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**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**SCHOOL OF GRADUATE STUDIES**  
**THE MEDIATING EFFECT OF CUSTOMER SATISFACTION ON**  
**PRODUCT DIFFERENTIATION AND CUSTOMER LOYALTY: THE**  
**CASE OF HABESHA BREWERY**

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## DECLARATION

I, the undersigned, declare that the work contained in the body of this research thesis is my own original work and has not been submitted for any award. All information from other published and unpublished sources is properly cited and authenticated in accordance with relevant scholarly practice.


Signature:

A handwritten signature in black ink, appearing to be 'W. J.', written over a light blue grid background.

Date: 28/06/2024

**Certification**

This is to certify that **Matiwos Terefe** carried out under my supervision of thesis **"The mediating effect of customer satisfaction on product differentiation and customer loyalty: The case of Habesha Brewery."** The work is original and eligible to be submitted, meeting the requirements for obtaining a Master of business Administration

  
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## Abstract

*The study aim to examine the Mediating effect of customer satisfaction between product differentiation and customer loyalty: The case of Habesha Breweries. Descriptive and explanatory design were employed and mixed research approach of quantitative and qualitative research approach was used. Hence, questionnaire were distributed to sample of 384 randomly selected customers of Habesha breweries shared company. The data types were both primary and secondary data types and the result were analyzed by both descriptive and inferential analysis. Hence the result the analysis of the data revealed several key findings. The overall positive sentiment towards the products provided by Habesha Breweries, as indicated by the aggregate mean score of 3.69 for customer satisfaction, suggests a strong foundation for customer loyalty. Correlation analysis demonstrated significant positive relationships between product differentiation factors and customer satisfaction and loyalty. Additionally, the mediation models involving customer loyalty as the outcome, product price and product delivery as predictors, and customer satisfaction as the mediator revealed that customer satisfaction plays a crucial mediating role in shaping customer loyalty in response to product pricing and delivery strategies. The estimated structural equation model demonstrates a good fit to the data, highlighting the positive relationships between customer satisfaction, loyalty, and product differentiation. The path coefficients reveal the significant impact of customer satisfaction and product differentiation on customer loyalty, with satisfaction with the product strongly influencing overall satisfaction with service. Finally, it is recommended that the positive relationship between product differentiation and customer loyalty suggests the importance of offering unique and distinctive products or services. Therefore, it is recommended to explore strategies to differentiate the offerings from competitors in ways that are meaningful to customers.*

**Keywords: Product price, product quality, product differentiation, customer loyalty, customer satisfaction**

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1. Background of the study

The business environment is changing and competitive. Therefore, companies that stand the test of time are those that have carefully developed different strategies that will make their products and/or services unique so that their customers can use the right products for them. The idea of making an organization's products and/or services unique is called a differentiation strategy. Chege (2018) states that differentiation in marketing refers to the art of marketing a product or service that is different from other products or services. The basis of differentiation strategy is to provide unique customer experience (Pearce & Robinson, 2015).

The business environment in Ethiopia is unstable and highly competitive, so companies that can survive in the long run are those that have carefully developed different strategies to make their products or services unique and thus increase customer loyalty. The idea of making a product or service unique is called a differentiation strategy. Chege (2018) believes that differentiation in marketing involves marketing a product or service differently from other products or services. The basis of the differentiation strategy is to offer unique products to customers (Pearce & Robinson, 2015), and the key elements of this strategy are product differentiation. In the Ethiopian context, companies must focus on developing different product strategies to succeed in a competitive market.

In the global business environment, companies face intense competition and rapid change. In order for businesses to survive and succeed, they must develop unique strategies that will make their products and services stand out in the market. The business environment in Ethiopia is also highly competitive and important. Businesses must develop different strategies to differentiate their products and services and build trust among customers. Especially in Ethiopia: Ethiopian businesses must have business influence and competition. To be successful, companies need to develop unique strategies that differentiate their products and services from their competitors. This will combine the cultural and economic characteristics of Ethiopia to create unique products

that appeal to local consumers (Pearce and Robinson, 2015). At the same time, companies that carefully develop different strategies will increase customer confidence by making their products or services unique.

The idea of making a product or service unique is called a differentiator idea. Chege (2018) believes that differentiation in marketing involves marketing a product or service differently from other products or services. The basis of the differentiation strategy is to offer unique products to customers (Pearce & Robinson, 2015), and the main element of this strategy is product differentiation. In the Ethiopian context, companies need to focus on creating different products to succeed in a competitive market.

Differentiated product strategies can be applied to companies that offer different products and qualities to increase customer satisfaction and improve customer loyalty. This expected increase in demand can increase profits and improve the company's performance. While cost strategies focus primarily on reducing production and distribution costs to maximize profits, production differentiation reflects individual capabilities and unique skills compared to potential competitors (Porter, 1998). Therefore, considering today's world, companies can only survive in global competition if they tend to use unique strategies to create competitive advantage in international trade.

Product differentiation not only increases customer satisfaction and loyalty, but can also lead to higher demand, higher profits, and improvements in business operations. In contrast, cost leadership strategy focuses on reducing costs to increase revenue, while product differentiation means unique features and unique benefits compared to competing people. It is obvious that in today's global business environment, companies can compete effectively worldwide by using different product strategies. This can help them create a competitive advantage in the global market. By offering unique products and quality services, a company can create a niche for itself and build a loyal customer base, which is essential for long-term success.

Customer demand Re-use of a particular company's products will increase the value of the company's products, brand loyalty and therefore create loyalty. Based on the above, it can be said that production differentiation is generally a marketing strategy adopted by a company to compare its products or services with those of its competitors. Product differentiation can be said

to be successful when customers can describe and best communicate the company's products and/or services while emphasizing product differentiation and/or services (Kopp, 2019; Anowor, UVA Kui, and Chikundu, 2019).

In particular, a company's products may differ from its competitors in some important aspects. Some companies differentiate their products according to performance, power and reliability, while others differentiate their products according to performance and reliability in order to avoid problems. Weak competition (see Adinan and Abukari, 2013; Onodugo, Nwonye, Anowor, and Of oegbu, 2019). This is followed by a focus on the cost of products, emphasizing the cost savings and durability of some products over others. As Acevedo (2017) points out, differentiation provides options to customize the company's products, thus differentiating the company's products from mainstream competitors, simply positioning the company as different and offering its products more value to customers and superior to its competitors in terms of functionality.

There is a wealth of literature on the success and failure of international trade, especially in developing economies such as Ethiopia, so a deep and comprehensive exploration of the ideas that can be used to achieve success is required. Therefore, this study tries to reveal the different products of the strategy by measuring its impact on returns. Its headquarters is in Addis Ababa, Ethiopia and its name is Gida Wholesale Industry. Habesha was founded in 2009 by a group of Ethiopian entrepreneurs. The brewery provides production, marketing and food security to 15,000 barley farmers. Supported by consulting services, Habesha hopes to reach an additional 14,000 farmers through the integration of future contracts and deployed strategies with partner organizations.

As introduction and background, the two aims of this study are to determine the mediating role of customer satisfaction between different products and honest goods users and to establish a good relationship between our homes. The findings will contribute to the understanding of the differences and the impact of interaction between different products, thereby contributing to existing knowledge of models that can be used to learn users' product behavior.

Understanding how product differentiation influences customer satisfaction, and in turn, customer loyalty, can provide valuable insights for businesses aiming to enhance their

competitive position in the market. Additionally, establishing direct interrelationships between these constructs can offer a comprehensive understanding of the dynamics at play in customer behavior. By shedding light on these relationships, the study has the potential to offer practical implications for businesses seeking to develop effective strategies for enhancing customer satisfaction and loyalty through product differentiation. This could ultimately lead to the development of more effective marketing and business strategies that align with customer preferences and behaviors.

## **1.2. Statement of the problem**

Despite the increasing competition in the beverage industry, Habesha Breweries is facing challenges in differentiating some of its products (Kidame and Habesha kostara taem) aligning with customers, maintaining customer satisfaction, and building customer loyalty. This study aims to identify the mediation effect of customer satisfaction between product differentiation and customer loyalty. One of the key problems related to Habesha Breweries' product differentiation and customer satisfaction is the lack of comprehensive research and analysis on the topic. While there may be some studies and reports available, there is a notable gap in the existing literature that hinders a thorough understanding of the factors influencing product differentiation and customer satisfaction in the brewery industry.

Another problem is the potential lack of alignment between the company's product offerings and customer preferences. Without a deep understanding of consumer behavior and market trends, Habesha Breweries struggle to effectively differentiate its products and meet the evolving needs and expectations of its target audience. Additionally, there are challenges related to the implementation of effective strategies for product differentiation and customer satisfaction. This could include issues such as limited resources, competition from other breweries, and the need for continuous innovation to stay ahead in the market.

Some studies on this topic include Chao (2015), who emphasizes the importance of image and satisfaction in building trust in a brand. Ciavolino and Dahlgaard (2007) focused on the impact of satisfaction on fairness in the food industry and also recognized the role of brand image. Upamannyu and Sankpal (2014) contributed to this understanding by addressing the relationship between image and integrity in the pharmaceutical industry and suggested that some images may

play a more important role than satisfaction. Abrudan et al. (2015) emphasized the importance of image and satisfaction as important determinants of loyalty and confirmed their impact on loyalty evaluation. Neupane (2015) believes that the effect of brand image on loyalty exceeds the effect of satisfaction, indicating the important role of image in improving customer loyalty. Additionally, Shiau (2014) suggested that innovation has a positive impact on customer loyalty from brands and that innovation helps create and maintain customer loyalty.

Aaker's perspective positions loyalty as a fundamental element of brand equity, emphasizing its role in contributing to the overall value of the brand. On the other hand, Keller's viewpoint suggests that loyalty is an outcome of brand equity rather than a determinant of it, emphasizing the perception of brand equity as distinct from the behavioral construct of loyalty. Nam et al. (2011) align with Keller's perspective, emphasizing that loyalty is a consequence of brand equity, highlighting the distinction between brand equity as a perception and loyalty as a behavioral intention related to repurchase.

Previous research supports product differentiation, especially high product differentiation, as an important determinant of brand loyalty (Iwasaki and Havitz, 1998). However, Martin (2004) stated that consumers can trust the brand even in product diversity. Consumers' purchasing behavior is based not only on their personalities but also on the features of these products. Other researchers (Quester and Lin Lim, 2003; Ferreira and Coelho, 2015; Kumar Mishra et al., 2016) also support Martin's theory and examine the relationship between product differentiation and trust. However, the nature and extent of this relationship has not yet been determined and requires further research. It was first noticed in the 1980s that brand image was related to customer satisfaction (Lanza, 2008). Much of the literature focuses on the consumer behind welfare measures, including their behavior and ethics (Cooil et al., 2007; Hansemark and Albinsson, 2004). However, little attention has been paid to the interaction between loyalty, product differentiation and customer satisfaction. Although it has been shown in the literature that brand loyalty is directly affected by brand names, researchers have not yet determined the role of consumer satisfaction in the relationship between fairness and the difference between different products for different products. Despite the importance of the topic and the amount of research on loyalty, brand image, and customer satisfaction, there is little research on the relationship between these three variables. Lei and Chu's (2015) research is important in that it

shows the mediating role of customer satisfaction in the relationship between brand and image in the printing business. They concluded that brand image is associated with loyalty adjusted to customer satisfaction. Lei and Chu added that perceived value is the most important and important differentiator in the development of brand image.

The mediating effect of customer satisfaction on product differentiation and customer loyalty within the context of Habesha Breweries presents an interesting area for research. Some potential research gaps that could be explored in this specific context include: Limited research on the specific relationship within the Ethiopian beer market: There are a lack of studies specifically focusing on the Ethiopian beer market, particularly in relation to how product differentiation influences customer satisfaction and, subsequently, customer loyalty within the context of Habesha Breweries. Exploring this relationship within a unique market like Ethiopia's beer industry can provide valuable insights that are relevant to the local business environment. Investigating the challenges and opportunities specific to the brewing industry in Ethiopia, and how these may affect the relationships between product differentiation, customer satisfaction, and loyalty, could provide practical insights for Habesha Breweries and similar companies operating in this sector.

Furthermore, there are a lack of data and insights on the specific preferences and perceptions of Ethiopian consumers when it comes to beer products. Understanding the unique cultural, social, and economic factors that influence purchasing decisions is crucial for developing successful differentiation strategies and ensuring high levels of customer satisfaction. Overall, addressing these problems requires a comprehensive and multifaceted approach that involves in-depth research, strategic planning, and a strong focus on meeting customer needs and expectations. By identifying and addressing these challenges, Habesha Breweries can position itself as a leader in the market and build long-term customer loyalty.

