



**EFFECT OF EMPLOYEE MOTIVATION ON CUSTOMER LOYALTY: THE  
MEDIATING ROLE OF RELATIONSHIP BUILDING “A CASE OF BOTTLING  
COMPANIES IN ETHIOPIA”**

**BY**

**YOHANA WORKU**

**A THESIS SUBMITTED TO MBA COORDINATION OFFICE, COLLEGE OF  
BUSINESS AND ECONOMICS IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR MASTERS OF BUSINESS ADMINISTRATION (MBA)  
DEGREE**

**ADVISOR: LAKEW ALEMU (PhD)**

**SEPTEMBER, 2021**

**ADDIS ABABA, ETHIOPIA**

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**SEPTEMBER, 2021**

**ADDIS ABABA, ETHIOPIA**

**ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS**

This is to Confirm that Yohana Worku’s thesis, entitled: “Effect of employee motivation on customer loyalty: the mediating role of relationship building “A case of bottling companies in Ethiopia” was submitted in partial fulfillment of the requirements for Master of Business Administration complies with the regulations of the University and meets the accepted standards concerning originality and quality.

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### **Declaration**

I, the undersigned, declare that this study entitled as “Effect of employee motivation on customer loyalty: the mediating role of relationship building ‘A case of bottling companies in Ethiopia” is my original work and the whole thesis has been done through the guidance and support of my advisor Lakew Alemu (PhD).

All the reference has been duly acknowledged in the prescribed manner. I can assure that this study has not been submitted for any degree or postgraduate program in this or any other institutions.

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## **Confirmation**

This is to confirm that Yohana Worku has completed the research work titled “Effect of employee motivation on customer loyalty: the mediating role of relationship building ‘A case of bottling companies in Ethiopia” for the partial fulfillment of Master of Business Administration at Addis Ababa University College of Business and Economics. This study is an original work and not submitted earlier for any degree either at this University or any other University and is suitable for submission of master’s degree in Business Administration.

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Advisor: Lakew Alemu (PhD)

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## **Acronyms**

CRM – Customer Relationship Management

SPSS: Statistical Package for Social Science

## **Abstract**

Nowadays, there seems to be fierce competition in the bottling market of Ethiopia. One of the key issues mainly raised is the company's ability to develop effective employees who have a good relationship with customers, retains its existing customers and looks for more. The general objective of this study was to examine the relationship between employee motivation and customer loyalty explained through relationship building in the case of bottling companies. The research's specific objectives were to investigate if employee motivation impacts customer relationship building, to examine the effect of relationship building on customer loyalty, to examine the direct effect of employee motivation on customer loyalty and investigating the effect of employee motivation on customer loyalty through the mediating role of relationship building. Questionnaire was used as a data collection tool to gather data from 228 employees of Habesha Breweries and 156 employees of Gold water. The analysis was done with the help of process Macro of Andree Hayes and Baron and Kenny's regression method. Findings revealed that employee motivation has a direct insignificant effect on customer loyalty at Habesha and employee motivation has a direct significant effect on customer loyalty at Gold water. Additionally, for both companies, employee motivation has a major positive impact on relationship building; relationship building has a significant positive effect on customer loyalty and employee motivation has an indirect effect on customer loyalty through relationship building. The study recommended that both companies should invest their resource and capacity to motivate their employees. Also, there should be further study on the effects of employee motivation and customer loyalty in other industries found in Ethiopia.

Key words: Employee motivation, Relationship building, Customer loyalty

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1 Background of the study

Most firms now a day operate in a highly competitive environment as a result of globalization and the fragile economic condition. In such conditions, having long-term and loyal clients is one of the most essential competitive advantages for businesses. It can be shown that, in today's market, creating and maintaining customer loyalty has proven to be more difficult than it has been in the past few years. Sheikhi et al. (2014) also stated that long-term relationships between customers and companies are vital since the cost of recruiting a client is six to nine times the cost of sustaining existing customers, and new customers are less profitable.

Consumer loyalty studies are usually helpful in researching the loyalty idea, challenges, and customer expectations. It can be understood that to develop and sustain loyalty among customers, it is important to find out what drive's loyalty in the market. The factors which lead to loyalty need to be uncovered and understood before designing and implementing strategies for loyalty. For most businesses, brand loyalty is nothing more than recurrent buying. Many scholars defined Customer loyalty in many ways. For example, Oliver (1999) described loyalty as a strongly felt future commitment to regularly re-buy or re-patronize a favorite product, causing repeated buying. Additionally, Oracle Corporation (2005) stated that loyalty is trust in the worth of a business and its goods or services provided throughout many encounters, which contributes to repeat interactions and purchases over time. Loyalty has been seen to become extremely relevant due to intensified rivalry within the respective sectors.

Most works of literature assumed customer relationships to be one of the bases to build loyalty. According to studies, one of the variables that contribute to client loyalty is the perceived quality of the organization's service. In agreement with that, Hosseini and Qapanvary, (2013) stipulated that the quality of service plays a critical influence in an organization's ability to create competitive advantage. Moreover, Relationship-building objectives have been defined by many scholars. According to Selvi (2007) the main objective of relationship marketing is to achieve customer loyalty by forming mutually beneficial relationships between the organization and its customers. Evans, et al. (1994) also identified the purpose of relationship marketing as building customer loyalty through long-term relationships. Scholars anticipated that one of the purposes of relationship marketing to be customer loyalty. Generally, most organizations have figured over the past few years that it is very important to consider the correlation between the strength of a relationship and consumer satisfaction to anticipate future strategic marketing strategies.

As White, and Paul, (1998) stated an employee's competency and effort towards delivering quality service yields a positive experience and good perception among customers. Employee's motivation can play a part in providing high-quality service. Now a day's, companies offer better

and attractive promotional schemes to customers to win in the competitive industry. These promotional tools are usually copied by other organizations. But the one thing that cannot be copied by others is employee motivation. In these circumstances, employees of a company likely have a huge role in winning customers' hearts and minds. . This indicates that organizations should take their employees as valued assets because everyone including employees is included in the customer base.

Throughout history, many researchers have shown drives that rationalized the motivated behavior of employees towards a goal. Mills, et al. (2006), defined work motivation as an individual's desire to direct and sustain energy to the best of his/her ability towards optimally performing tasks required to be successful in a work position. Motivation is proven to be an effective way of maximizing the efficiency of operations. It helps to inspire employees to work wholeheartedly by applying their abilities and potential to achieve the organization's goals. Furthermore, Farzad (2007) mentioned that relationship building is needed not only externally, but also internally in an organization, because the market does not only consist of final customers outside the company, but also of individuals or groups of individuals within the company.

The bottling industries market seems highly growing in recent years. They have become one of the most competitive industries in Ethiopia. In order to anticipate future strategic marketing plans, most firms have realized over the last several years that it is critical to analyze the correlation between the strength of relationship and customer loyalty. Many organizations should possibly take their employees as valued assets and pay attention to coaching and skill development so that the motivational level of employees may increase with their increase in skill level.

## **1.2 Background of the organization**

The companies selected by the researcher for this study are Habesha Breweries S.C and Gold water and non-alcoholic beverage factory. Habesha Breweries is a beverage company found in Debrebirhan city. It was established by 8,000 shareholders, Bavaria which is the second largest Brewery in the Netherlands, holding a 60 percent stake in Habesha Breweries shares. The company entered the Ethiopian market in 2015 and has become one of the popular beer brands in Ethiopia. Habesha much recently introduced three new products to the market, has four product lines. The company has a total of 436 employees. The departments found within the organization are Human resource, commercial, finance, procurement and operation department.

Gold Group established the gold water bottling plant in Burayu, at Oromia region, at the Taxeq Industry Zone. Gold water started selling its products on September 2019. The company has a total of 280 employees. Gold water has a total of 9 departments which are Office management, Human resource, marketing, finance, technique, production, quality, property and factory admin. Their target market includes local consumers, and they have a plan to increase the availability of the product by offering door to door service to their customers.

In both organizations, products get sold directly by the sales team through the support of other departments inside the organization. Much importantly all employees build relationship with customers in different situations and represent the company to close sales in every part of Ethiopia.

This research studies the effect of employee motivation on customer loyalty through the mediating role of relationship building in both organizations. Customer loyalty is used as a dependent variable and employee motivation is considered as an independent variable. The research tried to show how employee motivation affects customer loyalty with relationship building playing a mediating role. Although, employee motivation plays a vital role to construct loyalty some grounds were provided that for loyal behavior of the customer are more dependent on building relationship rather than on employee motivated behavior. So generally, this research shows the strong relationship between employee motivation and relationship building at the same time, the strong relationship between relationship building and customer loyalty, so that, we can indirectly know how employee motivation affects customer loyalty.

### **1.3 Statement of the problem**

Organizations have become more aware of the connectivity between customer loyalty, employee happiness and commitment in the past few years. According to Albert, et al. (2008) there is no big difference between market goods from the customer's perspective. This means, if a customer asks for a brand name and it is not available; they can easily substitute other brands. Additionally, Nohria, et al. (2008) indicated that one of the most daunting problems that managers face while relationship building is getting workers to do their best in all circumstances. If the customer needs a product instantly and the employee could not deliver it then, there is a big chance that he might lose the customer to another competitor. This indicates a decline in customer loyalty.

Despite all the benefits of customer loyalty to businesses, there are few studies, and research on this topic in particular using relationship building as a mediator. Previous studies have recognized the importance of customer relationship management in retaining customers and showed how employee motivation affects customer loyalty. The relationship between employee satisfaction and customer satisfaction has also been studied extensively in the service industry. On a study by Eklof, J et al. (2018) researchers were able to confirm two key research hypotheses as a result of the findings which are there is a direct positive association between employee happiness and customer satisfaction and while consumer satisfaction acts as a moderating element, the link between employee satisfaction and a company's financial outcomes is not direct. According to the study's authors, satisfied personnel have a higher level of motivation and are thus more willing to give high-quality services. The relation between employee motivation and customer loyalty has previously been evaluated empirically by many researchers. For example, most studies' finding implies that there is a strong link between employee satisfaction and customer satisfaction in a one-year time shift. Furthermore, Lukasz, et al. (2020) stated that the power of employee's motivation level influence on consumers is definitely lower than the strength of employee satisfaction's influence. In this situation, Salanova (2005) concluded that consumer loyalty was shaped by subjectively perceived employee effectiveness, as well as indirect factors, as the findings of the research revealed.

Relationship building, competition, or gaining a competitive advantage orients most companies to be distinct from others. Being different has a special advantage among rivals who sell similar products and services. As a result, most organizations are seeking fewer new customers. Under these conditions, the energy of the company must be dedicated to existing customers by keeping them happy, loyal, and returning customers. It is likely that, it is preferable to create smooth relationships with customers. This initiative would build long-term relationships and give rivals an advantage of hardly losing customer potential. Besides, it is not easy to copy relationship marketing. So, the organizations need to understand the barrier to customer satisfaction and take into consideration to adjust things.



Most studies considering the impact of customer relationship management on customer loyalty have concluded that building relationship with customers is an important factor in retaining one's customer. It has been shown that CRM and customer satisfaction have a clear and positive relationship. Similarly, McDonnell et al. (2011) showed that the quality of the relationship has a positive impact on customer loyalty. But on the contrary, Tamiru (2018) discovered a negative relationship between intrinsic motivation and service quality, as well as a positive relationship between extrinsic motivation and service quality. Clow and Kurtz, (2003) suggested that although zero defections should be the goal of all organizations, it is unlikely to be met in practice. When employees learn what customers expect and how to best meet those needs, service becomes more efficient.

The bottling industry is one of the most competitive industries in Ethiopia and because of the before mentioned reasons, it is critical to employ the modern paradigm shift in marketing known as relationship marketing. Finally, customers experience through employees could usually turn into a decision to either be loyal or not. This implies that, when employees feel motivated and put their heart and effort into their work, customers experience it, and the company benefits from it. Seeking customer's satisfaction will help them raise their share of the market, reduce cost and improve their competitiveness. So, companies better close these gaps that are created due to demotivation, in order not to lose their customers.

#### **1.4 Research Questions**

1. Does employee motivation have a direct effect on customer loyalty?
2. Does employee motivation affect relationship building with customers?
3. Does relationship building with customers affect customer loyalty?
4. Does employee motivation affect customer loyalty through the mediating role of relationship building?

## **1.5 Objectives of the Study**

### **1.5.1 General Objective**

The general objective of the study was to examine the effect of employee motivation on customer loyalty explained through relationship building in the case of bottling companies in Ethiopia.

### **1.5.2 Specific Objectives**

The specific objectives of the study were the following:

1. Examining the direct effect of employee motivation on customer loyalty.
2. To investigate if employee motivation affects relationship building with customers.
3. To examine the effect of relationship building on customer loyalty.
4. Investigating the effect of employee motivation on customer loyalty through the mediating role of relationship building.

### **1.5 Hypothesis Development**

In ensuring that a company thrives and succeeds in this competitive world, empowering employees might be a critical factor. In a study by Tella, et al. (2007) the authors found a link and noted that there is a relationship between employee motivation, engagement, and commitment. Oliver (2014) also highlighted that the role of intangible assets such as customer relationships is essential to compete in the rapidly changing financial/ economical world. Companies could gain higher customer loyalty by keeping their employees motivated, as motivated employees deliver better service to customers. There is a total of four hypotheses anticipated in the study. All the four relationships were anticipated to have a positive effect on customer loyalty. The four main hypotheses (H1:H4) that were developed for this study are: -

H1: Employee motivation has a direct positive effect on customer loyalty.

H2: Relationship building has a positive and significant effect on customer loyalty.

H3: Employee motivation has a positive significant effect on relationship building.

H4: Employee motivation has a positive significant effect on customer loyalty through the mediating role of relationship building.

## **1.7 Significance of the study**

### **1.7.1 Practical Significance**

Ensuring a high level of customer loyalty is one of the most important tasks of any business organization. Keeping existing customers and winning new ones at the same time has been difficult due to competitive pressures, customer demands, and costs. The more effective way in such conditions seems to be building continuous customer loyalty. This study is valuable not only to bottling companies but also to other manufacturing organizations in the same areas in Ethiopia to minimize the cost of acquiring new customers by keeping their loyal customers happy at all times. The research finding also has practical importance for the companies to know their areas of strength and weakness regarding employee motivation and how it has been affecting customer loyalty.

In addition to that, the research benefits other researchers or organizations who want to make further investigation in this area.

### **1.7.2 Theoretical Significance**

This research likely contributes as additional knowledge on previous studies of this research area. There were not many researches that showed how employee motivation affects customer loyalty through relationship building. This research will possibly create more understanding on the relationship between the dependent and independent variables, and how they are related through the mediator variable. Also, findings may suggest a need and recommendation for further researches in this area of study.

### **1.7.3 Empirical Significance**

The research data collected is reliable and dependable. So, investigation results will be used to fill out the gaps in the organization.

