Trust of shippers significantly influences their loyalty to freight forwarders' businesses. So trustworthiness of freight forwarders in the services they render plays a critical role in creating and maintaining shippers' loyalty.
- ii. There is a weak positive correlation between price satisfaction and loyalty. Thus the relationship between the two variables may be inconclusive.
- iii. A significant positive linear relationship exists between satisfaction of shippers regarding their responses predicted by their loyalty to freight forwarders' businesses. Hence satisfaction of shippers increases their loyalty to freight forwarders.
- iv. A positive relationship exists between service quality and loyalty. Hence shipper's loyalty to freight forwarders' businesses would increase when quality of service offered by freight forwarders is improved.
- v. There is a linear relationship between the four independent variables (trust, price satisfaction, service quality and customer satisfaction) and dependent variable (customer loyalty). So enhancing trust, customer satisfaction and price satisfaction by freight forwarders will influence customers to become loyal to them by 56%.
- vi. Trust does not mediate the relation between customer satisfaction and customer loyalty. Thus satisfied shippers do not need to trust freight forwarders in order to be loyal to them. Even though, some empirical studies have suggested that trust of customers mediate customer satisfaction and loyalty, a mediation analysis performed revealed that trust does not mediate loyalty and satisfaction. However, a correlation analysis preceding the mediation analysis showed that trust, customer satisfaction and customer loyalty are positively related.

## 5.2 Conclusion

The research examined the relationship between customer loyalty and service quality, price satisfaction, customer satisfaction and trust. To this end, the data gathered was analysed by correlation and regression analysis. The results of the multiple regression analysis showed that three of the factors have positive effects on customer loyalty. For example, there is a positive relation between service quality and customer loyalty, trust and customer loyalty, customer satisfaction and customer loyalty. Also a negative relationship was found between price satisfaction and customer loyalty. Although it is not significant at 5% significance level, the multiple regression analysis results indicated that service quality affects positively customer loyalty.

Customer loyalty is the dependent variable in the regression analysis. The objective of regression analysis was to determine which of the four factors would have the most important influence on customer loyalty. The six research questions were answered to have some influence on customer loyalty. It is important to note that the Pearson coefficient for the relationship between customer loyalty and service quality is 0.537, and it is positive. This shows that, as service quality increases, customer loyalty increases. The Pearson coefficient for the relationship between customer loyalty and customer satisfaction is (.595), and it is positive. Therefore as customer satisfaction increases, customer loyalty increases. Pearson coefficient for the relationship between customer loyalty and trust is (.638), and it is positive. Therefore as trust increases, customer loyalty increases. On conclusion, customer satisfaction, trust and service quality are strong predictors of customer loyalty.

### **5.3 Recommendations**

The findings of the study provide tentative support to the proposition that service quality, customer satisfaction, customer trust, and price satisfaction should be recognized as antecedents and tools that precipitate customer loyalty in the freight forwarding industry. It is therefore recommended that freight forwarders seeking to find ways to attract and retain customers should begin to consider loyalty not only as the interplay of service quality, customer satisfaction and price satisfaction, but rather one that is precipitated by the quality of service provided.

Continuous professional development of employees of freight forwarding firms in Ghana is strongly recommended since the customs clearing procedures and tariffs are revised from time to time to ensure they are abreast with international best practices and sometimes to meet the peculiar need of our country. Therefore, forwarders who do not strive for continuous development would be left behind and their customers may leave them for a more proactive one.

It is recommended that freight forwarders perform their duties with due diligence in accordance with the Standard Trading Conditions (STC) of the trade associations they belong. This would ensure quality service, charging fair and right prices for services rendered to shippers. It would also ensure that service fees are consistent with those collectively approved by the Ghana shippers Authority and the Ghana Institute of Freight forwarders.

Finally, freight forwarding companies should make it a policy to deliver on their promises to win the trust of their customers, offer superior services that exceeds the expectations of shippers to facilitate good customer care which will help win shippers' loyalty.

#### **5.4. Suggestions for Future Research.**

This research just might not have covered all the factors that affect customer loyalty, so there is the need for future researchers to:

- Employ other variables such as company's image, level of computerization and customer service as the factors affecting customer loyalty in the freight forwarding industry in Ghana.
- Explore the importance of loyalty in improving profitability and market share of freight forwarding companies.
- Conduct an in-depth research about the profitability of loyal customers in comparison to the costs of retaining them



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### Websites

[http:// www.shippers.org.gh](http://www.shippers.org.gh)

**APPENDIX I****TABLE OF TEST RESULTS****4.2. Results of the analysis to determine whether Trust influence Customer****Loyalty**

Table 4.2: Correlation between trust and loyalty of shippers

Trust and loyalty		Trust	Loyalty
Trust	Pearson Correlation	1	.638
	Sig. (2-tailed)		.000
	N	60	60
Loyalty	Pearson Correlation	.638	1
	Sig. (2-tailed)	.000	
	N	60	60

Source: Field Survey (2014)

Correlation is significant at 0.05 level (2-tailed).