### **1.3. Objective**

#### ***1.3.1. General Objective***

The general objective of the study is to analyze the Mediating effect of customer satisfaction between product differentiation and customer loyalty: The case of Habesha Breweries.

### ***1.3.2. Specific Objective***

1. To examine the effect of product differentiation on customer loyalty in the context of Habesha Breweries.
2. To examine the effect of customer satisfaction on the customer loyalty.
3. To analyse the effect of Product differentiation on customer satisfaction.
4. To analyze the mediating effect of customer satisfaction between product differentiation and customer loyalty.

### **1.4. Research Questions**

1. To what extent does product differentiation affect customer loyalty?
2. What is the effect of customer satisfaction on the customer loyalty?
3. What is the effect of Product differentiation on customer satisfaction?
4. To what extent does customer satisfaction mediate the relationship between product differentiation and customer loyalty?

### **1.5. Scope of the study**

The theoretical scope of the study is rooted in theories of consumer behavior, product differentiation, customer satisfaction, and customer loyalty. This may include theories such as the Theory of Reasoned Action, the Expectancy-Disconfirmation Model, and the Brand Loyalty Model, among others.

The conceptual scope focus on understanding the specific factors that contribute to product differentiation, customer satisfaction, and customer loyalty within the context of Habesha Breweries. Specifically the study includes brans of Habesha breweries of Kidame and Habesha Kostara Taem beer.

The geographical scope of the study limited to Habesha Breweries and its customer base in a specific region or regions. This may involve conducting research and data collection within the areas where Habesha Breweries operates and where its customers are located, in order to obtain relevant and specific insights into the relationships between product differentiation, customer satisfaction, and customer loyalty within this particular market.

The methodological scope of the study may involve both quantitative and qualitative research methods. This may include conducting surveys, interviews, and focus groups with customers to gather their perceptions and experiences with Habesha Breweries' products and services. Additionally, data analysis of sales figures, customer feedback, and market trends may be used to provide a comprehensive understanding of the factors influencing product differentiation, customer satisfaction, and brand loyalty within the company. The study may also utilize statistical analysis and modeling techniques to identify patterns and correlations between different variables. Overall, the methodology aim to provide a rigorous and comprehensive analysis of the relationships between the key variables under investigation.

## **1.6. Significance of the study**

The significance of the study is to understand the relationship between product differentiation, customer satisfaction, and customer loyalty in the context of Habesha Breweries. By testing these hypotheses, the study aims to provide valuable insights for the company to improve its products and services, enhance customer satisfaction, and ultimately increase customer loyalty. Understanding these relationships can help the company make informed decisions about its marketing strategies and product development efforts. Additionally, the study can contribute to the existing literature on consumer behavior and brand loyalty in the context of the brewing industry.

## **1.7. Organization of the study**

This research paper is divided into five parts. The first chapter introduces the introduction, explains the research history, problem statements, research questions, research objectives, the research and its significance. Likewise, Chapter two includes a detailed analysis of theoretical

and empirical data from the perspective of future research topics, and this chapter includes the content of the study. In the third chapter, the researcher introduces the research process. Section 4 of this article presents the presentation, analysis, and interpretation of the data. In the last section, the main findings, results and recommendations of the study are presented.

### **1.8. Limitation of the Study**

The study is constrained by several limitations that may impact the generalizability and applicability of its findings. Firstly, the research is limited to specific brands of Habesa breweries, particularly focusing on the Kidame and Habesha Kostara Taem beer brands. Moreover, the geographical constraints of the study further limit. By focusing on only selected regions of Ethiopia.

Additionally, the exclusive focus on a single brand within a specific geographic area may limit the study's ability to capture the full spectrum of factors influencing customer loyalty and satisfaction. It is possible that different brands or regions within Ethiopia may exhibit unique characteristics and dynamics that were not captured in the study.

These limitations underscore the need for caution when interpreting and applying the study's results, as they may not fully represent the broader consumer landscape or the complete range of products offered by Habesa breweries. Future research endeavors should consider expanding the scope to encompass a wider array of brands and regions in order to provide a more comprehensive understanding of customer loyalty and satisfaction within the context of the brewery's operations.

## CHAPTER TWO

### 2. RELATED LITERATURE REVIEW

#### 2.1. Concept and Definition

##### 2.1.1. *Product Differentiation*

Product differentiation refers to making a company's products different from competitors' similar products and more attractive to a particular business. It is a strategy to gain competitive advantage over rivals through various strategies such as price promotion, marketing image, effort, packaging, product quality and goods that people use. According to Philip Kotler, differentiation is the company's decision to create different content that differentiates its products (i.e. its products) from its competitors. Different products are unique in themselves. Today the market is full of traders and consumers, so there are many options to choose from. In the current high demand environment, many products from different companies or brands are offered to customers, and it is not easy for merchants to find basic products unless they know what consumers want. Where to Buy. This is where different products come into play for marketers (Edward, 1933).

Product differentiation means offering customers things they value that competitors cannot provide. Since customers react differently to different products/services, it is important to design products/services from the customer's perspective (Pehrsson, 2012). This statement is also confirmed by Murphy (2007), who says that successful differentiation consists of three things: setting high prices for products, increasing sales by gaining more customers because the products are different, and ensuring that buyers remain for fairness purposes. A good foundation for product differentiation allows businesses to increase revenues, eliminate threats, and exploit opportunities (Carpenter and Moore, 2016). Customers get better value for money and enjoy the product. The best value comes from having good products, the best equipment, good service or special requirements on certain issues. Thus, differentiation creates competitive advantage by

increasing customer loyalty and reducing price sensitivity for certain products/services (Chege, 2018).

Companies can use different levels of strategies to differentiate their products from others. Hernant, Mikael, and Thomas (2011) suggest that some of the different strategies that organizations adopt to increase sales involve the interaction of various products in the market. These include: offering quality products, wide selection, variety, location selection, after-sales service, good service, convenient location, parking, beautiful design, cloud-based design Good atmosphere, sales support, convenient opening hours, registration/Extra cost and special services. This strategy is often used in monopolistic competition with homogeneous, highly differentiated but differentiated products. Therefore, product differentiation will be more effective as it prevents competitors from testing to gain brand trust and reduces price sensitivity. This is also supported by Beynon (2015), who believes that differences can lead to consumer disappointment and decreased price sensitivity.

Customers have a reason to make repeat purchases and remain loyal to the company. Loyalty itself is the result of greater investment in the customer (Malaval, 2001, p. 98). Hu (2011) and Chen and Myagmarsuren (2011) stated in their research that product consistency is a reason for customer loyalty. Brand loyalty indicates loyalty to customers and indicates that they are willing to pay a premium for the product and/or purchase more production (Ambler, 2008, p. 17, 416). According to Kotler and Keller (Yuni Tarida, 2012), product differentiation is the process of combining values and is effective in differentiating the company from its competitors.

### ***2.1.2. Product Differentiation types***

Differentiation means that the products or services a company offers are unique, in other words, it produces products or services that are considered unique in the industry. This includes design, display format, technology, operations, customer service, sales, etc. It can be done via. Differentiation have three categories. First, to achieve differentiation, companies can focus directly on the characteristics of products (or services), namely product performance, product complexity, time or location of production. Second, companies can focus on relationships with customers by creating products, customer products, and products. Finally, diversification can be

achieved by focusing on connections within or between companies, including connections within the company's operations, connections with other companies, products, exports, and services. Ideally, companies should be different from each other (Porter, 2004; Rothaermel, 2015).

A company can stand out from its competitors if it is unique in some way that buyers find important. Basthan Imanuel Tarigan (2022) believes that product differentiation is the change that makes the product attractive. Differentiation requires market research and understanding of competing products to differentiate them, Erica (2013). According to Kotler (2017), different products include Riyono and Budiharja (2017): Features are the features that define the main role of the product. Performance (performance) is a function that complains about the performance of basic features. Similarity refers to the degree of similarity between each product and the degree to which it achieves the intended purpose. Durability is a measure of how well a product performs. Brand image is an important part of business and branding has become an important factor in the success of a business organization Raws li Rangkuti (2017).

### **Brand Image**

Brand is the name and/or special symbols (such as logo, symbol or packaging) that appear when promote the products or services of the seller or group of sellers (Sagita and Siswahyudianto 2022). Image quality plays an important role in the decision process of products because image quality can increase the purchase price for customers. Brand image is a type of memory that includes customers, tastes, uses, customer characteristics and slow features, imprints and/or product/characteristics. Handayani et al. (2022). Additionally, brand image is what customers think when they hear or see the customer's name, making it easier to find different products and be satisfied. Take advantage of the plan. According to Mulyana and Sudartno's (2021) research, Umairah's (2019) research shows that the price affects the return order, the higher the value of the product, the higher the customer's return decision. According to Ramzan and Maharajyono (2020), price is the amount of money, usually in currency (rupees, US dollars, Japanese yen, etc.), that a consumer uses to purchase goods or services that he is interested in and wants. Price is an important indicator in business as it affects output (Milau Harman, 2017), indicators include:

a) Capacity to pay, b) competitive prices,c) adjusted benefits and br >d) competitive price and quality.

## **Price**

According to Tjiptono (2019), price is the measure of value that evaluates and exchanges the right to use or possess a product or service Umairah (2019). According to Mulyana and Sudrartno's (2021) research, Umairah's (2019) research shows that the price affects the decision to return the product, the higher the necessity of the product is the customer's return decision. According to Ramzan and Maharajyono (2020), Price is the amount of money a customer must spend to purchase a product or service that he/she is satisfied with and desires, and is usually expressed in currency (rupees, US dollars, Japanese yen, etc.). Price is an important measure in business because price affects output (Milau Harman, 2017), indicators include:a) capacity to pay, b) competitive prices,c) adjusted benefits and br >d) competitive price and quality.

## **Quality of a Product**

Conceptually, good things have two aspects. One is objective and the other is common sense (Brunso, Bredahl, Grunert & Schholderer, 2005). Quality objective refers to measurable parameters such as product performance, product performance, durability and quality control (Pauwels and Desotes, 2012). Besides endorsement, it is the brand's quality that makes customers choose one product over another. Consumers prefer satisfactory products that fit into their pockets while ensuring quality. This includes beautiful design, perfume penetration, color protection technology and other functions.

### ***2.1.3. Customer Satisfaction***

Oliver (1997) states that satisfaction is the equivalent of customer satisfaction. It is determined that the product or service works or that the product or service itself provides (or provides) the lowest or highest level of health satisfaction. Johnson (2001) stated that customer satisfaction has two basic elements. The first type of thinking can be represented by Oliver (1980), who says that the measurement of satisfaction should be based on a specific product or service business; this

can be defined as making decisions after making decisions about certain decisions. Scientists like Anderson have developed other ideas as well. (1994); Garbarino and Johnson (1999); (1999) found satisfaction with the customer's overall experience with a company, product, or service.

Xianda et al. (2010) defined customer satisfaction as the difference between customer needs and perceptions of service/product quality. As a result, satisfied customers can improve perceptions and increase repeat purchases (Lau et al., 2013). Customer satisfaction has attracted more attention from researchers and experts as evidence of academic research and the main tool used by financial institutions to increase customer loyalty and ultimately corporate performance and profitability (Mohsan et al., 2011).

Customer satisfaction refers to the need for satisfaction, evaluation of final and actual results, purchase desire and evaluation (Gronroos, 2010). It focuses on measurements that determine customer satisfaction with the company's products and capabilities (Bassan and Kathuria, 2016; Gupta, 2016; Khare, 2011; Zeithaml and Bitner, 2013). The research understands customer satisfaction as a measure of customer satisfaction with a company's product or service, management, and experience.

Today's businesses need to be customer-focused as customer satisfaction is the starting point of performance and effectiveness (Bassan and Kathuria, 2016; Sendawula et al., 2018). Making customers happy is the purpose of the business because the business depends on them, not on customers trusting the business. Customer satisfaction is an advantage for companies because they do not change easily (Harzaviona and Syah, 2020; Nikou and Khiabani, 2020). Satisfied customers will share their experiences with others, and dissatisfied customers will share their bad experiences with other customers, which will cause business loss (Felix, 2017; Talia, 2007). Additionally, dissatisfied customers may decide not to complain and leave the company and turn to competitors (Hasfar et al., 2020; Islam et al., 2020). Therefore, service/product providers must ensure customer satisfaction.