## **1.8 Scope of the study**

This study addresses the effect of employee motivation on customer loyalty through the mediating role of relationship building in the context of bottling companies in Ethiopia. It does not cover all bottling companies in Ethiopia, but it is done on two selected organizations representing all bottling companies in Ethiopia. The study focuses on the perceptions of employees of Habesha Breweries S.C and Gold water and non-alcoholic beverage factory. Other variables are beyond this study.

## **1.9 Limitation of the study**

Like most studies, this study also has some limitations. Firstly, the study was limited to bottling companies. So, a larger empirical study in other industries would be useful to replicate the results.

Additionally, employees in the organizations were not willing to give information due to their busy schedules. There were some difficulties in getting the employees' responses to the survey questions because of their workload and the responsibility they have. There was also a limited time to have face-to-face meetings to explain any confusion with the questionnaires. Despite these shortcomings, the researcher worked on this research using her time efficiently.

## **1.10 Organization of the Study**

Chapter one of the study is the introduction chapter which contains the background of the study, statement of the problem, research questions, objectives, hypothesis development, significance of study, the scope, problems that come across, and the organization of the study. Chapter two consists of a detailed discussion on the accessible studies by a variety of researchers on employee motivation, customer relationship building, and customer loyalty in an organization at last including the research framework. Chapter three of the research covers the research methodology to be applied for the study. It discusses the different methods of studying the effects of employee motivation on customer loyalty, while relationship building plays a mediating role. The fourth chapter of this study consists of the data analysis which comprises the results, and discussions to be extracted from objectives developed for the study. The concluding chapter of this study consists of summary results, conclusion, and recommendations of the finding for both organizations and future research.

## CHAPTER TWO

### 2. LITERATURE REVIEW

Previous literature showed that most organizations have learned that it is less costly to retain a customer than find a new one. According to Hassan et al. (2015) it takes an average of 8 to 10 physical calls in person to sell to a new customer in industrial sales, but it takes 2 to 3 calls to sell to an existing customer. Also, it is 5 to 10 times more expensive to acquire a new customer than obtain repeat business from an existing customer. Since there is increased competition in the market an organization needs to devise creative ways of meeting the demands of customers. Also, as Hansemark & Albinsson, (2004) explained, building relationship with customers can provide numerous benefits to businesses. Among the advantages is increased customer satisfaction as customers' perceptions of the value they receive improve. Customers are more likely to support the organization in the future as their satisfaction grows, resulting in lower marketing costs and increased custodial effectiveness as a result of customer knowledge. This literature shows how employee motivation affects customer loyalty through the mediating role of relationship building.

#### 2.1. THEORETICAL LITERATURE

This section reviews prior research relevant to understanding the factors of employee motivation, relationship building and customer loyalty. It also tries to understand the relationship between the variables, and their concepts. The three variables are explained separately.

##### 2.1.1 Employee Motivation

To tackle the competitive pressures and gain an upper hand in the market, companies have now started using the human workforce effectively. Cho, et al. (2006) advised that to achieve improved service quality and employee output, companies must foster a promising, healthier working atmosphere. These way organizations can motivate employees which increases worker's productivity which in turn will result in customer satisfaction.

Various studies have been carried out to determine the impact of workers on business efficiency. Employees have a set of needs as well as a set of standards that shift and develop over time. The degree to which these are met influences the level of motivation to work. Results have consistently shown that there is a positive correlation between the attitude of employees and the company's performance. For example, Fulmer, et al. (2003) stressed that the attitude of workers when interacting with customers may have a positive effect on the degree of customer satisfaction if the employer is capable of fulfilling customer needs/requirements. As a result, Goenner (2008) concluded that strategic human resources play a vital role in improving performance in any organization. Especially, front-line employees must have good contact with customers because it has a significant effect on the overall assessment of the service quality.

### **2.1.1.1 Aspects of Employee Motivation**

Many researchers have defined employee motivation in different ways. Muchinsky (1990) described motivation as the willingness of a person to exhibit a certain activity and to spend effort willingly. Griffin, et al. (2009) also identified motivation as the set of forces that causes people to engage in certain behavior. It shows the enthusiasm, energy level, commitment, creativity, and persistence of effort an employee shows towards achieving organizational goals. Motivation as defined by Odendaal and Roodt, (2003) is the mechanism that accounts for the strength, direction, and persistence of the person in achieving a specific objective. Hence, employee motivation could be defined as the psychological characteristic that stimulates an employee to act to achieve certain organizational objectives in a certain way.

According to Robertson, et al. (2007) employees want to perform their jobs well to increase their capacity and opportunity to add value and be part of an effective organization. Usually, motivated employees lead to satisfied customers. The way employees feel about the value and purpose of their work and the effort they show helps to create positive customer experiences. According to Macey, et al. (2008) employee satisfaction has a positive impact on customer satisfaction. Daft and Marcic, (2011) also argued that front-line workers play a very powerful role in the company's brand building in the services field, which helps a company capture and then maintain a loyal customer base.

### **2.1.1.2 Employees as Internal Customers**

According to DeiTumi (2005) there could be internal or external users of a product. Employees who consume the product could be incorporated as internal customers to the organization. Members of the public, government, and other businesses may be considered external customers. Berry (1981) stated that internal marketing is characterized by treating employees as internal customers and seeing their work as an internal product that meets consumer needs such as achieving organizational objectives. Previous researchers mentioned that internal marketing was created with the goal of improving the organization's service efficiency. Internal marketing, according to Panigyrakis and Theodoridis, (2009), is the importance of marketing concepts both internally and externally in every business, focusing primarily on the employee and assisting in the creation of a competitive advantage. In this case, employees are the priority since they are the ones that are responsible for inconsistent service delivery. As a result, companies that fail to deliver consistent service and efficiency to their customers should place a greater emphasis on employee satisfaction and motivation.

According to Parasuraman and Grewal, (2000) since the effectiveness of these organizations is dependent on the productivity of their workers, organizations can gain a lot by keeping their employees and developing long-term relationships with them along with organizational commitment. Furthermore, it assists the company in securing a large market share and establishing a leading role in the market as compared to competitors.

## **2.1.2 Customer Loyalty**

### **2.1.2.1 Aspects of Customer Loyalty**

Many studies classify loyalty into attitudinal and behavioral dimensions. According to Cheng (2011) attitudinal loyalty understands loyalty as a consumer's preference for a product or service compared to other alternative products and services. When a customer has behavioral loyalty, the customer repurchases the same brand, and maintains his relationship with a specific service provider. Additionally, Diller (2000) implied that loyal customers are those customers that recommend the company and its brands to other customers, which leads to greater business stability, growth, and profitability. Businesses increase their profit with loyal customers because loyal customers are likely to buy more frequently, spend money on trying new goods or services from the same organization, recommend products and services to others and provide sincere feedback to businesses. In addition to the above, Dwyer, et al. (1987) also found out that the willingness to spread positive word-of-mouth about an organization and a repeat purchasing behavior are the most common indicators of customer loyalty. Based on the definition of many scholars, loyalty can be commonly defined as a customer's positive behavior towards a brand, resulting in a repeat purchase behavior. It shows that loyal consumers include repetitive end users of a product.

Kurtenbach (2000) explains that in a competitive marketplace, firms have been trying to rank their customer experience as a top priority. It has been seen in today's world that the most effective way of keeping customers is through building loyalty. Kotler & Keller, (2007) mentioned that organization's increase in profit is the result of lower costs for servicing existing customers instead of new ones. Boulding, et al. (1993) also proposed a model that links service quality and perceived customer expectation. Service quality is modeled as a function of current perception, and current perceptions depend on prior expectations, and the most recent service transaction. They predicted that a customer gains more confidence through time by weighting his/her prior assessment of previous transactions and putting weight on the new information acquired. This may likely influence customers' decisions about keeping the relationship and being loyal to the organization.

Customer satisfaction is mostly influenced by the type of service provided. According to Christopher, et al. (2002) there is a ladder of loyalty that entails six stages. The lower client stage which is defined as someone who has done business with you on a repeated basis but may be negative, or at best neutral, towards an organization while the higher stage advocate was defined as someone who actively recommends you to others, and who does your marketing for you.

### **2.1.2.2 Significance of Customer Loyalty to Organizations**

Based on the following reasons loyal customers could be considered as an important asset to an organization.

Loyal customers could be a competitive advantage if used in a utilized manner. Cengiz, et al. (2007) quoting many studies argued that if served correctly, when they remain with a brand, loyal customers are said to produce more and more income per year. In addition to that, knowing who loyal customers are is important for an organization's profitability.

Another advantage in the service industry of loyal clients of establishments is mouth-to-mouth ads. Gremler and Brown, (1999) suggested that loyal customers reference establishments to new customers. Mouth-to-mouth advertising is the exchange of client's positive or negative views of their encounters with products and services. It is widely accepted that it has had a huge influence for several years on individuals. According to Selnes (1993) if any client shares their favorable experiences of the goods, and services provided in private/business life, this situation triggers high-level customer loyalty.

### **2.1.3 Customer Relationship Building**

Customer relationship could be considered as a special bond created between buyers and sellers. It usually takes numerous processes and effort from front-line employees to build a smooth relationship with customers. Dwyer, et al. (1987) noted that the interest in building customer relationships mounted first in business-to-business relationships, and later extended to the business-to-customer relationships.

According to Williams & Chinn, (2010) relationship marketing aims at building long-term relationships with customers, generating further business and ultimate profit. Domazet, et al. (2010) also identifies relationship marketing as building customer loyalty that benefits both the customer and the organization. Berry (1983) proposed that the foundation for customer relationship creation is marketing relationships, which are defined as marketing activities that attract, sustain, and strengthen customer relationships. Customer relationships are generally concerned with the needs and habits of customers. Organizations adapt their business processes to the needs of customers for a variety of reasons, including customer retention, attracting new customers, encouraging customers to deepen their relationship, increasing profits, or preventing losses.

#### **2.1.3.1 Relationship Building Concept and Definition**

According to Payne et al. (1995), one mechanism that organizations use to keep their customers is by building long-term relationships with them. Relationship marketing, according to one definition that encompasses the majority of the various authors' points of view, refers to all of the activities required to identify, establish, maintain, and enhance profitable relationships with



internal and external customers and other stakeholders. So, all parties' objectives are met through mutual exchanges and the making, enabling, and keeping of promises.

Relationship marketing, it is argued, has been proposed as a method for businesses to develop mutually beneficial and valuable long-term relationships with customers. Leverin and Liljander, (2006) concluded that developing customer relationship aims to increase customer profitability while providing better services to customers. Relationship marketing strategies, according to them, should increase customers' perceived benefits of engaging in relationships in order to be appealing. Rapp and Collins, (1990) also suggest that relationship marketing aim is to establish and sustain an enduring partnership that is satisfying for all parties between the organization and its customers through mutual promises. Relationship marketing is thought to work best when customers are deeply invested in the product or service, there is an element of personal interaction, and customers are willing to engage in relationship-building activities.

Previous research has shown that relationship quality can also replace service quality and customer satisfaction. On the other hand, Ranaweera and Menon, (2013) stated that the linear effects of good relationships on consumer loyalty and word-of-mouth generation have been challenged by numerous recent studies, raising the problem of the dark side of relationships. For example, Raimond, et al. (2008) found that older customers are more loyal than new customers as relationship equity rises, whereas older customers are less loyal than newer ones as satisfaction increases. Also, according to Ranaweera and Menon, (2013) as satisfaction increases, older customers produce fewer positive referrals than new customers to their service provider, and when satisfaction declines, older customers generate more positive referrals than newer ones to their service provider.

Grönroos (1994) pointed out that building relationships and leadership is a critical cornerstone for the service industry. This is accomplished by a mutual exchange and fulfillment of commitments. Such relationships are usually long-term. He also stated that relationship with a customer can be of two parts which are either to attract the customer or to build relationship with that customer so that organizational goals of the company are achieved. Reichheld and Sasser, (1990) stated that building effective and significant relationships contributes highly to customer satisfaction and loyalty. According to Farquahar (2004) the ways customers participate in the delivery process have an important implication for both the customer and service provider. If the transaction does not involve customers, the provision of many services may not occur.

### **2.1.3.2 Relationship Building Strategies and Models**

Different relationship-building stage models have been analyzed over the past few years. Ford's (1980) five-stage study of relationship growth is one of the best-known models. It shows that relationship growth has five stages i) the pre-relation, which is characterized by information gathering and the evaluation of contents of the relationship development; ii) the exploration, duration of thinking if the relationship requires tangible and intangible investment; iii) the

development, characterized by learning processes, investment, and commitment; iv) the stability, which indicates a stable relationship and v) the institutionalization, the final stage where routines are adopted. Another relationship-building stage model has been developed by Dweyr, et al. (1987) hypothesizing a five-stage model of the relationship life cycle which is: i) awareness; ii) exploration; iii) expansion; iv) commitment, and v) dissolution.

Relationship marketing is thought to work best when customers are deeply invested in the product or service, there is an element of personal interaction, and customers are willing to engage in relationship-building activities. Zenithal and Bitner, (2004) defined four levels of relationship strategies that should be used to build relationships and tie customers closer to the firm. According to the framework, relationship marketing can occur at various levels, with each successive level of strategy resulting in ties that bind the customer a little closer to the firm. These are the four levels:

#### Level 1-Financial bond

This is when the customer is primarily motivated by financial incentives to stay with the company. Lower prices for higher volume purchases or lower prices for customers who have been with the company for a long time could be used.

#### Level 2- Social Bonds

Continuous customer relationships and social bonds among customers and others can be considered important elements in developing long-term relationships and brand loyalty. Although social connections may not bind customers to a firm indefinitely, they are far more difficult for competitors to mimic than economic incentives. It is claimed that, in the absence of compelling reasons to switch providers, interpersonal bonds can persuade customers to stay in a relationship. Social bonding strategies can be very effective when combined with financial incentives.

#### Level 3 - Customization Bonds

The customization bonds approach incorporates two commonly used terms: mass customization and customer intimacy. Both of these strategies imply that customer loyalty can be fostered through intimate knowledge of individual customers and the development of “one-to-one” solutions tailored to the needs of the individual customers. The use of flexible processes and organizational structure to produce varied and often individually customized products and services at the price of standardized, mass-produced alternatives has been defined as mass customization.

## Level 4 - Structural bonds

The most difficult to imitate are structural bonds, which involve structural as well as financial, social, and customization bonds between the customer and the organization. Structural bonds are formed by providing services to customers that are frequently built right into the customer's service delivery system. A frequent approach for structural connections to form is to provide updated services to the client that are technology-based and make the customer more productive.

### **2.1.3.3 Relationship Building Dimensions**

Crosby, et al. (1990) stated that in addition to the general meanings, researchers accept that the consistency of the relationship building is not easy and that it is a higher-order construct made up of many distinct but related dimensions. According to Athanasopoulou (2009) the most commonly used dimensions of relationship quality are customer satisfaction, trust, and commitment. Likewise, Hennig-Thurau, et al. (2002) suggest that sub dimensions of relationship efficiency, including satisfaction, confidence, and dedication, should be viewed as interrelated rather than separate variables since it is difficult for consumers to discern these conceptually distinct dimensions well.