Table 4.3: Regression Results of loyalty on trust

Impact of	R Square	Adjusted	F(Sig)	Standardised	t (Sig)
Trust on		R Square		Coefficient	
Loyalty	.407	0.397	39.810(0.000)	0.638	6.310(0.000)

Source: Field Survey (2014)

### 4.3. Results of the analysis to determine the Influence of Price on Customer loyalty.

Table 4.4: Correlation between Price and Loyalty

Price and loyalty		Loyalty	Price Satisfaction
Loyalty	Pearson Correlation	1	.261
	Sig. (2-tailed)		.044
	N	60	60
Price	Pearson Correlation	.261	1
	Sig. (2-tailed)	.044	
	N	60	60

Source: Field Survey (2014)

Correlation is significant at 0.05 level (2-tailed).

Table 4.5: Regression Results of Loyalty on price satisfaction

Impact of	R Square	Adjusted R Square	F(Sig)	Standardized Coefficient	t (Sig)
Price on Loyalty	0.068	0.052	4.251(0.044)	0.261	2.062(0.008)

Source: Field Survey (2014)

### 4.4. Results of the analysis to determine the Influence of Service quality on Customer loyalty

Table 4.6: Correlation between Service quality and Loyalty

Service quality and loyalty		Loyalty	Service quality
Loyalty	Pearson Correlation	1	.537
	Sig. (2-tailed)		.000
	N	60	60
Service quality	Pearson Correlation	.537	1

	Sig. (2-tailed)	.000	-
	N	60	60

Source: Field Survey (2014)

Correlation is significant at 0.05 level (2-tailed).

Table 4.7: Regression Results of Loyalty on Service quality

Impact of ServQuality on	R Square	Adjusted R Square	F(Sig)	Standardized Coefficient	t (Sig)
Loyalty	0.288	0.276	23.49(0.000)	0.537	4.847(0.000)

Source: Field Survey, 2014

#### 4.5. Results of the analysis to determine the influence of Customer Satisfaction on Customer Loyalty

Table 4.8: Correlation of Customer satisfaction and loyalty scores

Satisfaction and loyalty		Loyalty	Customer Satisfaction
Loyalty	Pearson Correlation	1	.595
	Sig. (2-tailed)		.000
	N	60	60
Customer Satisfaction	Pearson Correlation	.595	1
	Sig. (2-tailed)	.000	
	N	60	60

Source: Field survey (2014)

Correlation is significant at 0.05 level (2-tailed).

Table 4.9: Regression Results of Loyalty on Customer Satisfaction

Impact of Satisfn on	R Square	Adjusted R Square	F(Sig)	Standardized Coefficient	t (Sig)
Loyalty	0.354	0.343	31.748(0.000)	0.595	5.634(0.000)

Source: Field Survey ( 2014)

#### 4.6. Results showing analysis of how all the independent variables predict customer loyalty.

Table 4.10: ANOVA Analysis between Independent Variables and Dependent Variable

Model	Sum of Squares	Degree of Freedom	Mean Square	F	Sig.
Regression	13.393	4	3.348	17.570	.0001
Residual	10.482	55	.191		
Total	23.875	59			

Source: Field Survey (2014)

Table 4.11: Coefficients of Predictor variables

Model	Unstandardised Coefficients		Standardised Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.008	.554		.015	.988
Trust	.538	.131	.436	4.121	.000
Price	-.302	.127	-.295	-2.377	.021
Customer Satisfaction	.336	.121	.370	2.784	.007
Service Quality	.360	.199	.261	1.810	.076

Source: Field Survey (2014)

Table4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	<b>0.75<sup>a</sup></b>	0.56	0.53	0.44

Source: Field Survey (2014)

a. Predictors: (Constant), Service Quality, Trust, Price and Customer Satisfaction

#### 4.7. Results of Analyses to Determine Whether Trust Mediate Customer Satisfaction and Customer Loyalty

Table4.13. Correlation among the Predictors

Correlation		Trust	Loyalty	Customer Satisfaction
Trust	Pearson Correlation	1	.489	.299*
	Sig. (2-tailed)		.000	.020
	N	60	60	60
Loyalty	Pearson Correlation	.489**	1	.595
	Sig. (2-tailed)	.000		.000
	N	60	60	60
Customer Satisfaction	Pearson Correlation	.299*	.595**	1
	Sig. (2-tailed)	.020	.000	
	N	60	60	60