#### ***2.1.4. Loyalty of Customer***

Yi (1990), Hallowell (1996) and Homburg and Giering (2001) stated that customer trust was initially considered a behavioral concept, measured by purchase series or shares, recommendations and size, requiring repeat purchases or service. Relationships or all of the

above combined. Day (1969) found that behavioral aspects of loyalty were insufficient to distinguish between true and false loyalty and suggested that loyalty should be measured by both attitude and behavior. Researchers such as Jacoby and Kyner (1973), Dick and Basu (1994), Oliver (1997) and Berne' et al. (2001) emphasized the purpose of justice. The need to engage with the equity product was highlighted by Bandyopadhyay and Martell (2007); Bandyopadhyay and Martell (2007) suggest that there are situational factors (e.g. lack of inventory), personal factors (e.g. reluctance to change), and cultural (e.g. social relationships). ) distinguishes behavioral loyalty from behavioral loyalty.

Over the years, customer trust has been widely used and used in customer service management (Saeed et al., 2011). For this reason, this issue has attracted the attention of researchers recently (Khan, 2012). Customer loyalty is defined as a firm commitment to regularly purchase or revisit a product or service that will result in the same type of repeat purchases in the future, regardless of marketing and influence that will lead to behavior change (Oliver, 1992). .

The important role that loyal customers play in a profitable organization cannot be ignored (TweneboahKoduah and Farley, 2016). Loyal customers are less likely to switch to a competing brand simply because of price and other special promotions. They attract new customers through word of mouth and have low maintenance rates (Yoo and Bai, 2013). Zairi (2009) believes that past research has shown that organizations can benefit greatly from developing high levels of loyalty. In their early research on the service industry, Reichheld and Sasser (1990) found that a 5% increase in customer retention resulted in a 125% increase in revenue.

Purchasing decision is the stage where consumers receive information and recommendations regarding the products or services they need for future purchases, Erica (2013). Purchasing decision is the behavior of purchasing or using products or services that a person believes will satisfy him and there is a risk of satisfying him (Rahman 2022). According to (Kotler and Armstrong, 2018), purchasing decisions are defined as the process of solving problems defined by Kotler (2011), evaluating options and performance targets, and setting goals that determine the high advantages and disadvantages of each. Apparently, the elements of the purchase decision include: a) the safety of the product, that is, the consumer's confidence in the product when choosing to purchase it; b) purchasing behavior, i.e. the similarity of the customer's

behavior in purchasing the product because it meets his expectations; c) Tell others, such as satisfied customers, to friends or family about the products they experienced, including services or purchasing outcomes that users return to purchase and are happy with, Kotler (2011).

Loyalty is the firm determination to continue to repurchase or revisit a favorite product/service over time, even though the size of the event and the business is the primary reason for the change in character. It is the customer's decision to purchase a particular brand repeatedly (Daniel, Kannan, & Kumaran, 2015). For this reason, businesses that want to be more profitable than other companies try to ensure that their customers remain loyal to their brands. What is called customer loyalty means encouraging customers' behavior, driving them to buy again, increase spending, and become promoters of the seller's product. It's not just about customer satisfaction. It can be done by creating different experiences and products that customers will like and value decisions. If managers do not do everything possible to measure the difference in their products by ensuring that resources and specific production methods are efficient, attract customers, and are created with integrity, they will risk losing out to competitors.

The concepts of "customer satisfaction" and "customer loyalty" are important in the business of customer behavior. Loyal customers who buy again from a particular brand are the foundation of every business. In the past, it was thought that the only thing that led to repeat customer behavior was "customer satisfaction". It later became clear that although customer satisfaction is a necessary factor in repeat purchases, it is not enough for a brand to just have satisfied customers. In the long run, Deming (1986) argued that it is not enough for companies to satisfy their customers. Additionally, Jones (1996) argued that simply satisfying customers with free choice is not enough to maintain their loyalty. Although customer satisfaction is an elusive goal, its impact on loyalty and performance is unclear (Kumar, Pozza, and Ganesh, 2013). Therefore, in the post-purchase customer area, "customer loyalty" as well as "customer satisfaction" attracted attention.

Companies often use business metrics such as loyalty, market share, bonus rates, and customer lifetimes to determine their success or failure (Kotler and Keller 2012). The main purpose of marketing for companies to gain competitive advantage is to create and use customer loyalty for their brands (Muthukrishnan, 2015). Loyal customers are an asset to every business. Even if an

influencer or marketing campaign leads to a change in behavior, loyal customers remain intent on purchasing again from the same brand (Lee, Moon, Kim, & Yi, 2015). Therefore, acquiring loyal customers is the ultimate goal of every brand.

Repeat purchasing behavior is initially associated with trust (Shang, Chen, & Liao, 2006). Since buyback means temporary acceptance, the concept has been extended to include behavioral and ethical aspects. While behavioral loyalty means that customers buy the same brand repeatedly, attitudinal loyalty refers to customers' determination to purchase a product due to the benefits associated with that product (Chaudhuri and Holbrook, 2001). The price is determined by the customer's perspective, because what is important to one customer may not be valuable to another. Although most of the customers will prefer the product over others when using it. The same common business strategy through agreement or cost savings will win customer loyalty. In order for businesses to gain customer trust, they must provide good or useful services to customers. When product quality cannot be maintained in a competitive market, customers may turn to competitors.

## **2.2. Theoretical Framework**

### ***2.2.1. Resource-Based Theory***

Theory-based theory expressed by Penrose (1959) believes that an organization is a collection of unique resources and capabilities that underpin the ideas in the organization and form the core of the organization. He believes that organizations with valuable resources have a significant advantage over organizations without resources. In contrast, resources are strategic because they are valuable, rare, difficult to unlock, and irreplaceable. These four characteristics define creative resources their products. This includes but is not limited to repeat business transactions from customers. Additionally, customer trust is important for service management (Caruana, 2002). Customer loyalty is seen as a multifaceted structure (Dahiyat et al., 2011). Behavioral can be measured using behavioral and composite measures (Cifci and Erdoğdu, 2016). Attitudinal loyalty refers to the extent to which consumers decide to be loyal out of good will. Loyalty refers to the extent to which consumers continue to purchase a particular product, service or brand (Khajeheian and Ebrahimi, 2020). Behavioral loyalty helps organizations by increasing sales through repeat purchases. Composite loyalty combines attitudinal and behavioral measures of loyalty (Iordanova, 2017; Liu et al., 2020). Compound loyalty is important because it allows

businesses to generate more sales from a strong loyal customer base (Rasoolimanesh et al., 2019).

### ***2.2.2. Differentiation theory***

On the other hand, differentiation theory says that the company's ability to achieve competitive advantage depends on how the organization manages other variables such as quantity and quality, strengths and weaknesses. Porter (1990) identifies some of the different strategies used by companies: product differentiation, multiple differentiation of cover quality, selection, differentiation, location and body; After-sales service is a sales that includes planning and opening of the seller's own brand, quality service, distribution, support. Because it focuses directly on the goal pursuit and sees the quality of the product as a different strategy to satisfy and interest the customer, thus proving that the customer is loyal to certain products.

### ***2.2.3. Theories used in the study***

The Resource-Based Theory can be connected to these study in the context of customer loyalty and satisfaction within Habesa breweries. According to Penrose (1959), organizations with valuable resources have a significant advantage over those without resources. In the case of Habesa breweries, the unique resources and capabilities they possess, such as the quality of their beer products, customer service, distribution network, and brand reputation, can contribute to customer loyalty and satisfaction. These resources are valuable, rare, difficult to imitate, and irreplaceable, making them strategic assets that can attract and retain customers.

Moreover, the theory emphasizes the importance of customer trust and repeat business transactions in building long-term relationships with customers. Customer loyalty is multifaceted, encompassing both attitudinal and behavioral aspects. Behavioral loyalty, which involves repeat purchases and increased sales, can be enhanced by providing high-quality products and services that meet customer needs and preferences. Composite loyalty, which combines attitudinal and behavioral measures of loyalty, is crucial for generating more sales from a strong loyal customer base.

On the other hand, Differentiation Theory can also be relevant to my study by highlighting the importance of product differentiation and quality in achieving competitive advantage. Porter

(1990) identifies various strategies that companies can use to differentiate themselves from competitors, including product differentiation, quality service, after-sales support, and brand reputation. By focusing on delivering high-quality products and services that meet customer expectations and preferences, Habesa breweries can differentiate themselves in the market and attract loyal customers who are willing to repeat purchases.

In summary, both the Resource-Based Theory and Differentiation Theory can provide valuable insights into how Habesa breweries can enhance customer loyalty and satisfaction through their unique resources, capabilities, product differentiation, and quality service. Based on these theories, I consider focusing on aspects such as the quality of beer products, customer service, brand reputation, and differentiation strategies to improve customer loyalty and satisfaction in the study.

### **2.3. Empirical Evidence**

John et al. (2020) examined the impact of brand image and product differentiation on customer loyalty: a case study of private school iPhone users. This research aims to understand the impact of image type and different products on iPhone customer loyalty. . Findings show that product differentiation has a positive impact on iPhone customer loyalty through form, functionality, flexibility, performance, similarity, connectivity plus, reliability, easy repair, style and design. This study concluded that the type of image and different products affect iPhone customer loyalty among private students, more images and different products can ensure customer loyalty of the department company. ) examined the development of customer loyalty, brand loyalty, and brand loyalty. The scale factor is 100. The analysis methods used are regression analysis and t test. This study concludes that to increase customer trust, companies must be able to use quality products appropriately.

The study also found that many elements of product quality, such as performance, functionality, reliability, consistency, continuity, usability, beauty and validation, can be used to increase customer trust. Zhenjie et al. (2019) examined the mediation of customer loyalty in the relationship between differentiation and price in online shopping. The sample of the research consists of 314 participants. Structural Equation Modeling (SEM) was used to test the hypothesis

of the link between assortment, customer loyalty, and price. The results of the evidence suggest that some differences between online retailers may increase the potential for horizontal costs. The results show that online stores using non-competitive bidding have higher prices than other stores development impact. The target group is 57 companies and the sample size is 32 companies. Surveys are important tools in collecting data. This study used simple regression to analyze the data and found that different product strategies were associated with the economic growth of Kenyan financial institutions.

Tarim, Nimra and Tariq (2015) examined how satisfaction, brand image, price, packaging, and perceived quality influence brand loyalty. A self-administered questionnaire through mall intercept method was used for survey purposes. Valid sample size was 300 comprising all adults and both genders. A multiple step procedure was adopted which is inclusive of identifying outliers, ascertaining normality of the data, reliability analysis, validity analyses, CFA for all the constructs through structural equation modeling (SEM), and testing the overall model through SEM. It was revealed from the analysis that price was the strongest predictor of brand loyalty followed by packaging and satisfaction. Company image and perceived quality had no relationships with brand loyalty.

Khan, Salman, Nadeem, and Rizwan (2016) evaluated the impact of product and service quality on brand loyalty. In this study, attitudes and ethical behaviors in fast food restaurants were examined. Perform regression and correlation analysis. The results showed that there is a positive relationship between product and service quality and honesty-based ethics, and a positive relationship between product and service quality and acting trustworthy.

Pearce and Robinson (2015) conducted a study that investigated the relationship between resource-based theory and customer loyalty in the brewery industry. The researchers found that firms with valuable and rare resources, such as strong brand reputation and innovative product offerings, were able to differentiate themselves from competitors and attract loyal customers. By leveraging their unique resources and capabilities, these firms were able to enhance customer satisfaction and build long-term relationships with their customers, ultimately leading to increased profitability.

Chege (2018) conducted research on the impact of differentiation theory on customer loyalty in the brewery industry. The study revealed that companies that focused on creating distinctive and high-quality products were able to differentiate themselves from competitors and attract loyal customers. By emphasizing product quality and innovation, these companies were able to build strong brand identities and foster customer loyalty. The findings highlighted the importance of product differentiation in building a competitive advantage and enhancing customer relationships in the brewery industry.

Adinan and Abukari (2013) conducted a study on the role of brand differentiation in customer loyalty within the brewery industry. The researchers found that companies that invested in building strong brand identities and communicating their unique value propositions to customers were able to create emotional connections with consumers. This emotional attachment led to increased customer loyalty and satisfaction, as customers were more likely to choose the brand over competitors. The study emphasized the importance of brand differentiation in building customer loyalty and driving business success in the brewery industry.

Onodugo, Nwonye, Anowor, and Ofoegbu (2019) conducted research on the relationship between product quality and customer satisfaction in the brewery industry. The study revealed that companies that focused on delivering high-quality products consistently were able to meet customer expectations and exceed their satisfaction levels. Customers who perceived the products as superior in quality were more likely to become loyal patrons of the brand, leading to increased customer retention and loyalty. The findings underscored the importance of product quality in enhancing customer satisfaction and loyalty in the brewery industry.