Most works of literature have theorized key qualities of relationship marketing. They stated that the following relationship marketing dimensions such as trust, commitment, conflict handling, communication, customer service are linked to customer loyalty in building relationships with loyal or at least potentially loyal customers, Ndubisi (2004) proposed that businesses should make sacrifices and worthwhile investments. He argued that the four established pillars of relationship marketing which are trust, commitment, communication, and customer handling are directly linked to and are capable of predicting customer loyalty. The next section shows different literatures on the relationship marketing dimensions.

### **Trust**

Motivated employees tend to be more flexible towards satisfying customers by accepting their demands and treating them in the right way. Current literature has indicated that trust and commitment are an integral part of dedication and are related to loyalty. According to Moorman et al. (1993), trust is defined as the urge to rely on an exchange partner in whom one has faith. The term was described by Schurr and Ozanne, (1985) as the belief of the word of a partner that the party will fulfill its obligation in the relationship. In addition to fanning the fire of confidence, Reichheld and Sasser (1990) suggested that keeping commitments that have been made is equally important as a means of achieving customer satisfaction, maintaining the customer base, and ensuring long-term profitability. Therefore, an increase in trust increases loyalty from the customer towards the brand. Also, a betrayal by the supplier might lead to defection.

Trust also encourages investment in long-term relationships by securing future business rather than short-term gains.

### **Commitment**

According to Gundlach, et al. (1995) commitment is another significant determinant of the strength of a marketing relationship and a useful framework for assessing the probability of consumer satisfaction and forecasting the potential level of purchases. Moorman, et al. (1992) have described commitment in the marketing literature as an ongoing desire to sustain a valued partnership. This implies that commitment is concerned with a higher degree of responsibility to make a relationship successful, make it beneficial and mutually rewarding.

According to Grönroos (2007), customer commitment refers to a customer's desire and motivation to continue a valued relationship with the brand in the future.

### **Communication**

Anderson and Narus (1990) stated there is now a modern view of contact as an open dialogue between the company and its consumers during the phases of pre-sales, sales, consumption, and post-consumption. Keeping in contact involves staying in touch with valued clients, providing timely and trustworthy updates on improvements in service and products, and interacting proactively. According to Ndubisi and Chan, (2005) in the early stages, it was the role of the communicator to establish knowledge, build customer preference (by promoting value, success and other characteristics), persuade interested buyers, and enable them to make the purchase decision. Communications often advise unhappy clients what the company is doing to fix the causes of unhappiness. A stronger relationship will occur because there is efficient contact between an organization and its clients, and customers will become more loyal.

### **Conflict Handling**

Dwyer, et al. (1987) described conflict handling as the ability of a supplier to prevent possible conflicts, resolve manifest conflicts before problems are generated, and freely negotiate solutions when problems occur. How well this is done will decide if loyalty exists in the end. A significant link between dispute management and customer loyalty was discovered by Ndubisi and Chan, (2005) indirectly through confidence and perceived relationship consistency. Customer satisfaction can also be directly affected by the willingness of the product or service provider to manage disputes well.

### **Customer Service**

Customer service is understood as serving customers before, during, and after a purchase. Customer service, according to Jamier (2002), is a collection of procedures aimed to enhance the

level of customer satisfaction. Most firms have been seen trying to move their system to a customer-centric one.

### **Engagement**

Engagement is another significant determinant of the marketing relationship, according to Lyons and Branston, (2006) a useful framework for calculating the probability of consumer loyalty and predicting potential purchasing frequency. Becker (1960) also stated that the definition of engagement is used in sociology to examine both individual and organizational behavior. It explains the extent to which a person intends to keep a valuable relationship. Customer relationships grow overtime and stay stable if both sides profit from the interaction.

### **Reliability**

According to Zeithaml, et al. (2006) Reliability is the willingness to conduct the promised service consistently and accurately. It is more of the consistency of the service provider and includes keeping promises to the customer as well. According to Zeithaml, et al. (2006) customers perceive services in terms of quality and how satisfied they are overall with their experiences. However, these are mainly because of front-line employee's effort toward their contact with customers.

## **2.2 EMPIRICAL LITERATURE**

According to most studies, customer relationship is an important contributor to customer loyalty. Customers who are more closely associated with organizations are more likely to be satisfied with their product or service and choose to remain loyal to that organization. Several empirical studies have been conducted by many researchers to examine the impact of employee motivation on customer loyalty using different techniques and methodologies in different countries of the world.

Several empirical studies demonstrate that without pleased and dedicated personnel, it is difficult to sustain a satisfied and loyal client base. According to Solnet (2006) any employee who has direct or indirect contact with a customer influences customer satisfaction and thus the company's revenue. A study was done by Choudhary (2016) which focused on the role of employee motivation and customer experience. Results have shown that the morale of workers has a major positive impact on customer satisfaction. The study indicates that those employees who have direct interaction with customer satisfaction highly influence the customer satisfaction level. The paper then summarizes the results of Customers' roles in-service experiences and the role of customer participation and the Positive & Negative Effects of Employee Motivation and their effect on satisfaction.

Furthermore, Shahzad (2018) examined the influence of staff motivation on customer satisfaction using the Pakistani airline sector as a case study. The study focused on the effect of employee excitement and its instruments on the Pakistan airline industry's customer satisfaction and management system. Data were collected in two phases. From front-line employees who have direct contact with customers and to airline customers that were selected randomly. A total of 200 questionnaires were filled. To analyze the results, correlation and regression methods were used. Results showed that employee motivation has a significant positive impact on customer satisfaction. Industry staffs who directly communicate with consumers have a great effect on the degree of customer satisfaction.

Bernhardt et al. (2000) also claimed that the link between customer satisfaction and staff satisfaction is one of the few in market research that does not appear to generate contradictory results, although this is not supported by other studies. For example, Silvestro and Cross, (2000) find no evidence such a connection, and Loveman (1998) found only a very slight indication of connection in the banking industry.

A research done by Hanan, et al. (2015) traced and investigated the impact of employee motivation on customer service quality perceptions and overall satisfaction in the hotel industry. Results of the analysis revealed that all employees' behaviors, either negative or positive, are highly correlated to the customers' overall satisfaction. The study concluded that employees' behavior has a great effect on overall customer satisfaction regardless of other variables. Finally, the researcher suggested for hotel practitioners to think strategically and implement effective tools to motivate employees towards behaving positively with customers

Correspondingly, on a study by Foad, et al. (2015) the researcher examined the effect of internal marketing on customer loyalty in the case of a private bank in Iran. The study indicated that today, the dynamic and competitive environment of the banking industry made having loyal customers one of the most important capitals and success factors of an organization according to its rivals. The purpose of the research was to examine the issue of to what extent the internal marketing dimensions influence customer loyalty. The research was descriptive in nature and a stratified and cluster sampling was used to take a sample size of 384 people through each sampling method. Five main dimensions of internal marketing which are job security, extensive training, empowerment, information sharing and offering incentives were mentioned. The result of the research showed that all dimensions of internal marketing have a positive significant effect on customer loyalty.

Other than that, many studies were conducted on the effect of relationship building on customer loyalty. Agnes, et al. (2015) acknowledges and understands the value of the main dimension used to measure customer relationship performance and how it influences customer satisfaction in the pharmaceutical industry. The purpose of the Data was collected from 325 customers through questionnaires distributed to customers who purchase their needs from over 15 pharmacies. An analysis of reliability and validity indicated that trust has a significant customer

loyalty relationship and subsequent multiple regression analysis showed that Conflict Handling is the most critical feature of customer loyalty relationship marketing. Salah, et al. (2019) tried to investigate the effect of customer relationship management practices on airline customer loyalty. The study explored the opinions of Egypt air passengers on customer relationship management activities adopted and how it affects customer satisfaction and loyalty. Data was collected through questionnaires and structural equation modeling was used for findings. Findings showed there is a positive significant relationship between shared values, bonding, commitment, and trust, tangibility, handling customer conflicts, and passenger satisfaction and loyalty.

As a result, Hennig-Thurau et al. (2002) hypothesized that employees' handling of customer interactions has a strong influence on the level of commitment a customer develops toward a service provider. At the same time, it is assumed here that the customer's level of satisfaction with the service provided contributes to the customer's commitment to the service firm, as friendship does.

### **2.3 Conceptual Framework**

The conceptual framework shows (1) the relationship between employee motivation and customer loyalty, (2) the relationship between employee motivation and relationship building, (3) the relationship between relationship building and customer loyalty, and (4) the mediating role of customer relationship on the relationship between employee motivation and customer loyalty. The chart below shows the proposed framework that was used in this research project. Four main hypotheses (H1:H4) were propounded and further discussions of the hypothesis follows below.

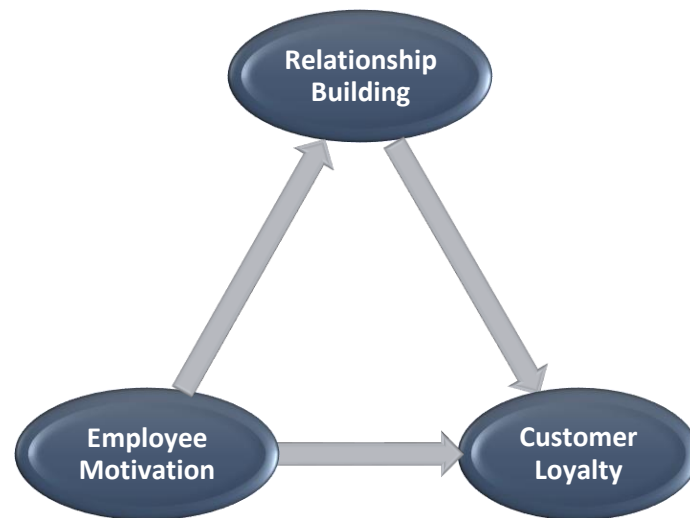
H1: Employee motivation has a direct and positive effect on customer loyalty.

H2: Relationship building has a positive and significant effect on customer loyalty.

H3: Employee motivation has a direct positive effect on relationship building in the bottling companies.

H4: Employee motivation has a positive significant effect on customer loyalty through the mediating role of relationship building.

Figure 1 Conceptual framework



Source: Own study

### **2.3.1 H1: Direct relationship of employee motivation and customer loyalty in the bottling industry.**

According to Goenner (2008), by encouraging people toward their jobs, firms may enhance worker productivity, resulting in higher-quality goods, services, and consumer demand fulfillment. Companies invest a lot of money to build consumer loyalty, but they often ignore the critical component of improving staff desire to achieve their economic and nonfinancial goals. Furthermore, Gittell (2006) stated that worker enthusiasm towards their work might have a substantial influence on customer satisfaction and service quality.

### **2.3.2 H2: Relationship building and customer loyalty in the bottling industry.**

According to relationship marketing theory, relational variables like as trust, commitment, conflict resolution, and empathy affect consumer loyalty. Relationship marketing theory, according to Hunt et al, is concerned with relational variables and their effect on relationship marketing outcomes such as customer loyalty. According to Izquierdo et al., (2005), a pleased customer is more likely to develop a long-term connection with the service provider, which can boost the organization's fiscal growth. Similarly, Faed (2010) stated that the goal of customer relationship is to increase customer loyalty.

Relationships are formed via voluntary recurring business between a provider and a customer, where the behavior is intentional, cooperative, and designed to benefit both sides. According to Thompson and Thompson (2003), if these concerns are addressed appropriately, the consumer may build long-term relationships with the firm, resulting in loyalty. Also, Ndubisi (2007) has



shown that measuring relationship marketing's "underpinnings" may predict customer loyalty. As a result, businesses that want to encourage customer loyalty must pay special attention to several aspects of relationship marketing dimensions, including trust, commitment, communication, and dispute resolution.

### **2.3.3 H3: Employee motivation and relationship building in bottling companies**

Numerous studies have been conducted in order to identify the effect of employees on customer perception. That is likely to develop product/service image. According to Fulmer et al. (2003) an employee's attitude while interacting with customers might positively impact the degree of customer satisfaction if the employer is able to meet the needs/requirements of the consumer. Furthermore, Antonides (2002) discovered that greater contact of frontline employees with customers may overcome a variety of service gaps. According to most literatures, employees are often considered to play an essential role in shaping the customer's perception of any organization.

The purpose of this study is to investigate the effect of employee motivation on customer loyalty through the mediating role of relationship building. Relationship building dimensions such as customer service, conflict management, communication, reliability, trust and commitment are used to determine relationship building. Employee motivation behaviors such as stimulation, happiness, initiation, creativity, flexibility and positive energy are used to measure employee motivation. Loyalty is indicated through the likelihood to recommend, likelihood to buy additional products, overall satisfaction, and anticipation for future interaction.

It can be suggested that this kind of research is done more frequently because of its benefits. This research is distinct from previous studies in a way that the researcher connects the independent and dependent variables using a mediator to study the effect of employee motivation on customer loyalty at two bottling companies. The study shows whether customer loyalty is affected by employee's motivation, through the mediating role of relationship building. This helps the researcher understand the strength of the relationship that exists among employee motivation and customer relationship, as well as the mediator and customer loyalty.

## **CHAPTER THREE**

### **3. RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter, as the title suggests, contains the research technique. In more detail, the researcher outlines the research strategy, research approach, research method, data collection methods, population of the study, selection of samples, sample size, and the method used for data analysis.

#### **3.2 Research strategy**

##### **3.2.1 Research design**

Numerous pieces of previous academic research exist regarding the effect of employee motivation on customer loyalty and the effect of relationship building on customer satisfaction. This study focuses on effect of employee motivation on customer loyalty through the mediating role of relationship building at Habesha Breweries S.C and Gold water and non-alcoholic beverage factory. As such, the research takes the form of new research but on an existing research subject.

For better reliability and validity of the data, the descriptive design is used to do this research. The descriptive design used attempts to explain the effect variables have on each other by providing additional information on the topic. It tries to describe the topic in more detail and expand our understanding.

##### **3.2.2 Research approach**

The research was conducted in the case of bottling companies. This research intended to focus on the understanding of the dynamics of the variables. It was basically designed to examine the effect of employee motivation on customer loyalty through relationship building. To satisfy the objectives of the research, a quantitative research approach was used. The goal of using quantitative research was to identify characteristics, count them, and build statistical models to try to explain what was seen. The data was in the arrangement of numbers. The researcher then used statistics to analyze the data and present the results in the form of statistical tables, numbers and diagrams.

#### **3.3 Data source and data collection methods**

The source of data used for this study was primary sources. According to Kothari (2004) Primary data is information that is collected for the first time and thus has a unique character. As far as data collection tools are concerned, the conduction of the research involved the use of a structured questionnaire. Questions on the questionnaire were based on the research questions

mentioned before and were adapted from Apostolos Giovanis (2015), Joana (2016), Samuel Addis (2017), Elin and Linn (2012).