Source: Field Survey (2014)

Table 4.14: The Model Summary Regression Analysis of Loyalty and customer satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.628 <sup>a</sup>	.394	.384	.40617

Source: Field Survey (2014)

Table4.15. Summary of Model of Regression Analysis Of Trust And Customer Satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.495	.245	.232	.45155

Source: Field Survey (2014)

Table 4.16: Model Summary of Trust mediating between loyalty and Satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.714 <sup>a</sup>	.510	.493	.45299

Source: Field Survey (2014)

## APPENDIX II

### QUESTIONNAIRE

Dear respondent,

This questionnaire is intended to facilitate the study on “The Influence of satisfaction, price, service quality and trust on Customer Loyalty in the Freight Forwarding Industry in Ghana”. The study is for academic purposes only and is carried out as a partial requirement for the award of a Master of Arts Degree in ports and Shipping Administration. As a customer of a Freight forwarder (Clearing agent), your responses will be treated with utmost confidentiality.

Thank you very much for your valuable time.

**SECTION A: BACKGROUND INFORMATION**

1. How long have you been working in trading with freight forwarders?

- Less than or equal to 5 years 1
- 6 -10 years 2
- 11- 15 years 3 [ ]
- 16-20 years 4
- Over 20 years 5

2. Which of the following relates to your business with the freight forwarding company?

- Imports only 1
- Exports only 2 [ ]
- Both imports and exports 3

**SECTION B**

Please respond to the following statements in relation to the extent they **reflect your feelings and the extent to which you agree or disagree with each of them**. The key to guide your responses as to your level of agreement or disagreement to each statement is: **EA=Extremely Agree, SA= Strongly, A = Agree, NS = Not Sure D = Disagree, SD = Strongly Disagree, ED=Extremely Disagree.**

	<b>Trust</b>	<b>SA</b>	<b>A</b>	<b>NS</b>	<b>D</b>	<b>SD</b>
1	I can count on my Freight forwarder to clear my goods in an honest manner.					
2	We previously dealt with other freight forwarders who were not reliable and could not be trusted.					

3	My Freight forwarder takes advantage of customers' ignorance.					
4	My freight forwarder delivers my goods in the right quantities without tempering with them.					
5	When my freight forwarder decides on something with us, we both stick to it.					

	<b>Service Quality</b>	<b>SA</b>	<b>A</b>	<b>NS</b>	<b>D</b>	<b>SD</b>		
1	My Freight Forwarder delivers my goods promptly							
2	My Freight Forwarder often performs beyond my expectations							
3	My Freight forwarder offers good value for money in terms of high quality work.							
4	My freight forwarder always delivers excellent overall service							
5	My freight forwarder delivers superior service in every way							
	<b>Satisfaction</b>	<b>EA</b>	<b>SA</b>	<b>A</b>	<b>NS</b>	<b>D</b>	<b>SD</b>	<b>ED</b>
1	Compared to other freight forwarders, I know my freight forwarder gives me high quality service.							
2	I feel absolutely delighted with my freight forwarders services							
3	I am completely satisfied with the services delivered by my freight forwarder							
4	I feel relaxed clearing goods with my freight forwarders							
5	My freight forwarders make all processes in clearing known to me and I am happy with that.							

	<b>Price/Charges</b>	<b>SA</b>	<b>A</b>	<b>NS</b>	<b>D</b>	<b>SD</b>
1	Charges of my freight forwarder are reasonable compared to other freight forwarders					
2	The charges of my freight forwarder are consistent with that approved by the Shippers Authority.					
3	My freight forwarder hands over all payments receipts in connection with the clearing of goods to me after every job.					
4	I will continue to patronize my freight forwarder even if the service charges are increased moderately.					
	<b>Customer loyalty</b>	<b>SA</b>	<b>A</b>	<b>NS</b>	<b>D</b>	<b>SD</b>
1	I would like to remain as a customer of my present freight forwarder					
2	I would like to recommend my freight forwarder to friends and other people I know					
3	I will not say positive things about my freight forwarder to other people					
4	I would like to keep a close relationship with my freight forwarder					
5	I consider myself to be loyal to my freight forwarder					
5	I am likely to pay a little bit more for using the services of my freight forwarder					

I appreciate your timely filling and return of this questionnaire.

Thank you.

Kwaku Boateng-Manu.