Kopp (2019) conducted a study on the impact of innovation on customer loyalty in the brewery industry. The research findings indicated that companies that prioritized innovation in their product development processes were able to create unique and appealing products that resonated with customers. By continuously introducing new and improved offerings, these companies were able to differentiate themselves from competitors and attract loyal customers who valued innovation. The study highlighted the significance of innovation in building customer loyalty and driving business growth in the brewery industry.

Anowor, UVA Kui, and Chikundu (2019) conducted research on the relationship between customer service quality and customer loyalty in the brewery industry. The study revealed that companies that prioritized delivering exceptional customer service experiences were able to build strong relationships with customers and foster loyalty. Customers who received personalized attention, timely responses, and efficient service were more likely to develop emotional connections with the brand and become loyal advocates. The findings emphasized the importance of customer service quality in enhancing customer loyalty and satisfaction in the brewery industry.

## 2.4. Conceptual Framework

From the discussion of theoretical and empirical evidence conceptual framework had developed and presented below. It indicates that the relationship between product differentiation, customer satisfaction and customer loyalty. Customer loyalty mediates between product differentiation and customer loyalty.

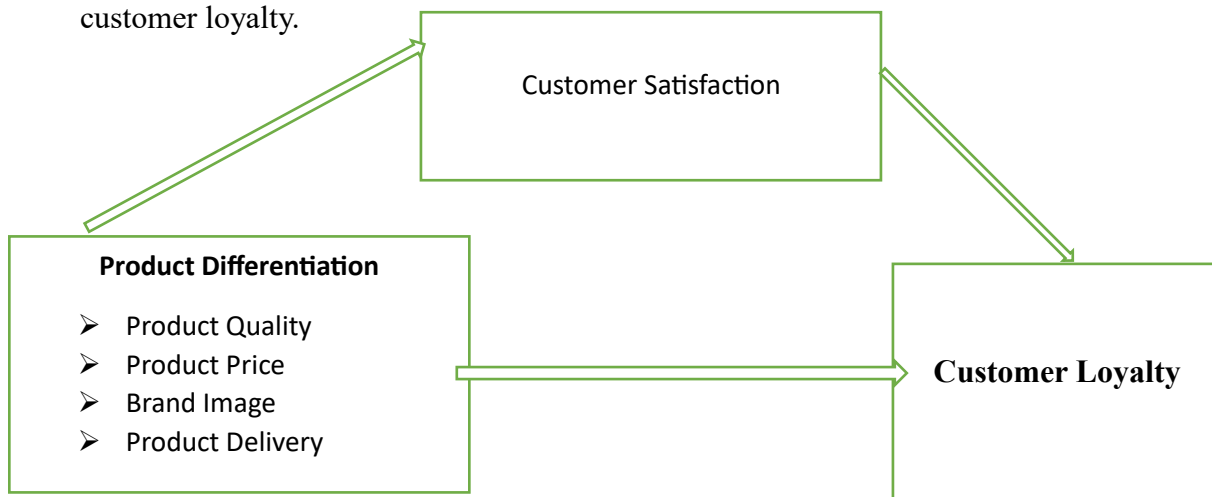


Fig 1: Conceptual framework

Source: Self compiled from theoretical and empirical base

## 2.5. Research Gaps and Hypotheses Development

Product quality is related to satisfaction (Taylor (2002), Caruana (2002)). Additionally, Dimiyati (2011) stated that the product has a positive effect on customer satisfaction.

### **H1: Product quality significantly affect customer satisfaction**

Price is very important for the customer because it will be a guide in evaluating the suitability of the benefits provided by the product with the material and moral sacrifices. Consumers also use price as one of their concerns. Voss et al. (1998) and Bei and Chiao (2001) found that price has a positive effect on customer satisfaction. These results are in contrast to the study by Ostrowski et al. (1993), Mahmoud et al. (2013) found that price had no effect on customer satisfaction.

### **H2: Product price significantly affect customer satisfaction**

Most companies today are aware that many customers are not specific to a particular brand (Dekimpe et al., 1997; Bennett and Rundle, 2005; Kapferer, 2005). Aaker and Keller (1990), Tu et al. Thakur and Singh (2012) (2012) found that brand image has a positive effect on satisfaction.

### **H3: Brand image significantly affect customer satisfaction**

Customers will also consider delivery as one of their satisfaction criteria. Voss et al. (1998) and Bei and Chiao (2001) found that delivery has a positive effect on customer satisfaction.

### **H4: Product Delivery significantly affect customer satisfaction**

Zeithaml, Parasuraman, and Berry (1996) found that product quality can directly affect loyalty. Bei and Chiao (2001) also found that product quality and customer satisfaction appear as satisfaction, thus satisfaction affects customer loyalty. Customers show their loyalty by purchasing from a company repeatedly.

### **H5: Product quality significantly affect customer loyalty**

Tariq, Nimra and Tariq (2015) studied satisfaction, brand image, price, volume and perceived effectiveness for brand loyalty. The analysis found that price was the strongest determinant of brand loyalty, followed by packaging and satisfaction. Company image and approval have no relationship with customer loyalty.

### **H6: Product price significantly affect customer loyalty**

Tariq, Nimra and Tariq (2015) studied satisfaction, brand image, price, volume and perceived effectiveness for brand loyalty. The analysis found that price was the strongest determinant of brand loyalty, followed by packaging and satisfaction. Brand image and endorsements are not about business loyalty.

**H7: Brand image significantly affect customer loyalty**

Tariq, Nimra and Tariq (2015) examined how satisfaction, brand image, price, packaging and delivery, and perceived quality influence brand loyalty.

**H8: Product Delivery significantly affect customer loyalty**

Bei and Chiao (2001) also found that product quality and customer satisfaction appear as satisfaction, thus satisfaction affects customer loyalty. Customers show their loyalty by purchasing from a company repeatedly. This behavior leads to repeat purchases and sharing of positive rumors. This finding is consistent with Selnes (1993), who states that customer loyalty can be created if the customer is satisfied with the brand or level of product he purchased and intends to continue the relationship further. When looking at relationship loyalty, customer satisfaction is said to be the main reason for customer loyalty (Wong, Tong and Wong, 2014; Akroush and Abu-ElSamen, 2012; Oliver, 1997; Anderson and Sullivan, 1993; Cronin and Taylor, 1992). It is believed that if customers are satisfied with the products offered or if the products/services are provided above their expectations, good word of mouth will spread to customers and cause repeats in the future (Kaura et al., 2015; Ali) and Raza, 2015; Oliver, 1997). Satisfied customers tend to stay with the company, while dissatisfied customers definitely leave the company. Anderson and Fornell (1994) stated that satisfaction is considered an important factor in relational behavior because satisfaction will make customers loyal to the brand and therefore increase trust.

**H9: Customer Satisfaction significantly affect customer Loyalty**

Caruana (2002) and Aryani and Rosita (2010) found that product quality does not affect customer loyalty, but does affect it through customer satisfaction. Dimiyati (2015) stated that customer satisfaction has a positive effect on customer loyalty. Later, Yulisetiari (2016) found that the perception of customer satisfaction leads to customer loyalty. AuliaDanibrata (2019)

learned how to increase customer loyalty through quality products, brands and trust. Analytical methods used are repeated measures and t test. This study concludes that to increase customer trust, companies must be able to use quality products appropriately. Marketing increases sales, which results in more revenue for the company. Akhter et al. (2011) found that customer loyalty is directly related to customer satisfaction, product image, and trust and customer relations. Al-Wugayan and Pleshko (2010) also found in their study on joint venture companies in Kuwait that the effect of customer satisfaction on loyalty was positive but the effect was small. Ofosu-Boateng and Acquaye (2020) found a significant relationship between customer satisfaction and customer loyalty in the hospitality industry in Cape Coast, Ghana. A recent study by Nshimiyimana (2020); Osman and Sentosa (2014); Patel and Desai (2016); Therefore, this study assumes that:

**H10: Product quality have a significance effect on customer loyalty through customer satisfaction**

Khan, Salman, Nadeem, and Rizwan (2016) evaluated the impact of product and service quality on brand loyalty. In this study, attitudes and ethical behaviors in fast food restaurants were examined. Zhenjie et al. (2019) examined the mediation of customer loyalty in the relationship between differentiation and price in online shopping factors (Wong, Tong and Wong, 2014; Akroush and Abu-ElSamen, 2012; Anderson and Sullivan, 1992; it is believed that a good performance will be achieved if customers are satisfied with the products offered or the products/services offered beyond what they want.) Word of mouth then customers and causes repeat purchases in the future (Kaura et al., 2015; Ali and Raza, 2015; Oliver, 1997). Satisfied customers tend to stay with the company, while dissatisfied customers definitely leave the company. Anderson and Fornell (1994) stated that satisfaction is considered an important factor in relational behavior because satisfaction will make customers loyal to the brand and therefore increase trust.

**H11: Product Price have a significance effect on customer loyalty through customer satisfaction**

John et al. (2020) examined the impact of brand image and product differentiation on customer loyalty: a case study of private school iPhone users. This research aims to understand the impact

of image type and different products on iPhone customer loyalty. Findings show that product differentiation has a positive impact on iPhone customer loyalty through form, functionality, flexibility, performance, similarity, connectivity plus, reliability, easy repair, style and design. This study concluded that brand image and different products will influence iPhone customer loyalty among private students, the higher the product and different products can lead to trust in the company's customers. The relationship between customer satisfaction and customer satisfaction is said to be important in developing customer loyalty (Wong, Tong and Wong, 2014; Akroush and Abu-ElSamen, 2012; Oliver, 1997; Anderson and Sullivan, 1992). It is believed that if customers are satisfied with the products offered or if the products/services are provided above their expectations, good word of mouth will spread to customers and cause repeats in the future (Kaura et al., 2015; Ali) and Raza, 2015; Oliver, 1997). Satisfied customers tend to stay with the company, while dissatisfied customers definitely leave the company. Anderson and Fornell (1994) stated that satisfaction is considered an important factor in relational behavior because satisfaction will make customers loyal to the brand and therefore increase trust.

#### **H12: Brand image have a significance effect on customer loyalty through customer satisfaction**

Mediating customer satisfaction has a direct impact on customer loyalty (AbuElSamen, Akroush, Al-Khawaldeh, and Al-Shively, 2011). Different quality products will give customers a good experience. The quality of this customer experience affects the customer's purchase intention, which is the determinant of customer loyalty. Therefore, product differentiation is necessary but not sufficient to create customer loyalty unless the delivered product satisfies the customer. According to Baron and Kenny (1986), reconciliation occurs in the following situations: 1. Differences between different products (product variables) affect different interactions (customer satisfaction). 2. Individual difference (product quality) affects individual difference (customer loyalty). 3. In the presence of individual differences (deliveries), the difference in fit (customer satisfaction) will influence the differences in the customer (consumer loyalty of individuals). Therefore, it can be assumed that:

#### **H13: Product delivery have a significance effect on customer loyalty through customer satisfaction**

## CHAPTER THREE

### 3. RESEARCH METHODOLOGY

#### 3.1. Introduction

This chapter deal with the description of the Research approach and design, data types and sources, data collection, and methodology that used in the study by presenting methods, techniques, and procedures utilized in the study to reach the research findings. The research population, data collection, and sampling methods were described; then this chapter explains collection procedures, issues related to validity, and the reliability of the instrumentation were discussed. Also, the data analysis process and the statistical tools that is used are explained.

#### 3.2. Research Approach and Design

The study employ a descriptive design. Descriptive research is concerned with the assessment of attitudes, opinions, demographic information, conditions, and procedures (Creswell, 2012). In this study, descriptive research design is appropriate as it helps to explain and assess of attitudes, opinions, demographic information, conditions, and procedures in study of the mediating effect of customer satisfaction between product differentiation and customer loyalty the case of Habesha Breweries. The study used an explanatory research design since it deals with a cause and effect relationship of variables. Hence the study employed both of descriptive and explanatory research design.

In this study, researchers used quantitative and qualitative methods to examine the relationship between customer satisfaction with different products and customer loyalty, using Habesha Brewery as an example. Both quantitative and qualitative research methods were used in this research project. Quantitative methods of research include giving surveys to participants and sending them back to the same researcher. Quantitative data refers to all these data and can be the product of any research (Saunders, Lewis, and Thornhill, 2015). Perhaps unsurprisingly, surveys are one of the most commonly used data collection techniques in many research strategies. The best research method is interviews with participants. Quantitative data were collected through surveys and qualitative data through interviews; therefore, both qualitative and quantitative methods were necessary to achieve the research objectives.