The questionnaire allowed the researcher to find out the relationship between employee motivation, relationship building and customer loyalty. The questionnaire contains closed-ended Likert scale questions, which are best, suited to the research questions and objectives because they provide an efficient method of collecting responses from a large population prior to quantitative analysis. The central premise of using a closed-ended questionnaire, according to Zikmund et al. (2009), is that it should be statistically analyzed and easier and quicker for respondents to answer. This supported the researcher in collecting employee's opinions about the research variables in a very efficient and reliable way.

### **3.4 Population of the Study**

According to Salkind (2012) a population is a group of potential participants in which you want to generalize the results of a study, while a sample is a subset of the population. The population of this research was all employees who are currently working in both organizations. The study was conducted in Habesha Breweries and Gold water and non-alcoholic beverage factory; accordingly, the target population of the study being 400 and 220 staff, which includes all employees of both organizations. Habesha includes a total of 5 departments which are human resource, commercial, operation, supply chain and finance. Gold includes a total of 9 departments which are office management, human resource, marketing, finance, technique, production, quality, and property and factory admin. Both organizations have something in common. It is that employees inside all these departments give support to the commercial or marketing teams since they will be the ones selling the product by being in the front line. Other departments also deal directly with customers from time to time.

### **3.5 Sample Size and Sampling Technique**

To generate the sample of the research under consideration, the process of simple random sampling was used. This is because; each unit of the population has an equal chance of being drawn in the sample. This helped the researcher to get the right amount of representative of the population. Simple random sampling is used considering that all employees give service to customers on different situations. This made it easier to analyse the right data based on the right employee experiences. Employees deal with customers almost on day to day basis. Out of these employees, information was collected through obtaining questionnaires from 384 of them. The sample size is calculated using the Yamane's formula. In addition to Cochran's formula, Yamane (1967) proposed another simpler method for calculating sample size from a population. According to him, for a 95% confidence level and  $p = 0.5$ , size of the sample should be

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

Where N is the size of the population and e denotes the level of accuracy.

n = number of samples

N = population

e = margin of error

By using the Yamane's formula and error level of 4.33 % (level of significance), the number of samples of this study was calculated as follows:

$$n = \frac{400}{(1 + (400 * 0.043^2))} = 228$$

$$n = \frac{220}{(1 + (220 * 0.043^2))} = 156$$

The above shows that the number of samples for this research consists of 228 Habesha employees and 156 Gold bottling company employees.

### **3.6. Methods of Analysis**

The analysis methods of this study are fully based on the information extracted from the survey collected using a questionnaire. Questionnaires collected from respondents are analyzed through descriptive statistics using statistical package for the social sciences (SPSS). Regression analysis was used to estimate the data. First, the equation was done by regressing the mediator on the dependent variable. Second, by regressing the independent variable on the dependent variable and then by regressing the independent variable on both the dependent variable and on the mediator. Baron and Kenny's method and Andree Haye's macro process model helped the researcher to provide overall tests of regression analysis. Tables and graphs are used to present data.

### **3.7 Reliability and Validity Test**

Reliability test is used to determine the extent to which the measuring instruments used in this research are reliable or can be trusted. According to Yuliansyah (2018) reliability is tested by testing individual items using Cronbach's alpha and composite reliability.

The validity and reliability of the scales in this research were examined using Cronbach's alpha. Cronbach's alpha is used to check whether the information obtained through a survey work hang together or is reliable for analysis. These enhanced the strength of each construct and ensured that reasonable reliability was met.

### **3.8 Ethical considerations**

Participants were properly told about the study's aims. They were reassured that their answers are treated confidentially, are used only for academic purposes and only for the particular research.

## CHAPTER FOUR

### 4. DATA ANALYSIS AND INTERPRETATION

#### 4.1 Introduction

This chapter presents the results of the study and follows up with an interpretation. The analysis is carried out in the following manner. The first section involves the discussion of the sample characteristics. In the second section, descriptive analysis is conducted. Then, reliability, and validity was tested. After that, bivariate and multivariate analysis was conducted using correlation analysis, normality, linearity homoscedasticity and multicollinearity. The final piece of this chapter then focuses on testing the study hypotheses which expressed the relationship between the independent, dependent and mediator variables.

#### 4.2 Samples and Response Rate

At Gold water and non-alcoholic beverage factory there were a total of 156 questionnaires distributed and all of them were returned.

Table 1 Gold water response rate

<i>Questionnaires</i>	<i>Respondent's</i>	<i>Valid percentage</i>
<i>Valid</i>	<b>156</b>	<b>100.0%</b>
<i>Invalid</i>	<b>0</b>	<b>0.0%</b>
<i>Not returned</i>	<b>0</b>	<b>0.0%</b>
<i>Total</i>	<b>156</b>	<b>100%</b>

At Habesha Breweries S.C there were a total of 228 questioners distributed and all of them were returned. After excluding 3 invalid questionnaires, a total of 225 valid questionnaires were accepted for a high response rate of 98.6%. Therefore, out of the 228 questionnaires distributed 98.6% of the subjects returned valid questionnaires.

Table 2 Habesha Breweries response rate

<i>Questionnaires</i>	<i>Respondent's</i>	<i>Valid percentage</i>
<i>Valid</i>	<b>225</b>	<b>98.6.0%</b>
<i>Invalid</i>	<b>3</b>	<b>1.4%</b>
<i>Not returned</i>	<b>0</b>	<b>0.0%</b>
<i>Total</i>	<b>156</b>	<b>100%</b>

### 4.3 Sample Characteristics

The work involved a sample of 228 respondents from employees of Habesha Breweries and 156 respondents of Gold water. A demographic summary of the respondents shows that most of Habesha's employee are male (141) representing 62.1% of the total sample. Females (86) represent 37.9% of the sample population. Gold's employee consists of 64 females representing 41.0% and 92 males representing 59% of the total population. This confirms there are more male employees than female in both companies.

Focused on the age characteristics, it is observed that majority of the respondents of Habesha breweries (representing 50.9%) fall within the 21-30 age brackets which is followed by respondents whose ages are 31-45 years and at last with above 45 years. While that is the case for Habesha, majority of the respondents of Gold water (representing 51.9%) fall within the 31-45 years age bracket which is followed by respondents whose ages are 21-30 and at last with above 45 years. The results indicate that most of bottling company's employee is young people who are more determined and aspired to contribute to the goals of the companies.

Table 3 Demographic Variables

Variables		Habesha Breweries		Gold Water	
		Frequency	%	Frequency	%
Employee Gender	Female	86	37.9%	64	41.0%
	Male	141	62.1%	92	59.0%
Age of employee	21-30	116	50.9%	64	41.0%
	31-45	109	47.8%	81	51.9%
	Above 45	3	1.3%	11	7.1%
Educational Background of employee	Diploma	13	5.7%	20	12.8%
	Degree	126	55.3%	99	63.5%
	Masters and above	89	39.0%	37	23.7%
Work experience of employee	Below 1 year	51	22.4%	60	38.5%
	1-3 year	68	29.8%	69	44.2%
	3 and more years	109	47.8%	27	17.3%

Furthermore, Habesha’s result, as shown in Table 3, indicate that most of the respondents were holders of degree (representing 55.3%). This is followed by those who had received Masters and above then Diploma. The same applies for Gold water whose employees are mostly holders of a degree (representing 63.5%) and followed by Masters and above then Diploma.

In addition to that most employees of Habesha Breweries have work experience of 3 and more years which represents 47.8% of the population followed by 1-3 years, and then below 1 year. In the case of Gold water and non-alcoholic beverage factory, most employees have 1-3 years of experience in the company which represents 44.2% of the population followed by below 1 year and then 3 or more years.

#### 4.4 Descriptive Analysis

##### 4.4.1 Employee Motivation

Table 4 shows result to the questions asked related to employee motivation. The aggregated mean score on employee motivation in Habesha breweries is 3.19 with a standard deviation value of 1.23 which indicates most of the respondents agreed with the ways undertaken by Habesha to motivate its employees. Similarly, Gold water employees also agreed that the general motivation level within the department has shown improvement through time and that they are happy with their daily performance. The aggregated mean score of employee motivation in Gold water is 3.81 with a standard deviation of 1.03.

Table 4 Employee Motivation

Variable	Habesha Breweries		Gold Water	
	Mean	St. deviation	Mean	St. deviation
Employee Motivation	<b>3.19</b>	<b>1.23</b>	<b>3.81</b>	<b>1.03</b>

##### 4.4.2 Customer Relationship Building

The first question provided to the respondents was whether they are committed to their customers or not. As can be seen from fig 4.5 below the mean score on commitment is 3.86 with a 0.98 standard deviation for both companies. This indicates that most of the respondents agreed on the importance of continuing their relationship with customers. Additionally, Table 5 shows there were questions asked related to conflict management. Which are employees attend customer complaints promptly, you take a genuine interest in customer problems, you were enthusiastic or eager to resolve customers’ problems; of the response, Habesha brewery employees try to solve manifest conflicts before the customers create problems. This is shown by the aggregated mean score on conflict management which is 3.67 with a 1.12 standard deviation value which indicates most of the respondents agree with the way of conflict management that Habesha undertakes. Similarly, Gold water employees agree with the ways undertaken by Gold



water to solve conflicts. This is indicated by a mean score of 3.84 with a standard deviation of 0.98.

As shown in Table 5 there were questions asked related to customer service as well. The aggregated mean score on customer service is 3.60 with a 1.12 standard deviation value for Habesha breweries and an aggregated mean score of 3.90 with a 0.93 standard deviation value for Gold water. This indicates most of the respondents from both companies agree with the customer service the companies provide to its customers. They agreed that conducting transactions correctly and rapidly is very common with these companies.

Table 5 Customer Relationship

Variable	Habesha Breweries		Gold Water	
	Mean	St. deviation	Mean	St. deviation
Commitment	3.86	0.99	3.86	0.98
Conflict Management	3.67	1.12	3.84	0.98
Customer Service	3.60	1.12	3.90	0.93
Reliability	3.67	1.03	3.90	0.92
Trust	3.75	1.08	3.98	0.92
Communication	3.81	1.03	3.79	1.04
<b>Aggregated Value</b>	<b>3.73</b>	<b>1.06</b>	<b>3.88</b>	<b>0.96</b>

According to Table 5 The companies maintain consistent service standards with reliable services. Employees keep their promises to customers. The aggregated mean score on reliability is 3.67 with a 1.03 standard deviation for Habesha breweries and 3.90 mean value with 0.92 standard deviation value for Gold water which indicates that both companies can be relied on to keeping their promises. In addition to the above there were questions asked related to trust. The aggregated mean score on trust is 3.75 with a 1.08 standard deviation value for Habesha and 3.98 mean score value with 0.92 standard deviation for Gold water which indicates most of the respondents agree. From this result, one can understand that Habesha and Gold water employees are trusted by customers. The aggregated mean score on communication for Habesha is 3.81 with a 1.03 standard deviation value and the mean score on communication for Gold water is 3.79 with 0.96 standard deviation which indicates that most of the respondents agree that there is smooth communication between them and their customers.

The aggregated mean score on customer relationship in general for Habesha breweries is 3.73 with a 1.06 standard deviation value, for Gold water 3.88 with 0.96 standard deviation value which indicates that most of the respondents have agreed. From this result, one can understand that there is best customer relationship between employees and customers in both companies.

#### 4.4.3 Customer Loyalty

Table 6 shows that there were questions asked related to customers likelihood to recommend the company's product. The mean score for Habesha breweries is 3.59 with a 1.01 standard deviation value which indicates most of the respondents strongly agreed. Similarly, the mean score for Gold water is 3.83 with 0.96 value standard deviation. This indicates that customers are willing to give prospective customer information about the company's products. In this case the company would be customer's first choice to contact whenever they want to buy any products and customers would always recommend the company to anyone that seeks their advice.

As shown in Table 6 questions related to Anticipation for future interaction were asked. The mean score for Habesha is 3.82 with a 0.95 standard deviation value which indicates most of the respondents agreed. Same goes for Gold water which indicates a mean score of 3.95 with standard deviation Of 0.89 value. This indicates that customers expect the relationship with the companies to stay a long time and they are willing to work together to serve their needs in the future.

Table 6. Customer Loyalty – Likelihood to Recommend

Variable	Habesha Breweries		Gold Water	
	Mean	St. deviation	Mean	St. deviation
Likelihood to recommend	3.59	1.01	3.83	0.96
Anticipation of future interaction	3.82	0.95	3.95	0.89
Likelihood to buy additional products	3.69	1.04	3.92	0.94
Overall satisfaction	3.58	1.01	3.94	0.89
<b>Aggregated Value</b>	<b>3.67</b>	<b>1.00</b>	<b>3.91</b>	<b>0.92</b>

Out of the total response in Table 6 the aggregated mean score on likelihood to buy additional products is 3.69 with a 1.04 standard deviation value for Habesha breweries which indicates most of the respondents agreed. Similarly, most of Gold water employees agreed with mean value of 3.92 with standard deviation of 0.94. This indicates that most employees agreed that customers will likely expand the use of the company's products. They are likely to repurchase the company's product. The table also shows overall, customers are satisfied with the company, with mean value of 3.58 with 1.01 standard deviation for Habesha breweries and a mean value Of 3.94 with 0.92 standard deviation value.

The aggregated mean score on customer loyalty in general for Habesha breweries is 3.67 with a 1.00 standard deviation value, for Gold water 3.91 with 0.92 standard deviation value which indicates that most of the respondents have agreed. From this result, one can understand that there are many loyal customers for both companies and employees should build a smooth relationship to keep the loyal for a long time.

## 4.5 Validity and Reliability Analysis

### 4.5.1 Validity

According to Bryman and Bell (2007) validity refers to the degree to which an instrument tests what should be calculated by the instrument. A measure's validity relies on the definitions of the variable which is used to design the measure. There are different types of validity such as content, face, internal and external validity. Content validity was ensured by formulating the questions in simple language for clarity and ease of understanding. Questionnaires included a variety of questions on the knowledge of their staff about the effect of employee motivation on customer loyalty through relationship building. The questionnaire was also adopted from other research questionnaires. The questionnaire has an adequate sample size to make inferences about the population, as a result, it fulfills external validity of the study. It shows that the population is generalized based on the sample.

### 4.5.2 Reliability

Literature indicates that for a field job, an alpha value of greater than 0.7 is appropriate. As shown in Table 7, results indicate that all alpha values are beyond the acceptable range. The minimum alpha value that was obtained for Habesha breweries was 0.908 for employee motivation, followed by 0.925 and 0.934 for relationship building and customer loyalty respectively. The minimum alpha value that was obtained for Gold water was 0.866 for customer loyalty, followed by 0.896 and 0.913 for relationship building and employee motivation respectively. The result showed strong reliability of the variables.