### **3.2.Data sources**

#### **3.2.1. Primary Data Sources**

To achieve the research objectives, pertinent primary or first-hand data gathered using different tools such as questionnaires.

#### **3.2.2. Secondary Data Sources**

The study also base on secondary data which collected from different sources such as books, and company reports, etc.

### **3.3.Population, Sample Size, and Sampling Techniques**

#### **3.3.1. Target Population**

Group refers to a group of people, events or things that follow a set of rules and share similar characteristics (Cooper and Schindler, 2003). Population research is also called bringing together well-defined individuals or subjects who are known to have similar characteristics (Creswell, 2012). All people or things in a group generally have common, binding characteristics or qualities. The focus of this study is consumers and sellers of Habesha Breweries products across Ethiopia.

#### **3.3.2. Sample Size Determination**

To determine the sample size of the population, for populations that are large, Cochran (1963:75) developed the Equation to yield a representative sample for proportions.

$$n_0 = Z^2 Pq / e^2$$

where  $n_0$  is the sample size,  $Z$  is the abscissa of the normality curve at the tail resection area (1 - equal to the required confidence level, e.g. 95%),  $e$  is the expected achieved level of precision, and  $p$  is the presence of the feature in the population Predicted percentage,  $q$ ,  $1-p$ .  $Z$  value can be found as the area under the normal curve in statistical data. We want to measure the customers of Habesha Breweries in some regions of Ethiopia, but we do not know the difference in the rates of this application; so let's assume that  $p = 0.5$  Also, let's say we want 95% confidence and  $\pm 5\%$  accuracy. The sample size is shown in Equation 2.  $n_0 = Z^2 Pq / e^2 = 385$ .

### **Sampling Techniques**

This sampling technique can be used when the researcher wants to select a representative sample in his opinion or purpose, select a large number of participants related to the research topic, and focus on people with special characteristics that qualify for assistance. Provide relevant research to look at a topic from all angles and gain a better understanding. These are examples to be experienced, not examples. The researchers used a random sample from this data.

## **3.4. Data Collection Instruments**

### **3.4.1. Questionnaire**

I have used the survey provided by other researchers. According to Sanders et al. (2005), most of the participants filled out the survey individually. A survey is a list of questions appropriate and organized according to the research problem and is designed to collect information from respondents necessary to solve the problem. Questions are a way to find the truth. It is one of the basic research tools that researchers use to gain information about the subject they study. Questions allow researchers to assign numerical values to answers and analyze them accordingly. Try to make the questions simple, clear and understandable. Questionnaire. 5-point likert scale items were used to assess study differences (5 indicating agreement and at least 1 indicating disagreement). Information is collected from the sample using accurate and reliable research

tools. First, Part A contains the background of the respondents. It includes the respondent's gender, race, age, marital status, and occupation. Second, part B was focused on analyzing and measuring differences.

### 3.5. Validity and Reliability of the study

Internal reliability tests were conducted to determine the stability and reliability of the research instrument (Malhotra, 2004). Malhotra (2004) Confirmation coefficients vary between 0 and 1; Values of 0.6 or lower generally indicate a lack of reliability. An alpha coefficient of 0.6 indicates weak internal reliability, 0.6-0.8 indicates strong internal reliability, and 0.8-1.0 indicates strong internal reliability (Malhotra, 2004). Information is collected from the sample using accurate and reliable research tools. SPSS was used to evaluate the reliability of the data and obtain the Cronbach's Alpha reliability coefficient.

Table 3-1: Reliability of the Instruments

No	Variable	Authors	Cronbach Alpha
1	Brand Image	Labiro (2017)	0.851
2	Product quality	Kotler (2017)	0.830
3	Product Price	Malau Harman (2013)	0.893
4	Product Delivery	Labiro (2017)	0.734
5	Customer Satisfaction	Kotler (2017)	0.823
6	Customer Loyalty	Kotler (2017)	0.817

The instruments were valid since it were adopted from validated instruments.

### 3.6. Data Analysis and Interpretation

Quantitative data gathered using structured questionnaire were processed via SPSS version 26. This subsection concern with the analysis of the relevant data collected during the study. It deals

with the results obtained, which answers the research questions. This method of reporting is based on by relevant interpretation of the findings.

### ***3.6.1. Descriptive Analysis***

Pre-analysis usually begins with an explanation. This approach makes it easier to think about the use of data, helps identify inaccuracies and errors, and understand the relationship between variables, enabling me to conduct future research. Save raw data in a format that is easy to understand and analyze; Reorganize, analyze and transform data so that it can show you important aspects of the information it contains. Descriptive analysis is a type of data study that helps explain, illustrate, or summarize content in order to develop a model that fits all the data.

### **3.7. Ethical Consideration**

Ethical judgment in research is the process that guides my research and practice. Participants in the survey also stated that they were able to participate in the study without any effort, and that there was no incentive for participants to learn about it at that time. These decisions help protect the rights of research participants, increase the validity of the research, and maintain the integrity or research.

## **CHAPTER FOUR**

### **4. FINDINGS, RESULTS AND DISCUSSION**

#### **4.1. Introduction**

This section includes the presentation of data, analysis and interpretation of research results. Presenting findings and discussion on the mediating role of different products between customer satisfaction and customer loyalty: a case study of Habesha Brewery. Data analysis was conducted to achieve the research objectives and answer the research questions. For data collection purposes, all surveys were distributed to a selected sample of Habesha Brewery customers. In this section, the data collected by the participants are presented and analyzed. Part of this study included statistical analysis and interpretation of results using SPSS version 26 integrated with Process.

#### **4.2. Response Rate**

As mentioned in the previous section of this study, a survey was created and distributed to all 384 consumers of Habesha Brewery products. 3 out of 384 surveys were returned incorrectly. Accordingly, 381 surveys were completed appropriately and the response rate was 99.76%. Feedback from 381 respondents regarding Habesha Breweries products was collected and used for analysis.

#### **4.3. General Information (Demographic data) of the Respondents**

The first part of the survey included details about the demographic characteristics of the respondents. Include the respondent's personal information such as gender, educational attainment, and marital status. The table below describes each characteristic of the survey respondents.

Table 4-1: General information of the respondents

		Freq	Perc %
Gender	Male	244	64.0%
	Female	137	36.0%
Age	18-25	48	12.6%
	26-36	203	53.3%
	37-49	48	12.6%
	50-60	48	12.6%
	Above 60	34	8.9%
Marital Statuses	Single	273	71.7%
	Married	102	26.8%
	Divorced	6	1.6%
	Widowed	0	0.0%
Level of Education	Certificate and Below	6	1.6%
	Diploma	48	12.6%
	BA/BSC Degree	283	74.3%
	Masters	44	11.5%
	PhD	0	0.0%
Income Level	Below 3000	38	10.0%
	3000-5000	59	15.5%
	5000-10,000	32	8.4%
	Above 10,000	252	66.1%

How frequently do you drink Habesha beer?	Once per week	216	56.7%
	2-5 days per week	133	34.9%
	Everyday	32	8.4%

**Source: Survey analysis result, 2024**

The study had a diverse sample in terms of demographic characteristics. The majority of the respondents were male, representing 64% of the participants. This indicates a higher participation rate from males compared to females. In terms of age, the study had a significant representation from young adults, with the majority falling within the age range of 26-36. This suggests that the findings are more applicable to this age group.

Regarding marital status, the study had a higher participation rate from single individuals, accounting for 71.7% of the respondents. This may reflect the preferences and behaviors of unmarried individuals in relation to Habesha Brewery products. In terms of education, the majority of the respondents had a BA/BSC degree, indicating a significant representation from individuals with undergraduate education. This suggests that the findings may be more relevant to individuals with this level of education.

In terms of income level, the study had a significant representation from individuals with higher income levels. The majority of the respondents had an income level above 10,000. This indicates that the findings be more applicable to individuals with higher purchasing power and disposable income. Lastly, in terms of the frequency of drinking Habesha beer, the majority of the respondents consumed it once per week. This suggests that the study captured insights from individuals who are regular consumers of Habesha beer.

Overall, the demographic results provide valuable insights into the characteristics of the respondents and their potential influence on the relationship between product differentiation, customer satisfaction, and customer loyalty in the context of Habesha Brewery. The findings can help inform marketing strategies and decision-making processes targeted towards specific demographic groups, such as young adults, singles, individuals with higher education and income levels, and regular consumers of Habesha beer.

## 4.4. Descriptive Statistics

The data collected in this section is analyzed using various data analysis tools such as mean, standard deviation, frequency and percentage. Descriptive statistics for each variable were measured on a 5-point Likert scale (“1” for “disagree” to “5” for “agree”). The total content (M) score between 4.21-5.00 is considered as the respondent's agreement (SA) and the respondent's average score of 3.41 -4.20 means they agree (A). The average score of 2.61 -3.40 indicates neutral (N), the average score of the respondents 1.81-2.60 indicates that they disagree, and the average score of the respondents 1-1.80 indicates that they disagree (Zaidaton and Bagheri, 2009). Therefore, the detailed analysis is as follows:

### 4.4.1. Product Differentiation

These part discusses about product differentiation of Habesha breweries shared company. It assess the Habesha products differentiation. It consists of product quality, price, and brand image and product delivery.

#### 4.4.1.1. Product quality

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
I buy Habesha beer products because they are assumed better in quality than the rest.	381	1.00	4.00	3.4357	.72851
I consider quality first before price while buying beer.	381	1.00	5.00	4.1890	.89206
I repurchase beer that served me well in terms of quality.	381	1.00	5.00	3.8005	1.22350
The quality of beer does play role in determining my choice.	381	1.00	5.00	4.0892	.84443
The products marketed by Habesha beer have a long shelf life so that they meet the wishes of consumers	381	1.00	5.00	4.1759	.76643

Products marketed by Habesha Breweries have a unique appearance compared to other products	381	1.00	4.00	3.1470	.76738
Products marketed by Habesha Breweries have a quality that meets consumer expectations	381	1.00	4.00	3.5197	.73108
<b>Aggregate Mean</b>	<b>381</b>	<b>1</b>	<b>5</b>	<b>3.77</b>	

**Source: Survey Analysis result, 2024**

The descriptive statistics provided for the Likert 5-point scale type for product quality dimensions of product differentiation offer valuable insights into the respondents' perceptions and attitudes towards Habesha beer products. Looking at the overall mean (M) scores for each statement, we can interpret the results as follows:

"I buy Habesha beer products because they are assumed better in quality than the rest." The mean score of 3.4357 falls within the range of 3.41-4.20, indicating that respondents agreed with this statement. This suggests that product quality is an important factor influencing their purchase decisions, although not strongly agreed upon.

"I consider quality first before price while buying beer." With a mean score of 4.1890, respondents strongly agreed with this statement. This indicates that quality is a significant consideration for them when making beer purchases, prioritizing it over price.

"I repurchase beer that served me well in terms of quality." The mean score of 3.8005 falls within the range of 3.41-4.20, showing that respondents generally agreed with this statement. It suggests that satisfaction with product quality influences their repeat purchase behavior.

"The quality of beer does play a role in determining my choice." With a mean score of 4.0892, respondents strongly agreed that quality plays a role in their decision-making process when choosing beer products.

Overall, the aggregate mean score of 3.77 across all statements indicates a positive perception of product quality dimensions related to Habesha beer products among the respondents. The results

suggest that quality is a key factor influencing consumer behavior and loyalty towards Habesha Brewery products. This information can be valuable for the brewery in understanding and enhancing their product differentiation strategies to meet consumer expectations and strengthen customer loyalty based on quality perceptions.

#### 4.4.1.2. Brand Image

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
I am proud to buy Habesha Beer brand products because many people like them	381	1.00	5.00	3.9081	.88820
The Habesha Beer brand has an easily recognizable color	381	1.00	5.00	3.9869	.99066
The Habesha Beer brand has an easily recognizable odor	381	1.00	5.00	4.2362	.90719
The packaging of Habesha beer products are visually appealing	381	1.00	4.00	3.1864	.52758
The Habesha beer products are perceived as premium brand in the market	381	1.00	5.00	4.0157	.83651

The advertising and marketing efforts of Habesha effectively communicate the brands value and identity	381	1.00	5.00	3.5407	.89827
The labeling of Habesha beer products are visually appealing	381	1.00	5.00	3.8031	.97904
<b>Aggregate mean</b>	<b>381</b>	<b>1</b>	<b>5</b>	<b>3.81</b>	

**Source: Survey Analysis result, 2024**

The descriptive statistics provided for the Likert 5-point scale type for brand image dimensions of product differentiation offer valuable insights into the respondents' perceptions and attitudes towards Habesha beer products. Looking at the overall mean (M) scores for each statement, we can interpret the results as follows:

"I am proud to buy Habesha Beer brand products because many people like them." The mean score of 3.9081 falls within the range of 3.41-4.20, indicating that respondents agreed with this statement. This suggests that the brand's popularity and positive perception among others influence their pride in purchasing Habesha beer products.

"The Habesha Beer brand has an easily recognizable color." With a mean score of 3.9869, respondents agreed that the brand has a distinctive and easily recognizable color, which is an important aspect of brand identity and differentiation.

"The Habesha Beer brand has an easily recognizable odor." The mean score of 4.2362 falls within the range of 4.21-5.00, indicating that respondents strongly agreed with this statement. This suggests that the brand has a strong and distinct odor that sets it apart from other beer brands.

"The packaging of Habesha beer products are visually appealing." The mean score of 3.1864 falls within the range of 3.41-4.20, indicating that respondents agreed with this statement. However, the lower mean score suggests that there may be room for improvement in the visual appeal of the packaging to further enhance brand image.

Overall, the aggregate mean score of 3.81 across all statements indicates a generally positive perception of the brand image dimensions related to Habesha beer products among the respondents. The results suggest that the brand has strong recognition, a positive reputation among consumers, and distinct sensory attributes such as color and odor. However, there may be opportunities to further enhance the visual appeal of packaging and improve the effectiveness of advertising and marketing efforts to better communicate the brand's value and identity. This information can be valuable for Habesha Brewery in refining its branding strategies to strengthen its position as a premium brand in the market and maintain a competitive edge based on brand image perceptions.

#### **4.4.1.3. Product Price**

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Product prices at Habesha Beer are affordable	381	1.00	5.00	2.9921	1.06989
Product prices at Habesha Beer are cheaper than other beer	381	1.00	5.00	3.1706	1.06612
The product prices at Habesha Beer are comparable to the benefits I get	381	1.00	5.00	3.4383	.95669
The product prices at Habesha Beer are in accordance with the quality I receive	381	1.00	5.00	2.5669	.93688

I bought the menu at Habesha Beer because of the expected price	381	1.00	4.00	3.3570	.62293
<b>Aggregate Mean</b>	<b>381</b>	<b>1</b>	<b>5</b>	<b>3.10</b>	

**Source: Survey Analysis result, 2024**

The mean score for the statement "Product prices at Habesha Beer are affordable" is 2.99, indicating that respondents are neutral about this idea. Therefore, it can be inferred that at Habesha Breweries, the product prices at Habesha Beer are not considered affordable. Similarly, the statement "Product prices at Habesha Beer are cheaper than other beer" received a mean score of 3.17, suggesting that respondents were also neutral on this idea. Consequently, this implies that product prices at Habesha Beer are not cheaper than other beer brands. On the other hand, the statement "The product prices at Habesha Beer are comparable to the benefits I get" received a mean score of 3.44, indicating agreement among respondents. However, the statement "The product prices at Habesha Beer are in accordance with the quality I receive" received a mean score of 2.57, suggesting that respondents were neutral on this idea. This implies that at Habesha Breweries, the product prices at Habesha Beer are not necessarily in accordance with the quality received.

The aggregate mean for the product price dimensions is 3.10, indicating that respondents were neutral towards the pricing of Habesha Breweries' products. This suggests that customers neither strongly agree nor disagree with the ideas raised about the product price, indicating a lack of consensus among respondents regarding the brand's pricing strategy. Overall, the responses reflect a mixed perception of the product prices at Habesha Beer, with varying levels of agreement and neutrality among respondents. This lack of consensus may indicate a need for further investigation into customer perceptions and considerations related to pricing strategies to better align with consumer expectations and market competition.

**4.4.1.4. Product Delivery**

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
Habesha Beer have Better timely product delivery system	381	1.00	5.00	3.5328	.86882
Habesha beer shares Co. deliver what makes its product different & unique from Competitors exist in the beer industry	381	1.00	4.00	3.3675	.59947
The company actually delivers the proven quality it Claims.	381	1.00	5.00	3.7060	.78652

The company delivers its products as promised with consistence customer service.	381	1.00	5.00	3.8058	.75329
The company delivers the articulated value of having competitive price.	381	1.00	5.00	3.6089	.76559
The company's product features claims are supported by the distribution it chooses.	381	2.00	5.00	3.5381	.84713
The company's delivered promises are related to the reality of the customer experiences.	381	1.00	5.00	3.6142	.74389
<b>Aggregate Mean</b>	<b>381</b>	<b>1</b>	<b>5</b>	<b>3.61</b>	

**Source: Survey Analysis result, 2024**

Ideas were discussed regarding the product delivery system of Habesha Breweries. Respondents inquired about whether Habesha Beer has a better timely product delivery system, which garnered a mean score of 3.53. This indicates that respondents agreed with the idea presented, suggesting that at Habesha Breweries, Habesha Beer indeed has a better timely product delivery system. On the other hand, when respondents were asked if Habesha Beer shares Co. delivers what makes its product different and unique from competitors in the beer industry, the mean score was 3.37, signifying neutrality among respondents. Consequently, this implies that Habesha Beer shares Co. did not deliver what makes its product different and unique from competitors in the beer industry.

Moreover, when respondents were questioned about whether the company actually delivers the proven quality it claims, the mean score was 3.70, indicating agreement among respondents. Therefore, this implies that at Habesha Breweries, the company indeed delivers the proven quality it claims. Additionally, respondents agreed that the company delivers its products as promised with consistent customer service, reflecting positively on Habesha Breweries'

commitment to customer satisfaction. Furthermore, when asked about whether the company's product features claims are supported by the distribution it chooses, respondents also agreed, highlighting the alignment between product features and distribution choices at Habesha Breweries.

The aggregate mean for product delivery was 3.61, indicating that respondents generally agreed with the statements raised regarding the product delivery system of Habesha Breweries' products. This suggests that customers perceive the delivery process positively and are satisfied with the efficiency and reliability of the product delivery system at Habesha Breweries.

#### ***4.4.2. Customer Satisfaction***

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
The Habesha beer product brand has no side effects on health so I feel very satisfied	381	2.00	5.00	3.8241	1.00160
I am satisfied with the quality of product provided by Habesha Breweries	381	2.00	5.00	3.5958	.86108
I have enjoyed by the beer produced in Habesha Breweries	381	1.00	5.00	3.7848	.76837

I feel good about my decision of using Habesha Breweries product	381	1.00	5.00	3.6614	.92526
I have enjoyed by the product given at Habesha Breweries	381	1.00	4.00	3.5853	.65790
<b>Aggregate Mean</b>	<b>381</b>	<b>1</b>	<b>5</b>	<b>3.69</b>	

**Source: Survey Analysis result, 2024**

The customer satisfaction at Habesha Breweries was evaluated based on the statements raised. The first statement raised was about the absence of side effects on health from the Habesha beer product brand, which received a mean response of 3.82. This suggests that respondents agreed with the idea, implying that the Habesha beer product brand has no adverse effects on health, leading to high satisfaction levels.

Furthermore, the statement "I am satisfied with the quality of product provided by Habesha Breweries" was also agreed upon by the respondents, indicating that customers are indeed satisfied with the quality of products offered by Habesha Breweries.

The response regarding enjoyment of the beer produced in Habesha Breweries received a mean score of 3.78, signifying agreement among respondents. This implies that customers have indeed enjoyed the beer produced in Habesha Breweries.

Additionally, the response "I feel good about my decision of using Habesha Breweries products" was also agreed upon by the respondents, indicating that customers feel positive about their decision to use products from Habesha Breweries.

The aggregate mean for customer satisfaction was calculated to be 3.69, indicating that respondents generally agreed with the raised ideas about customer satisfaction. This suggests that, on average, the respondents expressed positive sentiments about their satisfaction with the products or services provided by Habesha Breweries.

It's important to note that while the aggregate mean provides a general indication of satisfaction levels, it's also valuable to consider the distribution of responses and any potential variability within the data. Analyzing the spread of responses and identifying any patterns or outliers can provide additional insights into the factors influencing customer satisfaction.

#### ***4.4.3. Customer Loyalty***

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
I used the Habesha Beer with superior comfort	381	1.00	5.00	3.5249	.61347
I would recommend a product if I consider it of better quality	381	4.00	5.00	4.0997	.30004
I will use the beer of Habesha beer product in the long term.	381	2.00	5.00	3.7087	.79250
I will not switch to another beer producer company	381	2.00	5.00	3.4856	1.00939

I would suggest to all families to use the Habesha Breweries beer	381	2.00	5.00	3.7533	.82846
I would recommend people to use Habesha Breweries beer	381	2.00	5.00	3.7533	.82846
I decided to repurchase Habesha beer because it was according to my expectations	381	2.00	5.00	3.3543	.83535
<b>Aggregate Mean</b>	<b>381</b>	<b>1</b>	<b>5</b>	<b>3.67</b>	

**Source: Survey Analysis result, 2024**

The response I used the Habesha Beer with superior comfort have a mean of 3.52. These indicates that respondents agreed on the idea and hence this implies that customers used the Habesha Beer with superior comfort.

The response I would recommend a product if I consider it of better quality were agreed on the statement and hence at Habesha breweries customers would recommend a product if they consider it of better quality.

The response I will use the beer of Habesha beer product in the long term. Have a mean of 3.70 which indicates that respondents agreed on the statement raised. Hence at Habesha breweries will use the beer of Habesha beer product in the long term.

The response I will not switch to another beer producer company have a mean of 3.49 which indicates respondents agreed on the idea and hence at Habesha breweries customers will not switch to another beer producer company.

Respondents were agreed on the idea of I would suggest to all families to use the Habesha Breweries beer. Hence this implies that customers would suggest to all families to use the Habesha Breweries beer.

The aggregate mean of customer loyalty is 3.67 which indicates customers are loyal to Habesha beer products. Customer Loyalty (3.67): The aggregate mean of 3.67 for customer loyalty suggests that, on average, customers exhibit a moderate level of loyalty towards Habesha beer products. While the score is above the midpoint of the scale, indicating a positive sentiment towards loyalty, it falls slightly below the range that would typically be considered high loyalty. This suggests that there is room for improvement in fostering stronger customer loyalty towards the brand.

#### 4.5. Correlation Analysis

Correlation analysis was conducted to examine the relationship between different product variables, customer satisfaction and customer loyalty. The sign of the correlation coefficient (+ or -) indicates a relationship between -1.00 and +1.00. Variables can be positively or negatively correlated. Correlation means that there is a direct relationship between two variables. Negative correlation indicates that there is a negative correlation between two variables (Ruud et al. 2012). The table below clearly shows the relationship between two variables as negative, low, moderate, significant or very strong.

Table 4-2: Correlation Coefficient

Correlation coefficient(r)	Strength of correlation
From 0.01 up to 0.09	Negligible association
From 0.10 up to 0.29	Low association
From 0.30 up to 0.49	Moderate association
From 0.50 upto 0.69	Substantial association
From 0.70 and above	Very strong association

Source: Joe W. Kotrlík, J. C. Atherton, A. Williams and M. Khatajabor.(2011)

Pearson correlation analysis was used to determine the degree of association between the selected variables.

*Table 4-3: Correlation analysis between independents variable and dependent variable*

### Correlations

		Product quality	Brand Image	Product Price	Product Delivery	Customer Satisfaction	Customer's loyalty
Product quality	Pearson Correlation	1	.761**	.685**	.685**	.715**	.248**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	381	381	381	381	381	381
Brand Image	Pearson Correlation	.761**	1	.740**	.817**	.692**	.452**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	381	381	381	381	381	381
Product Price	Pearson Correlation	.685**	.740**	1	.562**	.613**	.412**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	381	381	381	381	381	381
Product Delivery	Pearson Correlation	.685**	.817**	.562**	1	.775**	.600**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	381	381	381	381	381	381
Customer Satisfaction	Pearson Correlation	.715**	.692**	.613**	.775**	1	.521**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	381	381	381	381	381	381
Customer's loyalty	Pearson Correlation	.248**	.452**	.412**	.600**	.521**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	381	381	381	381	381	381

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

**Source: Survey Analysis result, 2024**

From the above table, it can be inferred that product quality dimension of product differentiation ( $r=0.715$  and  $p<0.01$ ) is positively correlated with customer satisfaction. This implies the presence of strong relationship between product quality and customer satisfaction which is statistically significant. Furthermore, brand image( $r=0.692$  and  $p<0.01$ ) is also positively correlated with customer satisfaction. This implies the presence of strong relationship between brand image and customer satisfaction which is statistically significant. Product price( $r=0.613$  and  $p<0.01$ ) is also positively correlated with customer satisfaction. This implies the presence of strong relationship between product price and customer satisfaction which is statistically significant. Product delivery ( $r=0.775$  and  $p<0.01$ ) is also positively correlated with customer satisfaction. This implies the presence of strong relationship between product delivery and customer satisfaction which is statistically significant.