Table 7 Reliability Analysis

Variables	N of Items	Cronbach's Alpha	
		Habesha Breweries	Gold water
Employee Motivation	11	0.908	0.913
Relationship Building	24	0.925	0.896
Customer Loyalty	14	0.934	0.866

These were calculated using the IBM SPSS AMOS ver. 26 and the results indicate that the model is reliable, as the Cronbach alpha of both Habesha breweries and Gold water for employee motivation, customer loyalty, and relationship building is all greater than 0.7.

## 4.6 Bivariate Data Analysis

The bivariate data analysis was done by using a correlation study, which shows the direction and amount of correlation between the variables used. Pearson correlation was used to measure the degree of the linear relationship between two variables. Pearson correlation range should be between -1.0 to +1.0. If  $P < 0.05$  it could be said that there is a significant relationship between

the variables and a P value greater than 0.05 shows an insignificant relationship. The correlation table, of Habesha Breweries and Gold water in general, is shown below in Table 8 and 9 respectively.

Table 8 Correlation Analysis – Habesha Breweries

		<b>Correlations</b>		
		Employee motivation	Relationship building	Customer loyalty
Employee motivation	Pearson Correlation	1	.331**	.213**
	Sig. (2-tailed)		.000	.001
	N	228	228	228
Relationship building	Pearson Correlation		1	.785**
	Sig. (2-tailed)			.000
	N		228	228
Customer loyalty	Pearson Correlation			1
	Sig. (2-tailed)			
	N			228

\*\* . Correlation is significant at the 0.01 level (2-tailed).

In the above table which shows the correlation result of Habesha Breweries employee motivation and relationship building has a significant positive correlation at  $b = 0.331$  ( $p = 0.000$ ). Employee motivation and customer loyalty also have a significant positive correlation at  $b = 0.213$  ( $p = 0.001$ ). In addition to that, it shows that Customer relationship and customer loyalty have a strong significant correlation at  $b = 0.785$  ( $p = 0.00$ ).

Similarly, As shown on Table 9 the correlation result of gold water shows a significant relationship. Employee motivation and relationship building has a significant positive correlation at  $b = 0.665$  ( $p = 0.000$ ). Employee motivation and customer loyalty also have a significant positive correlation at  $b = 0.534$  ( $p = 0.000$ ). In addition to that, it shows that Customer relationship and customer loyalty have a significant correlation at  $b = 0.885$  ( $p = 0.00$ ).

Table 9 Correlation Analysis – Gold water

		<b>Correlations</b>		
		Employee motivation	Relationship building	Customer loyalty
Employee motivation	Pearson Correlation	1	.665**	.534**
	Sig. (2-tailed)		.000	.000
	N	156	156	156
Relationship building	Pearson Correlation		1	.885**
	Sig. (2-tailed)			.000
	N		156	156
Customer loyalty	Pearson Correlation			1
	Sig. (2-tailed)			
	N			156

\*\* . Correlation is significant at the 0.01 level (2-tailed).

#### 4.7 Multivariate Data Analyses

Before testing for hypothesis, several other analyses are discussed first, since, these check for any problem occurring with the regression analysis. Normality, linearity, homoscedasticity, and multicollinearity are described in the following section to assess if the outcomes of the regression analyses will be usable.

##### 4.7.1 Normality

As an important part of the regression analysis, residuals or error terms were checked for outliers. According to Hair, et al. (2010) the emphasis of normality is on the degree to which the sample data is distributed according to normal distribution. To test the normality of the objects found, the researcher used skewness and kurtosis. Skewness is a measure of the asymmetry of a real-valued random variable's distribution of probability. Kurtosis, on the other hand, was defined by Landau and Everitt, (2003) as the peaked or flatness of the distribution in comparison to the normal distribution. Skewed values may be positive, negative, or zero. The value of skewness, which is zero, implies a perfectly symmetrical distribution, while the positive value of skewness indicates that the tail is longer on the right side. On the other hand, a kurtosis value is zero for normal distributions, whilst it is negative for flat distributions (low kurtosis) and a positive value for peaked distributions (high Kurtosis). Bachman (2004) stated that as a rule of thumb, the values of skewness and kurtosis should be between -2 and +2 to obtain a reasonably normal distribution. The study examined the indicators“ univariate kurtosis and skewness and the values of skewness and kurtosis were well within their respective rule-of thumb ranges (between -2 and 2) which provided support for univariate normality as shown below. The test result shows

the Skewness and Kurtosis values are within the normal range and the normality assumption was fulfilled. Normality was also represented by the graph on figure 2 and 3.

Figure 2 Habesha Breweries test for normality

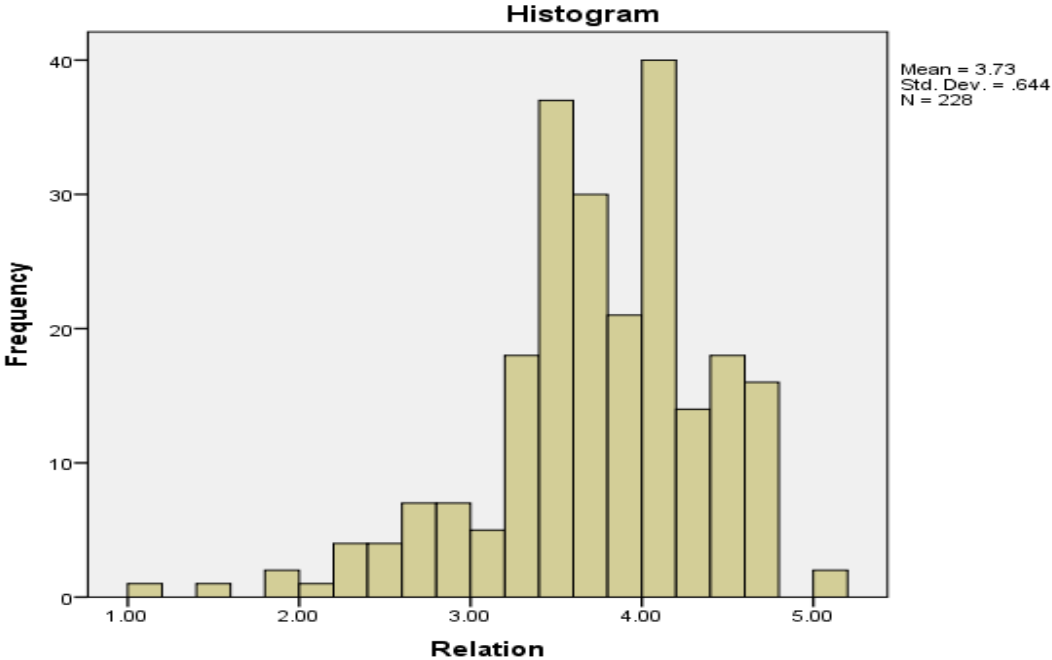


Figure 3 Gold water test for normality

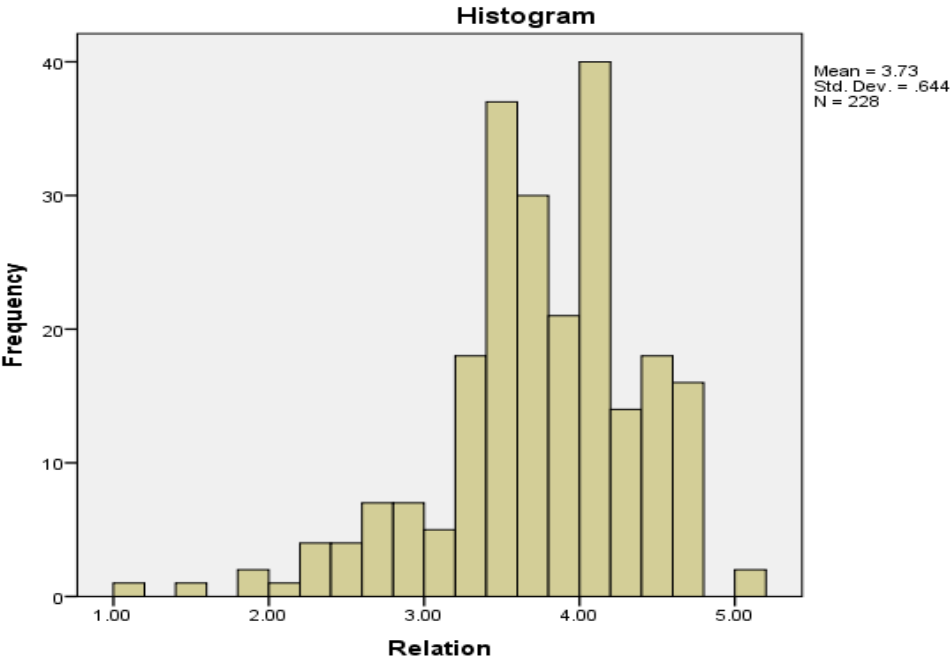


Table 10 Test for Normality

Variables	Habesha Breweries				Gold Water			
	Skewness		Kurtosis		Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error	Statistic	Std. Error of Skewness	Statistic	Std. Error
The general motivation level of the organization is improving overtime	-0.22	0.16	-1.09	0.32	-0.84	0.19	0.47	0.39
I feel that I am motivated on an everyday basis	0.01	0.16	-1.17	0.32	-0.93	0.19	0.34	0.39
My main tasks are motivating	-0.31	0.16	-0.75	0.32	-0.84	0.19	0.33	0.39
I perform my daily work tasks happily	-0.45	0.16	-0.76	0.32	-0.94	0.19	0.39	0.39
I am encouraged to take initiative to do things beyond my work task	-0.51	0.16	-0.70	0.32	-1.15	0.19	1.10	0.39
There is room to be creative in addition to my tasks	-0.39	0.16	-0.65	0.32	-0.83	0.19	0.38	0.39
My work is positively challenging	-0.61	0.16	-0.54	0.32	-0.95	0.19	0.25	0.39
My motivation has improved over time	-0.40	0.16	-1.03	0.32	-1.18	0.19	1.78	0.39
I am well appreciated for my achievements	-0.20	0.16	-0.96	0.32	-0.78	0.19	0.09	0.39
The company invests on employee motivation.	0.19	0.16	-0.66	0.32	-0.71	0.19	-0.05	0.39
I am satisfied with the type of work I perform	-0.15	0.16	-1.14	0.32	-0.80	0.19	-0.06	0.39
I am very committed to continue my relationship with customers	-0.54	0.16	-0.57	0.32	-0.68	0.19	-0.34	0.39
I adjust my time to suit customer needs	-0.67	0.16	0.65	0.32	-1.05	0.19	1.05	0.39
I often interact with customers to assess service performance	-0.76	0.16	0.68	0.32	-0.86	0.19	1.20	0.39
My relationship with customers is very important to me	-0.92	0.16	0.04	0.32	-0.85	0.19	-0.06	0.39
I take genuine interest in customers problem	-1.17	0.16	1.29	0.32	-0.50	0.19	-0.66	0.39
I am enthusiastic and eager to resolve customers problem	-1.08	0.16	0.27	0.32	-1.07	0.19	1.27	0.39

The company is willing to to openly discuss solutions when problems arise	-0.61	0.16	-0.43	0.32	-0.98	0.19	1.07	0.39
The company tries to solve obvious conflicts before the customers create problems	-0.44	0.16	-0.59	0.32	-0.90	0.19	0.74	0.39
I always pay attention to customers even if they don't need customer service	-0.68	0.16	0.16	0.32	-0.83	0.19	0.74	0.39
Conducting transactions correctly and rapidly is very common with this company	-0.74	0.16	-0.14	0.32	-1.00	0.19	1.24	0.39
I treat customers as I want myself to be treated	-0.30	0.16	-1.05	0.32	-0.67	0.19	-0.15	0.39
I keep my promises to customers	-0.81	0.16	0.14	0.32	-0.95	0.19	0.55	0.39
The company maintains consistent service standards	-0.87	0.16	0.26	0.32	-1.32	0.19	3.01	0.39
The company provides reliable services	-0.96	0.16	0.44	0.32	-1.13	0.19	1.58	0.39
The company can be relied onto keeping its promises	-0.38	0.16	-0.39	0.32	-0.81	0.19	0.46	0.39
Customers always trust me to use new products	-0.44	0.16	-0.26	0.32	-0.80	0.19	0.40	0.39
I am always concerned with the customer's interest	-1.17	0.16	1.08	0.32	-1.01	0.19	0.78	0.39
I believe the management has high integrity	-0.66	0.16	-0.57	0.32	-1.19	0.19	0.95	0.39
My company is consistent in providing quality products	-0.96	0.16	0.65	0.32	-0.72	0.19	0.86	0.39
If problems arise, I am honest about the problem	-1.16	0.16	0.96	0.32	-0.97	0.19	0.07	0.39
I never hesitate to give as much information as customers would like to have	-0.89	0.16	0.47	0.32	-0.53	0.19	-0.55	0.39
I try to provide easy, flexible, and speedy procedures	-0.89	0.16	0.55	0.32	-0.78	0.19	0.59	0.39
I am friendly and courteous	-1.06	0.16	0.69	0.32	-0.91	0.19	0.47	0.39



I reward customers regularly	-0.37	0.16	-0.28	0.32	-1.05	0.19	0.91	0.39
Customers are willing to give information to others about the organization	-0.84	0.16	0.49	0.32	-1.01	0.19	2.18	0.39
Customers say positive things based on their experiences in buying products	-0.58	0.16	0.05	0.32	-1.04	0.19	2.01	0.39
The company would be customers first choice to contact whenever they want to buy any products	-0.52	0.16	-0.19	0.32	-0.83	0.19	-0.21	0.39
Customers would always recommend the company to anyone that seeks their advice	-0.71	0.16	0.00	0.32	-0.52	0.19	-0.69	0.39
Customers expect your relationship to continue a long time	-0.84	0.16	0.74	0.32	-0.73	0.19	0.75	0.39
Customers are likely to support the company in the future	-0.72	0.16	-0.12	0.32	-0.89	0.19	0.64	0.39
Customers plan to use the company's product in the future	-0.81	0.16	0.58	0.32	-0.92	0.19	0.73	0.39
Customers are likely to expand use of the company's product	-0.91	0.16	0.82	0.32	-1.11	0.19	1.68	0.39
Customers are likely to repurchase the products	-0.70	0.16	-0.33	0.32	-0.88	0.19	0.30	0.39
It is more convenient for customers to use this company than competitors	-0.91	0.16	0.40	0.32	-1.22	0.19	1.26	0.39
The company never fails to fulfil customers' expectations	-0.24	0.16	-0.58	0.32	-0.80	0.19	0.83	0.39
Customers are satisfied with your after sales and follow –up performance	-0.57	0.16	-0.17	0.32	-0.79	0.19	0.56	0.39
Customers are satisfied by the experiences with the company	-0.68	0.16	-0.06	0.32	-1.01	0.19	0.98	0.39

### 4.7.2 Linearity

Linearity determines the dependent variable, as a linear function of the predictor (independent) variables. If the relationships are linear, standard multiple regression can only correctly estimate the relationship between dependent and independent variables. According to Keith, (2006) if linearity is violated, all regression results can be skewed, including regression coefficients, standard errors, and statistical significance checks. The study conducted curve estimation for all the relationships in the model and all the relationships were sufficiently linear to be tested.

Figure 4 Gold water test for Linearity

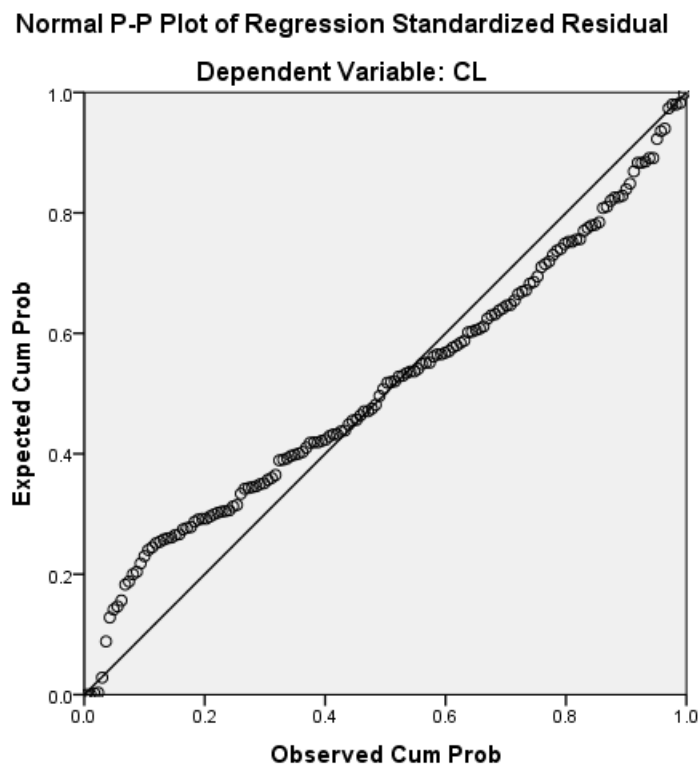
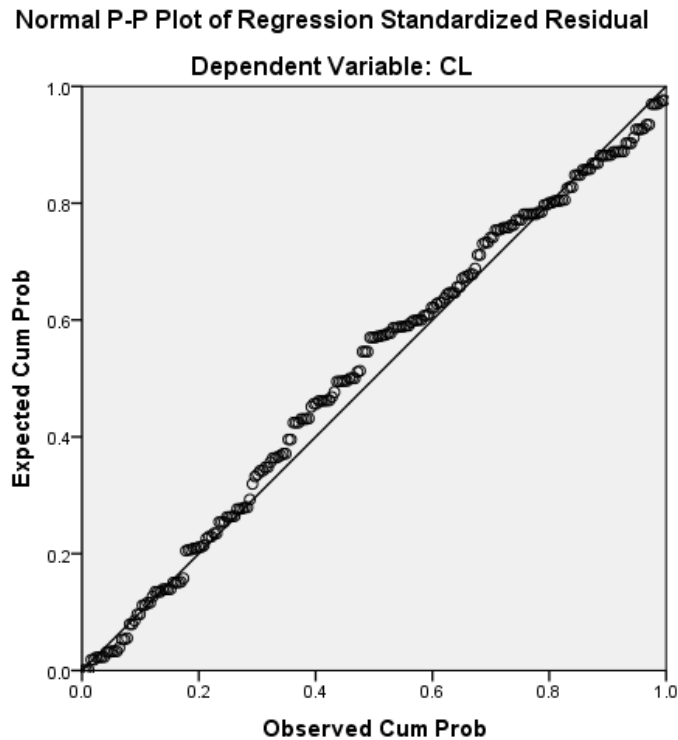


Figure 5 Habesha breweries test for Linearity



### 4.7.3 Homoscedasticity

Homoscedasticity implies that the variance of the residual is constant for all elements, as opposed to heteroscedasticity where the variance of the residual is not constant for all elements in the population.

It can be examined by looking at the scatterplot from the regression standardized residuals and regression standardized predicted value on figure 6 and 7 to see if the values fan out over the scatterplot. If they do, the scatterplot confirms heteroscedasticity. In this case, there are points equally distributed above and below zero on the X-axis, and to the left and right of zero on the Y-axis. So, after examining the outcomes of the regression analyses without residual outliers, none of the regressions showed signs of heteroscedasticity. The outcome is depicted in the graph below.

Figure 6 Habesha breweries test for homoscedasticity

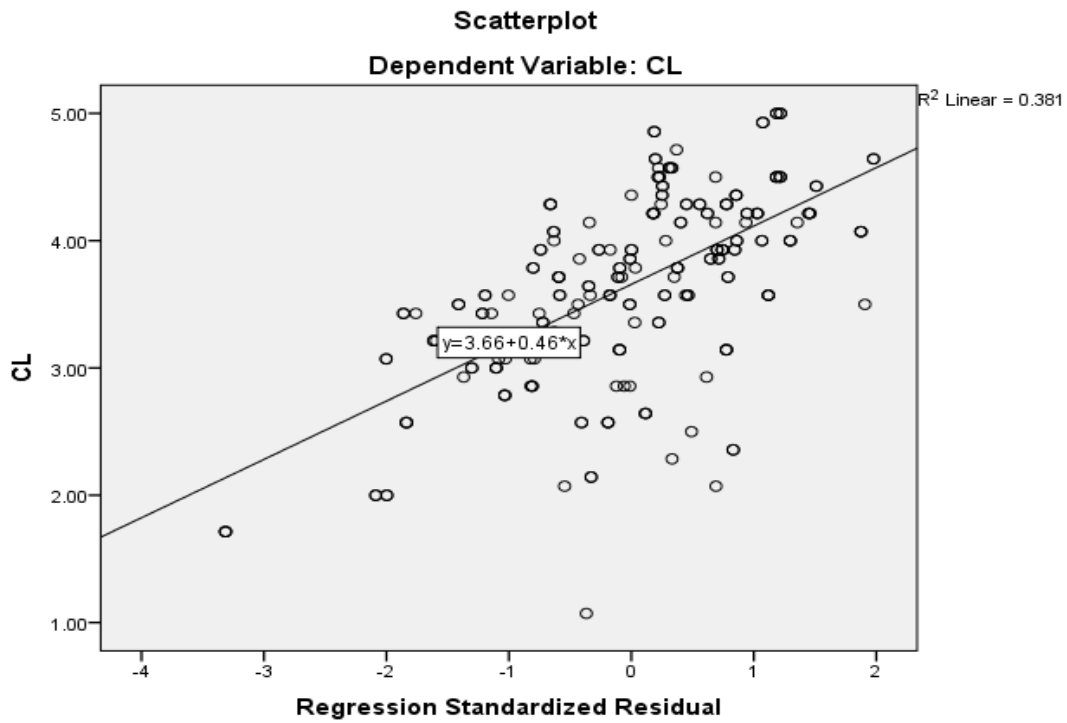
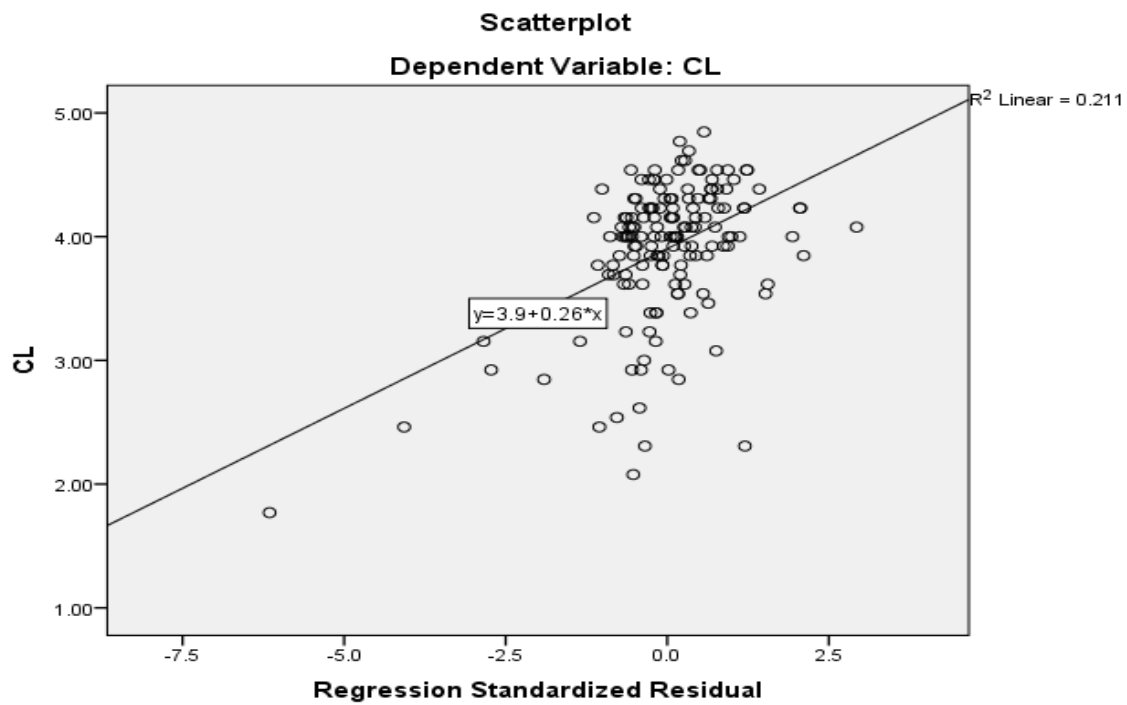


Figure 7 Gold water test for homoscedasticity



#### 4.7.4 Multicollinearity

A multicollinearity problem occurs when two or more explaining variables in a regression model are so highly interrelated that although the joint contribution is significant. It refers to the assumption that the independent variables are uncorrelated. The researcher can interpret regression coefficients as the effects of the independent variables on the dependent variables when collinearity is low. This means that inferences can be made about the causes and effects of variables reliably. Multicollinearity occurs when several independent variables correlate at high levels with one another, or when one independent variable is a near-linear combination of other independent variables. Keith (2006) analyzed that as more variables correlate, the less able researchers can differentiate the impacts of variables. He also stated that Multicollinearity can lead to misleading and unusual results, exaggerated standard errors, decreased regression coefficient capacity, creating a need for larger sample sizes. Multicollinearity in the output can be controlled by looking at the tolerance values or Variance Inflation Factors (VIF). Low tolerance levels (Tol < 0.2 or VIF > 5) are an indication of possible multicollinearity.

Table 11 Habesha breweries test for Multicollinearity

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.356	.187		1.902	.058		
Employee motivation	-.044	.036	-.052	-1.201	.231	.891	1.123
Relationship building	.921	.050	.802	18.399	.000	.891	1.123

As can be seen in the table above for Habesha breweries S.C, the study calculated VIF for all independent variables in SPSS and the results revealed that all of the VIF results are below the threshold of 5 and all of the tolerance results are above the threshold of 0.2 indicating there is no multicollinearity problem for the data.

Table 12 Gold water test for Multicollinearity

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.300	.153		1.959	.052		
Employee motivation	-.073	.037	-.098	-1.980	.049	.558	1.794
Relationship building	1.004	.052	.951	19.139	.000	.558	1.794

## 4.8 Test of Hypothesis

Baron and Kenny’s method and Andree Haye’s macro process are possibly the most used methods in mediation analysis. The researcher used both methods to test the hypothesis. The two methods complement each other. For instance, Baron and Kenny's mediation approach has been used by Barsevick, Dudley, and Beck (2006) to show that the functional state of an individual diagnosed with cancer acting as a mediator in the relationship between fatigue and depression symptoms. In patients diagnosed with a panic disorder, Hofmann, Rauch, and Gawronski (2007) have established imipramine as a mediator in the impact of cognitive-behavioral therapy. In this research Baron and Kenny’s approach and Andrew F. Hayes SPSS macro process were used as the main estimation tool to test the study hypotheses (H1-H4).

### 4.8.1 Baron and Kenny’s Approach

Baron and Kenny’s proposal is known as the four-step model. The reason why Baron & Kenny’s proposal is known as the four-step model is that it puts out four conditions that help to analyze the relationship between variables. Each condition of Baron and Kenny is shown below with each condition followed by the regression analysis.

1. Variables X and Y must be related, this is, coefficient c, in this case, must be different to zero in the expected direction. Using a linear regression analysis of Y over X, this condition is checked:

Table 13 Baron and Kenny’s Regression Analysis – The relationship between employee motivation and customer loyalty.

<b>Gold Water</b>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.391	.197		12.155	.000
	Employee motivation	.397	.051	.534	7.840	.000
a. Dependent Variable: Customer loyalty						
<b>Habesha Breweries</b>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.092	.179		17.266	.000
	Employee motivation	.177	.054	.213	3.276	.001
a. Dependent Variable: Customer loyalty						

Based on Table 13 it is shown that the first condition is fulfilled and the value is significant at ( $t=12.7$ ,  $p < .001$ ,  $B= .397$ ) for Gold water ( $t=17.2$ ,  $p < .001$ ,  $B= .177$ ) for Habesha breweries S.C.

- Variables X and M must be related, this is, the coefficient must be different to zero. This condition is confirmed using a study of linear regression of M over X.

Table 14 Baron and Kenny's Regression Analysis – Employee Motivation and Relationship Building.

<b>Gold Water</b>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.082	.164		12.659	.000
	Employee motivation	.468	.042	.665	11.055	.000
a. Dependent Variable: Relationship building						
<b>Habesha Breweries</b>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.970	.151		19.713	.000
	Employee motivation	.240	.046	.331	5.266	.000
a. Dependent Variable: Relationship building						

Table 14 shows that the second condition is fulfilled and the value is significant. It shows that the independent variable (EM) is a significant predictor of the mediating variable (RB) ( $t = 5.26$ ,  $p < .001$ ). That is, "a" (unstandardized coefficient = .240) is a statistically significant relationship for Habesha breweries. In the case of Gold water, employee motivation is a significant predictor of relationship building ( $t=11.05$ ,  $p < .001$ ,  $B= .468$ ) which shows a statistically significant relationship as well.

- Variables M and Y must be related once the effect of X is controlled. This condition is confirmed using a linear regression analysis of M over Y:

Table 15 Baron and Kenny's Regression Analysis –Relationship Building and Customer Loyalty.

<b>Gold Water</b>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.288	.154		1.867	.064
	Relationship building	.935	.040	.885	23.644	.000
a. Dependent Variable: Customer loyalty						

Habesha Breweries						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.291	.179		1.623	.106
	Relationship building	.901	.047	.785	19.056	.000
a. Dependent Variable: Customer loyalty						

Table 15 shows that the third condition is fulfilled, and the value is significant for Gold water. But in the case of Habesha Breweries S.C, the direct effect between relationship building and customer loyalty was not found to be statistically significant.