Moreover, from the above table it can be seen that customer satisfaction ( $r=0.521$  and  $p<0.01$ ) is positively correlated with customer loyalty. This implies the presence of strong direct relationship between customer satisfaction and customer loyalty which is statistically significant. The above correlation results also revealed that brand image( $r=0.452$   $p<0.01$ ) is positively correlated with customer loyalty. This implies the presence of strong positive relationship between brand image and customer loyalty which is statistically significant. Product price ( $r=0.412$   $p<0.01$ ) is positively correlated with customer loyalty. This implies the presence of strong positive relationship between product price and customer loyalty which is statistically significant. Product delivery( $r=0.600$   $p<0.01$ ) is positively correlated with customer loyalty. This implies the presence of strong positive relationship between product delivery and customer loyalty which is statistically significant.

## **4.6. Mediation Analysis**

### ***4.6.1. Mediation Assumption***

#### **Causal Assumption**

There are a theoretical relationships as discuss in the literature part of all theoretical and empirical discussions product differentiation causes the customer satisfaction which in turn causes the customer loyalty

### **Linearity**

The relationship product differentiation(Product price, product quality, product delivery and brand image) and customer loyalty, in return customer satisfaction and customer loyalty, and also product differentiation(Product price, product quality, product delivery and brand image) and customer satisfaction have checked and have a linear relationship.

### **Normality**

The residuals of the regression models used in the mediation analysis is normally distributed.

### **Homoscedasticity**

The variance of the the residuals is constant across all level of product differentiation (Product price, product quality, product delivery and brand image), customer satisfaction and customer loyalty.

### ***4.6.2. Mediation Analysis***

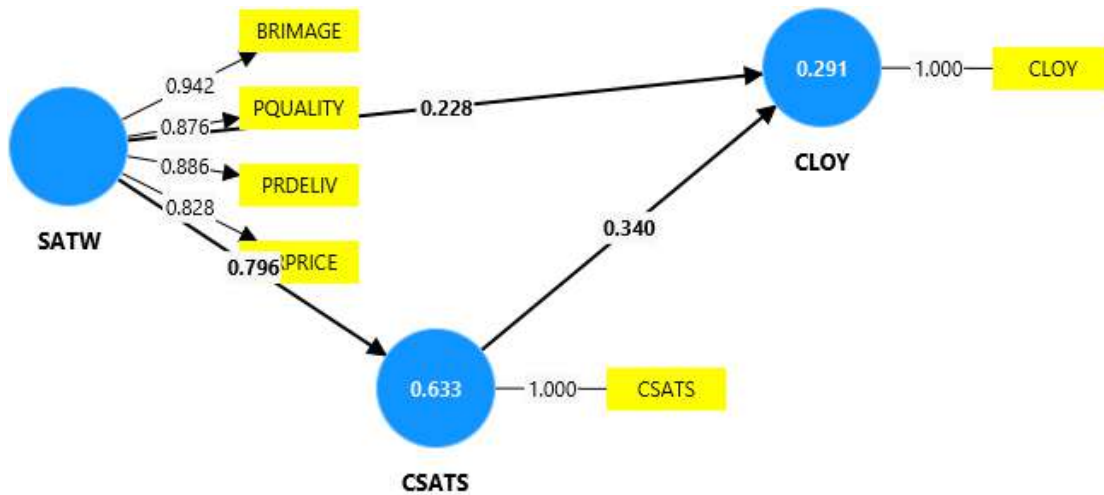


Figure 4-1: Mediation Model results

Source: Survey result, 2024

### Path Coefficient

Table 4-2: Path Coefficient

	CLOY	CSATS	SATW
CLOY			
CSATS	0.340		
SATW	0.228	0.796	

Source: Survey result, 2024

In these models, path coefficients represent the strength and direction of the relationships between variables. Let's interpret the path coefficients in more detail:

CSATS -> CLOY: Path coefficient = 0.340. This path coefficient of 0.340 indicates the strength and direction of the relationship between CSATS (Customer Satisfaction) and CLOY (Customer Loyalty).

A positive path coefficient suggests that as CSATS increases, CLOY also tends to increase. In other words, higher levels of customer satisfaction are associated with higher levels of customer

loyalty. The magnitude of 0.340 indicates the strength of this relationship. A larger magnitude suggests a stronger relationship between CSATS and CLOY.

SATW → CLOY: Path coefficient = 0.228. This path coefficient of 0.228 represents the relationship between SATW (Satisfaction with the Product) and CLOY (Customer Loyalty).

Similar to the previous interpretation, a positive path coefficient indicates that as product differentiation increases, CLOY also tends to increase. Higher levels of satisfaction with the product are associated with higher levels of customer loyalty.

The magnitude of 0.228 suggests the strength of this relationship. It is slightly smaller than the CSATS → CLOY coefficient, indicating a slightly weaker relationship between product differentiation and CLOY compared to CSATS and CLOY.

SATW → CSATS: Path coefficient = 0.796. This path coefficient of 0.796 represents the relationship between SATW (Satisfaction with the Product) and CSATS (Customer Satisfaction). Again, a positive path coefficient suggests that as SATW increases, CSATS also tends to increase. Higher levels of satisfaction with the product are associated with higher levels of customer satisfaction with service. The magnitude of 0.796 is relatively high, indicating a strong relationship between Product differentiation and CSATS.

In summary, the path coefficients provide the relationships between customer satisfaction, loyalty, and product differentiation. They indicate that both customer satisfaction and the product differentiation have positive associations with customer loyalty. Additionally, satisfaction with the product strongly influences customer satisfaction with service. These findings can be valuable for understanding the drivers of customer loyalty and for developing strategies to enhance customer satisfaction and loyalty within your business or organization.

### **Indirect effect**

*Table 4-3: Total indirect effects*

CLOY	CSATS	SATW
------	-------	------

CLOY			
CSATS			
SATW	0.270		

**Source: Survey result, 2024**

The total indirect effect of CSATS and SATW on CLOY is 0.796, which represents the combined impact of customer satisfaction and product differentiation on customer loyalty through other mediating variables. The total indirect effect of 0.796 signifies the cumulative influence of both customer satisfaction and product differentiation on customer loyalty through pathways that are not directly observable in the model. This suggests that there are other factors or variables at play that mediate the relationship between customer satisfaction, product differentiation, and customer loyalty. These mediating variables could include factors such as brand perception, customer trust, perceived value, or other psychological and behavioral elements that influence customer loyalty.

The substantial total indirect effect of 0.796 underscores the importance of considering not only the direct effects of customer satisfaction and product differentiation on customer loyalty but also the indirect effects mediated by other variables. By understanding and leveraging these indirect pathways, businesses can develop more comprehensive strategies to enhance customer loyalty by optimizing customer satisfaction and product differentiation in conjunction with other influential factors.

*Table 4-4: Specific Indirect effect*

	Specific indirect effects
SATW -> CSATS -> CLOY	0.270

**Source: Survey result, 2024**

The specific indirect effect of SATW -> CSATS -> CLOY is 0.270, indicating the specific pathway through which product differentiation influences customer loyalty via customer satisfaction. The specific indirect effect of 0.270 highlights a specific pathway through which

product differentiation influences customer loyalty by first impacting customer satisfaction. This indicates that product differentiation plays a role in shaping customer satisfaction levels, which in turn, influences customer loyalty. In other words, when a company's products or services are perceived as unique or differentiated, it can lead to higher levels of customer satisfaction, ultimately driving increased customer loyalty.

By focusing on enhancing product differentiation to positively impact customer satisfaction, businesses can strengthen their overall relationship with customers and cultivate greater loyalty. Understanding this specific indirect effect allows companies to tailor their strategies to improve product differentiation in ways that resonate with customers' preferences and needs, ultimately leading to enhanced customer satisfaction and loyalty.

In summary, the total indirect effect underscores the complex interplay of various factors influencing customer loyalty beyond direct relationships, while the specific indirect effect highlights a specific pathway through which product differentiation impacts customer loyalty via customer satisfaction. By considering both the total and specific indirect effects, businesses can gain deeper insights into the mechanisms driving customer loyalty and develop more targeted strategies to optimize customer satisfaction, product differentiation, and ultimately foster stronger customer loyalty.

**Total Effect**

*Table 4-5: Total Effect*

	CLOY	CSATS	SATW
CLOY			
CSATS	0.340		
SATW	0.499	0.796	

**Source: Survey result, 2024**

The total effect of SATW on CLOY is 0.499, which includes both the direct and indirect effects. The total effect of customer satisfaction (CSATS) and product differentiation (SATW) on

customer loyalty (CLOY) encompasses both the direct and indirect influences of these factors on customer loyalty. This comprehensive measure provides a holistic understanding of the overall impact of customer satisfaction and product differentiation on customer loyalty, considering all pathways through which they can affect CLOY.

The total effect of 0.499 represents the combined impact of customer satisfaction and product differentiation on customer loyalty, taking into account both their direct effects and the indirect effects mediated by other variables. This total effect signifies the overall influence of CSATS and SATW on CLOY, capturing the entire spectrum of relationships between these factors.

When interpreting the total effect, it's important to recognize that it reflects not only the direct impact of customer satisfaction and product differentiation on customer loyalty but also considers the additional influence exerted through other mediating variables. This means that the total effect accounts for all pathways through which CSATS and SATW can affect CLOY, whether those pathways are directly observable or mediated by other factors.

Understanding the total effect is crucial for businesses seeking to optimize customer loyalty by enhancing customer satisfaction and product differentiation. By recognizing the comprehensive impact of these factors, companies can develop more nuanced strategies that address both the direct and indirect pathways through which CSATS and SATW influence CLOY. This holistic approach enables organizations to identify and leverage the most effective means of improving customer loyalty, whether through direct enhancements to customer satisfaction and product differentiation or by targeting other influential variables that mediate their impact.

In summary, the total effect of 0.499 encapsulates the overall impact of customer satisfaction and product differentiation on customer loyalty, encompassing both direct and indirect influences. By considering this comprehensive measure, businesses can gain a more complete understanding of the multifaceted relationships between CSATS, SATW, and CLOY, enabling them to develop more effective strategies for fostering stronger customer loyalty.

Table 4-6: Outer Loading

CLOY	CSATS	SATW
------	-------	------

BRIMAGE			0.942
CLOY	1.000		
CSATS		1.000	
PQUALITY			0.876
PRDELIV			0.886
PRPRICE			0.828

**Source: Survey result, 2024**

These values indicate the strength of the relationship between the latent variables and their respective observed variables. For example, CLOY has an outer loading of 1.000 on itself, indicating a strong relationship.

The outer loading values represent the strength of the relationship between the observed indicators (BRIMAGE, PQUALITY, PRDELIV, PRPRICE) and their respective latent constructs (CLOY, CSATS, SATW). These values indicate how well each observed indicator reflects the underlying latent construct. Higher outer loading values indicate a stronger relationship between the indicator and the latent construct, suggesting that the indicator effectively captures the concept it is intended to measure.

BRIMAGE <- SATW: Loading = 0.942. This outer loading of 0.942 indicates the strength of the relationship between the latent construct BRIMAGE (Brand Image) and its observed indicator SATW (Satisfaction with the Product).

A high loading value close to 1.000 suggests that SATW is a strong indicator of BRIMAGE. In other words, satisfaction with the product is a reliable measure of brand image.

This high loading implies that changes in SATW are likely to reflect changes in BRIMAGE, indicating a strong connection between satisfaction with the product and brand image.

CLOY <- CLOY: Loading = 1.000. The outer loading of 1.000 for CLOY (Customer Loyalty) indicates that CLOY is perfectly measured by itself. This means that CLOY is a perfect indicator of customer loyalty within the model.

A loading of 1.000 suggests that CLOY accurately represents customer loyalty without any measurement error or uncertainty.

CSATS <- CSATS: Loading = 1.000. Similar to CLOY, the outer loading of 1.000 for CSATS (Customer Satisfaction with Service) indicates that CSATS perfectly measures itself. CSATS is a perfect indicator of customer satisfaction with service within the model.

PQUALITY <- SATW: Loading = 0.876. The outer loading of 0.876 represents the relationship between the latent construct PQUALITY (Perceived Quality) and its observed indicator SATW.

A loading close to 1.000 indicates a strong relationship between SATW and PQUALITY. In this case, satisfaction with the product is a reliable measure of perceived quality.

The slightly lower loading compared to BRIMAGE suggests that SATW may be a slightly weaker indicator of perceived quality than it is of brand image.