4. Variables X and Y must be related through a mediator M.

Table 16 Baron and Kenny's Regression Analysis –Effect of Employee Motivation on Customer Loyalty through Relationship Building.

Gold Water						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.300	.153		1.959	.052
	Relationship building	1.004	.052	.951	19.139	.000
	Employee motivation	-.073	.037	-.098	-1.980	.049
a. Dependent Variable: Customer loyalty						
Habesha Breweries						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.356	.187		1.902	.058
	Employee motivation	-.044	.036	-.052	-1.201	.231
	Relationship building	.921	.050	.802	18.399	.000
a. Dependent Variable: Customer loyalty						

Table 16 shows that the fourth condition is fulfilled, and the value is significant for Gold water. This shows that relationship building is a mediator in Gold water. Habesha breweries data shows that while controlling for the independent variable (EM), the mediating variable (RB) is a significant predictor of the dependent variable (CL) ( $t = 18.3, p < .001$ ).

But the analysis also shows that, after adjusting for M, X no longer statistically substantially impacts Y; that is, the correlation between X and Y is decreased and no longer significant. If, on the other hand, the effect of X on Y remains statistically significant but is decreased, the partial mediation paradigm is maintained. In general, the larger the influence of the mediator, the lower the coefficient "c." In this case the analysis shows that the coefficient becomes smaller while using mediator. This shows that the model supports partial mediation. Thus, it could be said that



employee motivation and customer loyalty does not have a direct effect in the case of Habesha breweries.

#### 4.8.2 Hayes Macro Process Approach

Hayes (2013) defined process Macro as a bootstrapping statistical computer tool written by Andrew Hayes as an extension for SPSS software. The program is used to examine the effect of one or more mediating or moderating variables on the relationship between the independent and dependent variables. The software calculates the direct, indirect, and total effects of X on Y, as well as the unstandardized and standardized regression coefficients, standard errors, and other statistics such as t and p values and R2.

#### 4.8.1 Regression analysis of employee motivation on relationship building

The model used in the current study specifies a single mediator (relationship building) causally located between employee motivation and customer loyalty and therefore simple mediation model is used to test the mediation only effect. Simple mediation model was previously tested using Baron and Kenny’s method and is now tested using Hayes (2013) process model 4. The parameters of this model are most frequently estimated in practice with two regression equations, one for M and one for Y.

Table 17 Regression Analysis of employee motivation on relationship building for Gold water

OUTCOME VARIABLE: <b>Relationship building</b>							
Model Summary							
	R	R-sq	MSE	F	df1	df2	p
	.6652	.4424	.1573	122.2022	1.0000	154.0000	.0000
Model							
	coeff	se	t	p	LLCI	ULCI	
constant	2.0822	.1645	12.6589	.0000	1.7572	2.4071	
<b>EM</b>	.4684	.0424	11.0545	.0000	.3847	.5521	
Standardized coefficients							
	coeff						
EM	.6652						

Table 18 Regression Analysis of employee motivation on relationship building for Habesha breweries

OUTCOME VARIABLE: <b>Relationship building</b>							
Model Summary							
	R	R-sq	MSE	F	df1	df2	p
	.3306	.1093	.3709	27.7326	1.0000	226.0000	.0000
Model							
	coeff	se	t	p	LLCI	ULCI	
constant	2.9702	.1507	19.7129	.0000	2.6733	3.2671	
EM	.2400	.0456	5.2662	.0000	.1502	.3299	
Standardized coefficients							
	coeff						
EM	.3306						

Table 17 and Table 18 show the effect of employee motivation on relationship building. It is simple regression where employee motivation is regressed on relationship building. According to the p-value which shows less than 0.05 values, employee motivation has a significant effect on relationship building. A direct, positive, and significant relationship was found between employee motivation and relationship building. Also, any change made on employee motivation affects relationship building.

#### 4.8.2 Regression Analysis of employee motivation and relationship building on customer loyalty

Table 19 Regression Analysis of employee motivation and relationship building on customer loyalty for Gold water

OUTCOME VARIABLE: <b>Customer Loyalty</b>							
Model Summary							
	R	R-sq	MSE	F	df1	df2	p
Model	.8885	.7894	.0667	286.7753	2.0000	153.0000	.0000
	coeff	se	t	p	LLCI	ULCI	
constant	.2996	.1530	1.9586	.0520	-.0026	.6019	
EM	-.0732	.0369	-1.9802	.0495	-.1462	-.0002	
Relation	1.0042	.0525	19.1386	.0000	.9005	1.1078	
Standardized coefficients							
	coeff						
EM	-.0984						
Relation	.9509						

Table 20 Regression Analysis of employee motivation and relationship building on customer loyalty for Habesha breweries

OUTCOME VARIABLE: <b>Customer Loyalty</b>							
Model Summary							
	R	R-sq	MSE	F	df1	df2	p
Model	.7867	.6188	.2101	182.6420	2.0000	225.0000	.0000
	coeff	se	t	p	LLCI	ULCI	
constant	.3558	.1870	1.9024	.0584	-.0128	.7243	
EM	-.0437	.0364	-1.2014	.2309	-.1153	.0280	
Relation	.9212	.0501	18.3992	.0000	.8226	1.0199	
Standardized coefficients							
	coeff						
EM	-.0524						
Relation	.8024						

Table 19 and Table 20 shows the effect of employee motivation and relationship building on customer loyalty. Table 19 shows the effect, p value, and 95% bias-corrected bootstrap confidence interval for the direct effect of employee motivation and relationship building on customer loyalty for Gold water (c1 1 = 0.299 with a p value less than 0.01). Similarly, Table 20

shows the effect, p value, and 95% bias-corrected bootstrap confidence interval for the direct effect of employee motivation and relationship building on customer loyalty at Habesha breweries ( $c1 = 0.355$  with a p value less than 0.01). In both cases the path (direct effect) from employee motivation and relationship building to customer loyalty is significant, indicating that both employee motivation and relationship building have a direct effect on customer loyalty.

#### 4.8.3 Direct, Indirect, and Total Effects of employee motivation on customer loyalty

Table 21 Bootstrap Estimates of Direct, Indirect, and Total Effects of employee motivation on customer loyalty for Gold water.

Total effect of X on Y							
	Effect	se	t	p	LLCI	ULCI	c_ps
c_cs	.3972	.0507	7.8400	.0000	.2971	.4973	.7104
.5341							
Direct effect of X on Y							
	Effect	se	t	p	LLCI	ULCI	c'_ps
c'_cs	-.0732	.0369	-1.9802	.0495	-.1462	-.0002	-.1309
-.0984							
Indirect effect(s) of X on Y:							
	Effect	Boot SE	Boot LLCI	Boot ULCI			
Relation	.4704	.0779	.3298	.6338			
Partially standardized indirect effect(s) of X on Y:							
	Effect	Boot SE	Boot LLCI	Boot ULCI			
Relation	.8413	.1262	.6230	1.1142			
Completely standardized indirect effect(s) of X on Y:							
	Effect	Boot SE	Boot LLCI	Boot ULCI			
Relation	.6325	.0745	.4870	.7818			

Table 22 Bootstrap Estimates of Direct, Indirect, and Total Effects of employee motivation on customer loyalty for Habesha Breweries.

Total effect of X on Y							
	Effect	se	t	p	LLCI	ULCI	c_ps
c_cs	.1775	.0542	3.2755	.0012	.0707	.2842	.2401
.2129							
Direct effect of X on Y							
	Effect	se	t	p	LLCI	ULCI	c'_ps
c'_cs	-.0437	.0364	-1.2014	.2309	-.1153	.0280	-.0591
-.0524							
Indirect effect(s) of X on Y:							
	Effect	BootSE	BootLLCI	BootULCI			
Relation	.2211	.0484	.1292	.3157			
Partially standardized indirect effect(s) of X on Y:							
	Effect	BootSE	BootLLCI	BootULCI			
Relation	.2992	.0593	.1836	.4116			
Completely standardized indirect effect(s) of X on Y:							
	Effect	BootSE	BootLLCI	BootULCI			
Relation	.2653	.0515	.1631	.3622			

The above table, Table 21 & Table 22 shows the effect of employee motivation on customer loyalty through relationship building with customers for both companies. The total produced by the entire model, indirect and direct effect is the sum of indirect effect (a\*b) and direct (c) effects. The table shows that the total effect was .39 with a “t” value of 7.84 and a p value of “.00” for Habesha breweries and .17 with a “t” value of 3.27 and a p value of “.001”, thus indicating a statistically significant effect ( $p < .05$ ) for both companies. Hence, there is a positive indirect relationship between employee motivation and customer loyalty through relationship building.

The indirect effect is tested using non-parametric bootstrapping. In this case, if the null of 0 falls between the lower and upper bound of the 95% confidence interval, then the indirect effect is not significant. In this case the indirect effect for Gold water which is 0.47 is statistically significant at 95%CI= (0.3298, 0.6338). Because “zero” does not fall within the 95% confidence interval, also for Habesha breweries 0.22 is statistically significant at 95%CI= (0.1292, 0.3157). “zero” does not fall within the 95% confidence interval. So, it could be concluded that relationship building mediates the relationship between employee motivation and customer loyalty; that is, “a\*b” is a statistically significant at alpha ( $p < .05$ ).

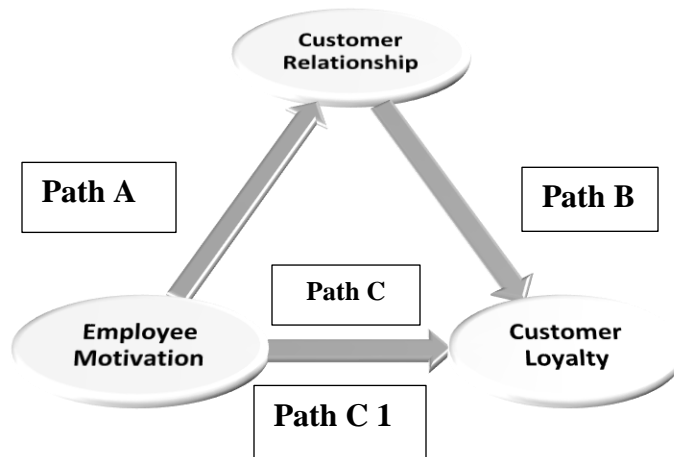
Direct Effect examines if the relationship between the independent and dependent variables is direct and not mediated by a third variable. The results in Table 21 & 4.22 shows that for Gold water the direct effect was -.07 with a t value of -1.9 and a p value of .04 ( $p < .05$ ). Thus, it could be said that employee motivation and customer loyalty have a direct effect. Notice that “zero” does not fall within the 95% confidence interval (-.1462, -.0002). In this case, the “c” coefficient is statistically significant ( $p < .05$ ). However, Habesha’s value shows that the direct effect was -.04 with a t value of -1.2 and a p value of .23 ( $p > .05$ ). Additionally, “zero” falls within the 95% confidence interval (-.1153, -.0280). the “c” coefficient is statistically insignificant ( $p > .05$ ). Thus, it could be said that employee motivation and customer loyalty does not have a direct effect in the case of Habesha breweries.

#### **4.9 Summary of Finding**

Baron and Kenny’s and Hayes process macro was performed using SPSS to examine the effect of employee motivation on customer loyalty through relationship building. The purpose of this research was to find out if relationship building mediates the relationship between employee motivation and customer loyalty. First, the results of the regression analysis showed that employee motivation (independent variable) was a significant predictor of customer loyalty in Gold water and it has an insignificant direct relationship at Habesha breweries. Next the results of the regression analysis showed that relationship building (mediator) is a significant predictor of customer loyalty in both companies. Then the results of the regression analysis showed that employee motivation (independent variable) is a significant predictor of relationship building in both companies and they have a significant relationship. At last, while controlling for relationship building (mediator), the results of the regression analysis show that employee motivation was a significant predictor of customer loyalty (dependent variable). The results of

the indirect effect based on 5000 bootstrap samples show a significant indirect positive relationship between employee motivation and customer loyalty mediated by relationship building. On the other hand, there was no statistically significant direct effect between employee motivation and customer loyalty at Habesha breweries.

Figure 8 Research model and Paths



In figure 8 above, the direct effect of employee motivation on relationship building is shown by path A, which corresponds with hypothesis H3. Path B corresponds to H2 and signifies the effect of customer relationship on customer loyalty. Path C shows the direct effect of employee motivation on customer loyalty corresponding with H1. Also, Path C1 denotes the indirect effect of employee motivation on customer loyalty through the mediator, customer relationship, relating to H4. The significance of this path denotes the strength of the mediating role played by relationship building, which corresponds to hypothesis H4.

**Strength of relationship building (mediator)**

Baron and Kenny (1986) pointed out that the strongest mediation demonstration is when  $c'$  is zero. As a result, there is a difference between complete mediation (all of the impact of X goes through M) and partial mediation in Baron and Kenny's proposal (only part of the effect of X goes through M). During complete mediation the relationship between X and Y absolutely disappears when M is regulated (that is, when coefficient  $c'$  is zero).

When monitoring the impact of M, the relationship between X and Y must be decreased significantly. This is, coefficient  $c'$  in the direct effect must be smaller than the coefficient  $c$  in total effect. For Gold water companies, the data is consistent with the partial mediation hypothesis because, when manipulating M, the relationship between X and Y is substantially reduced but does not vanish completely (that is, when the absolute value of coefficient  $c'$  is lower than  $c$  and higher than zero at the same time). In this case it can be shown that partial mediation occurs, since the coefficient  $c$  is reduced. When monitoring the impact of relationship building in

Habesha Breweries, manipulating M caused the direct relationship between X and Y to vanish completely. This shows a sign of complete mediation at Habesha Breweries.

According to the previous Hypothesis H1 which states that there is a direct significant relationship between employee motivation and customer loyalty in Habesha Breweries is not supported after mediation. But Hypothesis H1 which states that there is a direct significant relationship between employee motivation and customer loyalty in Gold water is supported. Hypothesis H2 (Path B) which asserts that customer relationship has a significant effect on customer loyalty is supported for both companies. Likewise, hypothesis H3 (Path A) which asserts that employee motivation has a significant effect on relationship building in is supported for both companies. Similarly, hypothesis H4 (Path C1) which asserts that employee motivation has a significant effect on customer loyalty through relationship building in both companies is supported. Meanwhile, the researcher took the necessary steps to control for employees' specific attributes including age level, gender, level of qualification, and work experience. See below for an overview:

### **Confirmed hypothesis for Habesha Breweries**

H2: Relationship building is expected to have a positive significant effect on customer loyalty.

H3: Employee motivation positively affects customer relationship building.

H4: Customer relationship building mediates the effect of employee motivation on customer loyalty.

### **Rejected hypothesis for Habesha Breweries**

H1: Employee motivation positively and directly affects customer loyalty.

### **Confirmed hypothesis for Gold water:**

H1: Employee motivation has a direct positive effect customer loyalty.

H2: Relationship building is expected to have a positive significant effect on customer loyalty.

H3: Employee motivation positively affects customer relationship building.

H4: Customer relationship building mediates the effect of employee motivation on customer loyalty.

## CHAPTER FIVE

### 5. DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

#### 5.1 Discussion of Main Findings

This chapter presents discussion of key findings, conclusions, and recommendations. It is concerned with the effect employee motivation has on customer loyalty through relationship building as a mediator taking the case of two bottling companies which are Habesha breweries and Gold water. The key findings are presented according to the research objectives. The need for this objective was derived from the decrease of customer loyalty in the market which according to literature is the effect of employee motivation and relationship building. This showed that a research was needed to be done to aid both the literature and the organization to keep its loyal consumers.

The purpose of this study was to examine if the effect of employee motivation on customer loyalty is explained by the mediating effect of relationship building by analyzing the relationship of every construct in the theoretical framework. To achieve this purpose, four specific research objectives were formulated. They include: (1) To investigate if employee motivation impacts customer relationship building. (2) To examine the effect of relationship building on customer loyalty.; (3) Examining the direct effect of employee motivation on customer loyalty.; .and lastly, (4) Investigating the effect of employee motivation on customer loyalty through the mediating role of relationship building. Data was collected from a sample of 228 employees of Habesha Breweries and 156 employees of Gold water.

Demographic factors such as gender, age, level of education and working experience have been considered to learn the general characteristics of the respondents. The research took 62.9% male and 37.9% of female respondents at Habesha and 59% male and 41% female in Gold water. In terms of age most of them, 50.9% of the respondents were found to be between 21 – 30 years of age at Habesha and 51.9% of respondents were found to be between 31-45 years of age at Gold water. Regarding level of education, most employees are degree holders which constitute 55.3% and 63.5% of the respondents at Habesha and Gold respectively. About the working experiences of respondents of Habesha employees, 47.8% of them have 3 and more years of working experience in the company, while 44.2% of the respondents in Gold water have 1-3 years of experience in the company.

According to the descriptive analysis of the 5-point Likert scale measurement on all variables, employee motivation, relationship building, and customer loyalty, majority of the respondents responded positively to those questions. Based on the results of Pearson correlation test, employee motivation is positively correlated with relationship building and relationship building is positively correlated with customer loyalty with for both companies.

To see whether the effect of employee motivation on customer loyalty was indeed explained by the mediating effect of relationship building, Baron & Kenny's causal step method and Andrew F. Hayes macro process were used to testing for mediation. The first step of Baron & Kenny's method tested if employee motivation directly affects customer loyalty. Usually, motivated employees lead to satisfied customers. According to Macey, et al. (2008) employee satisfaction has a positive impact on customer satisfaction. The way employees feel about the value and purpose of their work and the effort they show helps to create positive customer experiences. Also, in a study by Tella, et al. (2007) the authors found a link and noted the relationship between employee motivation, engagement, and commitment. As a result, Goenner (2008), concluded that strategic human resources play a vital role in improving performance in any organization. However, the study in Habesha breweries proved to be insignificant for this variable, the researcher concluded these variables can only be explained through a mediating effect for Habesha breweries. This suggests that employee motivation does not affect customer loyalty directly in Habesha. But for Gold water the relationship showed a significant effect between those variables which suggests that employee motivation affects customer loyalty directly.

The second causal method step tested the effect of employee motivation on relationship building. According to Robertson, et al. (2007) employees want to perform their jobs well to increase their capacity and opportunity to add value and be part of an effective organization through. The way employees feel about the value and purpose of their work and the effort they show helps to create positive customer experiences. In this research, it was realized that employee motivation has a significant positive effect on relationship building in both companies.

Step three of the method measured the effect of relationship building on customer loyalty. Results have consistently shown there is a positive correlation between the attitude of employees and the company's performance. Ndubisi (2004) proposed that a business should make sacrifices and worthwhile investments. He argued that the four established pillars of relationship marketing which are trust, commitment, communication, and customer handling are directly linked to and are capable of predicting customer loyalty. This research used customer relationship attributes such as commitment, conflict management, customer service, reliability, and communication to represent relationship building. At the end of this study, it was evident that there is a positive and significant relationship between customer relationship and customer loyalty in both companies. This shows that the more employees build relationship with customers, the customers are more likely to stay loyal. The need to be more loyal customer-oriented or focused is shown by the evidence produced.

The final step established if there was indeed a mediating effect. According to Baron and Kenny's causal step method (1986) the effect of employee motivation needed to be diminished in this second step to establish a mediating effect. It was observed that apart from the direct effect of employee motivation on customer loyalty, there is an indirect relationship between employee motivation and customer loyalty through relationship building. Thus, it was observed that



relationship building plays a mediating role in the relationship between employee motivation and customer loyalty. The reasons for this assertion are that the evidence shows that employee motivation was positively and significantly related to relationship building which in turn had a strong positive impact on customer loyalty. Employee motivation on its own does not have a significant impact on customer loyalty for Habesha breweries while employee motivation on its own has a significant impact on customer loyalty at Gold water. This reveals that employee motivation has only one path to influencing customer loyalty in Habesha; through relationship building with customers. In the case of Gold water employee motivation has only two paths to influencing customer loyalty both directly and indirectly.

In addition to that, the descriptive analysis demonstrated that motivating employees require further improvement because even if it does not have a direct effect on loyalty it can affect it indirectly through other factors. Especially, front-line employees must have good contact with customers because it will have a significant effect on the overall assessment of the service quality. The descriptive summary also illustrated that the level of customer relationship was moderate. According to literature, this shows that relationship building mediates the relationship between employee motivation and customer loyalty.

## **5.2 Conclusions**

This chapter provides the study's key results and the conclusions gained from them. The bottling industry in Ethiopia has been expanding in the past few years. To this end, competition is more likely to increase which prompt bottling industries to adopt different strategies to attract and retain customers.

Based on previous theories and research conducted in employee motivation, relationship building and customer loyalty this study shows the clear links of all variables. Employee motivation in most organizations has become a major objective of relationship building in order to maintain loyalty of customers and improve company performance. Relationship marketing dimensions are considered to be essential for building long-term relationship with customers in order to achieve mutual benefits of all parties. This thesis examined how employee motivation might affects customer loyalty through relationship building. Most importantly, this thesis has shown that the relationship between employee motivation and customer loyalty is indeed mediated by relationship building which could diminish the direct relationship of employee motivation with customer loyalty.

With regard to the Pearson correlation analysis, it can be clearly seen as that the three variables namely employee motivation and relationship building, and customer loyalty are positively related to customer loyalty. This model and its constructs are effective to measure the effect of employee motivation on customer loyalty using the mediating role of relationship building. From the study results, it can be concluded that employee motivation is antecedent to customer relationship and customer relationship is antecedents to customer loyalty. An empirical study on the effect of employee motivation indirectly on customer loyalty in Ethiopia has been largely

unexplored in literature. However, this study shows that improving employee motivation has the potential of enhancing customer loyalty through relationship building with customers.

### **5.3 Recommendation**

Loyal customers are very important to organizations. According to this research, further efforts are needed to increase staff motivation in order to attract more loyal customers and retain those that the firm already has. Customer loyalty is influenced by both building relationship and customer loyalty, according to the findings. Therefore, it is recommended that both bottling companies should invest their resources and capacity to motivate their employees in different ways as this has been shown to impact relationship building with which in turn affects customer loyalty.

The outcomes of this study have practical relevance for employees who are in some way associated with consumers. Managers must put themselves in the shoes of their consumers and build the service delivery system from their point of view in order to satisfy their requirements and expectations.

The importance of using employee motivation as a business strategy is that it does not lead to additional costs to reach customers and gaining a competitive advantage. This is because it is an activity that considers building long-term partnerships and not giving rivals an advantage of hardly losing customer potential since it is not easy to copy relationship marketing. There is the need for the organization to identify the barrier to employee motivation to close these gaps that are created due to demotivation, in order not to lose their customers. A positive relationship between employees and a manager can help to reduce problems with non-financial incentive. Employees are the ones who help the company's image. So, implementing a new motivation package that is appropriate for the quality service division will undoubtedly lead to highly driven people and employees with a high rate of performance. In general, integrating employee motivation in a company has a good outcome process; nevertheless, it must be done with great focus, attention, and importance.

There is no necessary need for bearing extra cost in promotional incentives or sponsorships, while it is preferable to invest in employee's motivation by giving incentives, training and many other ways. Therefore, human resource managers in the organization are advised to use employee motivation as their major business strategy. Concerning employee skill, aside from recruiting competent workers who are able to consider their clients' views, the firm should provide training programs to improve the abilities of both new and existing employees. In terms of employee motivation, managers should constantly ensure that employees are motivated and inspired to do a good job through various reward systems such as appealing compensation and official recognition.

Furthermore, customer satisfaction and loyalty surveys should be done on a regular basis, as the contingency in such sectors influences consumers' purchasing intentions and makes them vulnerable to competitors.

Companies must create a customer relationship program that will assist them in developing and maintaining excellent customer connections. The more staff collaborates to keep existing customers pleased, the lower the customer retention rate. To maintain and build loyal consumers, businesses must be trustworthy and committed, provide personalized attention to customers, and settle disagreements in a way that eliminates unnecessary loss and trouble to their customers.

In Ethiopia, the growing number of bottling companies led to the increase in competition. Therefore, the organization must be aware of the want and needs of the customers. Nowadays customers are demanding more not only based on the service but they demand the way they are treated. Once they are satisfied with the services they get from the company, they will communicate about the company to the other customers. Using relationship marketing as a strategy, the firm should pay more attention to both acquiring new consumers and maintaining existing ones in advertising and other promotional efforts.

#### **5.4 Suggestion for Future research**

The researcher recommends there should be a further study on the effects of employee motivation and Customer loyalty in other bottling companies found in Ethiopia. Companies will need to seek its customer's satisfaction. This will help them raise their share of the market and improve their competitiveness.

There are several approaches to extend research in this field in terms of the causal link between the roots of staff motivation and consumer loyalty. One approach to broaden the scope of this research is the following. It would make sense to study the influence of staff motivation on customer loyalty through the relationship building characteristics of commitment, dependability, communication, and trust, as well as the relationship the variables have on each of them.

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## Appendix

### Addis Ababa University

College of Business and Economics

### Department of management

#### MBA program

The purpose of this questionnaire is designed to collect data on the effect of employee motivation on customer loyalty: the mediating role of relationship building. This questionnaire is intended for educational purposes and all answers will be treated confidentially.

Thank you in advance for your cooperation

#### SECTION I: GENERAL INFORMATION

Note: Use a tick mark '√' to show your preference in the box provided.

#### Gender

Female

Male

#### Age

21-30

30-45

above 45

#### Qualification

Diploma

Degree

Master's and above

#### Work Experience

Below 1 year

1-3 year

3-5 years

**SECTION II** The question is arranged from 1 to 5 corresponding to 'strongly disagree,' 'disagree,' 'neutral,' 'agree,' or 'strongly agree' respectively. Please circle ( ) only one response appropriately.

<b>PART A</b>					
<b>EMPLOYEE MOTIVATION</b>					
<b>Item</b>	<b>Strongly disagree</b>	<b>disagree</b>	<b>Neutral</b>	<b>agree</b>	<b>Strongly Agree</b>
The general motivation level of the organization is improving overtime	1	2	3	4	5
I feel that I am motivated on an everyday basis	1	2	3	4	5
My main tasks are motivating	1	2	3	4	5
I perform my daily work tasks happily	1	2	3	4	5
I am encouraged to take initiative to do things beyond my work task	1	2	3	4	5
There is room to be creative in addition to my tasks	1	2	3	4	5
My work is positively challenging	1	2	3	4	5
My motivation has improved over time	1	2	3	4	5
I am well appreciated for my achievements	1	2	3	4	5
The company invests on employee motivation	1	2	3	4	5
I am satisfied with the type of work I perform	1	2	3	4	5

**PART B**  
**CUSTOMER RELATIONSHIP BUILDING**

<b>Item</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
<b>Commitment</b>					
I am very committed to continue my relationship with customers	1	2	3	4	5
I adjust my time to suit customer needs	1	2	3	4	5
I often interact with customers to assess service performance	1	2	3	4	5
My relationship with customers is very important to me	1	2	3	4	5
<b>Conflict Management</b>					
I take genuine interest in customers problem	1	2	3	4	5
I am enthusiastic and eager to resolve customers problem	1	2	3	4	5
The company is willing to to openly discuss solutions when problems arise	1	2	3	4	5
The company tries to solve obvious conflicts before the customers create problems	1	2	3	4	5
<b>Customer Service</b>					
I always pay attention to customers even if they don't need customer service	1	2	3	4	5
Conducting transactions correctly and rapidly is very common with this company	1	2	3	4	5
I treat customers as I want myself to be treated	1	2	3	4	5

<b>Reliability</b>					
I keep my promises to customers	1	2	3	4	5
The company maintains consistent service standards	1	2	3	4	5
The company provides reliable services	1	2	3	4	5
The company can be relied onto keeping its promises	1	2	3	4	5
<b>Trust</b>					
Customers always trust me to use new products	1	2	3	4	5
I am always concerned with the customer's interest	1	2	3	4	5
I believe the management has high integrity	1	2	3	4	5
My company is consistent in providing quality products	1	2	3	4	5
<b>Communication</b>					
If problems arise, I am honest about the problem	1	2	3	4	5
I never hesitate to give as much information as customers would like to have	1	2	3	4	5
I try to provide easy, flexible, and speedy procedures	1	2	3	4	5
I am friendly and courteous	1	2	3	4	5
I reward customers regularly	1	2	3	4	5

**PART C**  
**CUSTOMER LOYALTY**

<b>Item</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
<b>Likelihood to recommend</b>					
Customers are willing to give information to others about the organization	1	2	3	4	5
Customers say positive things based on their experiences in buying products	1	2	3	4	5
The company would be customers first choice to contact whenever they want to buy any products	1	2	3	4	5
Customers would always recommend the company to anyone that seeks their advice	1	2	3	4	5
<b>Anticipation of future interaction</b>					
Customers expect your relationship to continue a long time	1	2	3	4	5
Customers are likely to support the company in the future	1	2	3	4	5
Customers plan to use the company's product in the future	1	2	3	4	5
<b>Likelihood to buy additional products</b>					
Customers are likely to expand use of the company's product	1	2	3	4	5
Customers are likely to repurchase the products	1	2	3	4	5
It is more convenient for customers to use this company than competitors	1	2	3	4	5
<b>Overall satisfaction</b>					
The company never fails to fulfil customers'	1	2	3	4	5

expectations					
Customers are satisfied with your after sales and follow –up performance	1	2	3	4	5
Customers are satisfied by the experiences with the company	1	2	3	4	5
Overall, customers are satisfied with the company	1	2	3	4	5