PRDELIV <- SATW: Loading = 0.886. The outer loading of 0.886 indicates the relationship between the latent construct PRDELIV (Perceived Delivery) and its observed indicator SATW.

Similar to PQUALITY, SATW is a strong indicator of perceived delivery based on this loading value. The high loading suggests that satisfaction with the product is a reliable measure of perceived delivery within the model.

PRPRICE <- SATW: Loading = 0.828. The outer loading of 0.828 represents the relationship between the latent construct PRPRICE (Perceived Price) and its observed indicator SATW. A loading value close to 1.000 indicates that SATW is a strong indicator of perceived price. In this case, satisfaction with the product is a reliable measure of perceived price.

The slightly lower loading compared to PQUALITY and PRDELIV suggests that SATW may be a slightly weaker indicator of perceived price within the model.

## **Outer weight**

Table 4-7: Outer weight

	CLOY	CSATS	SATW
BRIMAGE			0.285
CLOY	1.000		
CSATS		1.000	
PQUALITY			0.254
PRDELIV			0.336
PRPRICE			0.254

**Source: Survey result, 2024**

The outer weights in a structural equation model (SEM) represent the strength of the relationships between latent constructs and their observed indicators. In the provided results, the outer weights for CLOY and CSATS are both 1.000, which indicates a perfect relationship between these latent constructs and their respective indicators. This means that customer loyalty (CLOY) and customer satisfaction (CSATS) are perfectly captured by the observed indicators in the model.

For the other latent constructs, the outer weights for BRIMAGE, PQUALITY, PRDELIV, and PRPRICE are 0.285, 0.254, 0.336, and 0.254, respectively. These values indicate the strength of the relationships between these constructs and the observed indicator SATW (product differentiation).

A higher outer weight closer to 1.000 suggests a stronger relationship between the latent construct and its observed indicator. In this case, the highest outer weight is for PRDELIV at 0.336, indicating that perceived delivery has a relatively stronger relationship with customer satisfaction compared to the other constructs.

BRIMAGE and PQUALITY have lower outer weights of 0.285 and 0.254, respectively, suggesting a slightly weaker relationship with customer satisfaction. PRPRICE also has an outer

weight of 0.254, indicating a similar level of influence on customer satisfaction as perceived quality.

Overall, these results provide insights into how well different aspects of customer satisfaction, loyalty, and perceived quality are represented by their observed indicators in the SEM. Researchers or businesses can use this information to understand which factors have a stronger impact on customer satisfaction and loyalty, guiding strategies for improving overall customer experiences.

**Model summary**

*Table 4-8: Model summary*

	Saturated model	Estimated model
SRMR	0.075	0.075
d_ULS	0.117	0.117
d_G	0.156	0.156
Chi-square	305.148	305.148
NFI	0.830	0.830

**Source: Survey result, 2024**

Saturated Model:

- SRMR (Standardized Root Mean Square Residual): 0.075
- d\_ULS (Unweighted Least Squares discrepancy): 0.117
- d\_G (Geodesic discrepancy): 0.156
- Chi-square: 305.148
- NFI (Normed Fit Index): 0.830

Estimated Model:

- SRMR (Standardized Root Mean Square Residual): 0.075
- d\_ULS (Unweighted Least Squares discrepancy): 0.117
- d\_G (Geodesic discrepancy): 0.156
- Chi-square: 305.148
- NFI (Normed Fit Index): 0.830

SRMR: The Standardized Root Mean Square Residual is a measure of the average difference between the observed correlations and the predicted correlations in the model. A lower SRMR value indicates a better fit to the data. In this case, both the saturated model and estimated model have an SRMR of 0.075, which suggests that the models have a good fit to the data.

d\_ULS and d\_G: The Unweight Least Squares discrepancy (d\_ULS) and Geodesic discrepancy (d\_G) are measures of the overall model fit. These values represent the total discrepancy between the observed data and the model's predictions. The identical values of 0.117 for both models indicate that they have a similar level of discrepancy, which is relatively low.

Chi-square: The Chi-square statistic tests how well the model fits the data, with a lower value indicating a better fit. In this case, both the saturated and estimated models have the same Chi-square value of 305.148, suggesting that both models fit the data equally well.

NFI: The Normed Fit Index (NFI) measures how well the model explains the covariance structure of the data relative to a null model. A value closer to 1 indicates a better fit. The NFI value of 0.830 for both models suggests that they explain a substantial amount of variance in the data compared to the null model.

Overall, based on these fit indices and statistics, both the saturated model and estimated model demonstrate a good fit to the data, with low discrepancies, consistent Chi-square values, and a relatively high NFI value. This indicates that the estimated model provides a satisfactory representation of the relationships among the latent constructs and observed indicators in the structural equation model.

### ***The relationship between Product Quality, customer satisfaction and customer loyalty***

The results suggest that there is a significant direct positive effect of product quality on customer loyalty. Additionally, there is a significant positive indirect effect of product quality on customer loyalty through the mediator customer satisfaction. This implies that customer satisfaction partially mediates the relationship between product quality and customer loyalty, with product quality having both direct and indirect effects on customer loyalty through customer satisfaction.

In conclusion, the mediation analysis indicates that customer satisfaction plays a mediating role in the relationship between product quality and customer loyalty, influencing how product quality impacts customer loyalty.

H1: Product quality significantly affect customer satisfaction

H5: Product quality significantly affect customer loyalty

H10: Product quality have a significance effect on customer loyalty through customer satisfaction

Hence from the result H1, H5 and H10 were accepted. These findings are consistent with previous studies by Fullerton and Taylor (2002), Caruana (2002), Hidayat (2009), Jahanshahi et al. (2011), and Dimyati (2011), which have shown that product quality positively influences satisfaction. Moreover, studies by Zeithaml, Parasuraman, and Berry (1996) and Bei and Chiao (2001) have demonstrated that product quality directly impacts loyalty, with satisfaction mediating this relationship. Caruana (2002), Aryani and Rosita (2010), and Dimyati (2015) have also indicated that product quality's influence on loyalty is mediated by customer satisfaction, highlighting the sequential nature of product quality, satisfaction, and loyalty.

### ***The relationship between Brand Image, customer satisfaction and customer loyalty***

In interpretation, the results suggest that there is a significant direct effect of brand image on customer loyalty, and there is also a significant indirect effect of brand image on customer loyalty through the mediator customer satisfaction. This suggests that customer satisfaction partially mediates the relationship between brand image and customer loyalty.

Hence from the result we can infer that the three hypothesis H3, H7 and H12 have been accepted.

H3: Brand image significantly affect customer satisfaction

H7: Brand image significantly affect customer loyalty

H12: Brand image have a significance effect on customer loyalty through customer satisfaction

### ***The relationship between Product Price, customer satisfaction and customer loyalty***

Hence the study resulted to accept H3, H7 and H12. The results of the current study align with previous research on the relationship between brand image, customer satisfaction, and loyalty. The findings support the hypotheses that brand image significantly affects both customer satisfaction and customer loyalty, and that customer satisfaction partially mediates the relationship between brand image and loyalty. This is consistent with the research by Voss et al. (1998) and Bei and Chiao (2001), which found that delivery has a positive significant effect on customer satisfaction. Additionally, Tariq, Nimra, and Tariq (2015) revealed that price, packaging, and satisfaction influence brand loyalty, supporting the importance of brand image in driving loyalty.

Furthermore, the study by John et al. (2020) also supports the current findings, as they examined the effect of brand image on customer loyalty and found significant relationships between brand image, satisfaction, and loyalty. Therefore, the current study's acceptance of hypotheses H3, H7, and H12 is consistent with the existing literature and contributes to the understanding of the interplay between brand image, customer satisfaction, and loyalty.

The results suggest that there is a significant direct positive effect of product price on customer loyalty. Additionally, there is a significant positive indirect effect of product price on customer loyalty through the mediator customer satisfaction. This implies that customer satisfaction partially mediates the relationship between product price and customer loyalty, with product price having both direct and indirect effects on customer loyalty through customer satisfaction.

In conclusion, the mediation analysis indicates that customer satisfaction plays a mediating role in the relationship between product price and customer loyalty, influencing how product price impacts customer loyalty.

Hence the study accepted the hypothesis of H2, H6, and H11

H2: Product price significantly affect customer satisfaction

H6: Product price significantly affect customer loyalty

H11: Product Price have a significance effect on customer loyalty through customer satisfaction

The results of the current study align with previous research on the relationship between product price, customer satisfaction, and loyalty. The findings support the hypotheses that product price significantly affects both customer satisfaction and customer loyalty, and that customer satisfaction partially mediates the relationship between product price and loyalty. This is consistent with the research by Voss et al. (1998) and Bei and Chiao (2001), which found that price has a positive significant effect on customer satisfaction.

However, the current study's findings are in contrast to studies by Ostrowski et al. (1993) and Mahmud et al. (2013), which found that the price factor has no effect on customer satisfaction. This discrepancy in findings could be attributed to differences in the specific contexts or industries studied, as well as variations in the measurement and operationalization of customer satisfaction.

Furthermore, the study by Tariq, Nimra, and Tariq (2015) also supports the current findings, as they examined how satisfaction, brand image, price, packaging, and perceived quality influence brand loyalty. Their research underscores the importance of customer satisfaction as a major factor leading to customer loyalty, which is consistent with the current study's findings regarding the mediating role of customer satisfaction in the relationship between product price and customer loyalty.

### ***The relationship between Product delivery, customer satisfaction and customer loyalty***

The results suggest that there is a significant direct positive effect of product delivery on customer loyalty. Additionally, there is a significant positive indirect effect of product delivery on customer loyalty through the mediator customer satisfaction. This implies that customer satisfaction partially mediates the relationship between product delivery and customer loyalty, with product delivery having both direct and indirect effects on customer loyalty through customer satisfaction.

In conclusion, the mediation analysis indicates that customer satisfaction plays a mediating role in the relationship between product delivery and customer loyalty, influencing how product delivery impacts customer loyalty.

Hence the study accept hypothesis H4, H8 and H13

H4: Product Delivery significantly affect customer satisfaction

H8: Product Delivery significantly affect customer loyalty

H13: Product delivery have a significance effect on customer loyalty through customer satisfaction

The significant direct positive effect of product delivery on customer loyalty, along with the positive indirect effect through customer satisfaction, supports the role of customer satisfaction as a mediator in the relationship between product delivery and customer loyalty. This finding highlights how product delivery influences customer loyalty by first impacting customer satisfaction.

The acceptance of hypotheses H4, H8, and H13 in the current study is consistent with existing literature that emphasizes the importance of product delivery in affecting both customer satisfaction and loyalty. Studies by AbuElSamen et al. (2011) and Tariq, Nimra, and Tariq (2015) also support these findings by highlighting the direct impact of customer satisfaction on customer loyalty and the influence of factors like product delivery on customer satisfaction and ultimately on loyalty.

Additionally, the research by Voss et al. (1998) and Bei and Chiao (2001), which found a positive significant effect of delivery on customer satisfaction, further corroborates the current study's results regarding the impact of product delivery on customer satisfaction. This consistency in findings across studies strengthens the understanding of how product delivery influences customer satisfaction and, in turn, impacts customer loyalty.

## CHAPTER FIVE

### 5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

#### 5.1. Introduction

This section includes findings, conclusions and recommendations. This is based on the research and discussion in the previous section. The chapter concludes with recommendations necessary to support development at Habesha Brewery.

#### 5.2. Summary of Major Findings

The data analyzed using descriptive statistics, correlation and mediation major findings were presented and summarized as follows:

The aggregate mean score of 3.69 for customer satisfaction indicates that respondents generally agreed that they were satisfied with the products (Kidame nad Habesha Kostara taem) provided by Habesha breweries. This suggests a positive sentiment towards customer satisfaction, with most respondents expressing satisfaction with their experiences. Additionally, the moderate level of customer loyalty (3.67) and positive perceptions of product delivery (3.61), brand image (3.81), and product quality (3.77) further support the overall positive sentiment towards the brand. However, there is room for improvement in fostering stronger customer loyalty, as the loyalty score falls slightly below the range considered high loyalty. The neutral stance towards product pricing (3.10) suggests a lack of consensus among respondents on this aspect, indicating an opportunity for further evaluation and potential adjustments in the pricing strategy.

The correlation analysis indicates strong, statistically significant positive relationships between various dimensions of product differentiation (product quality, brand image, product price, and product delivery) and customer satisfaction. Additionally, there are strong, statistically significant positive correlations between customer satisfaction and customer loyalty, as well as between brand image, product price, product delivery, and customer loyalty. These findings highlight the importance of product differentiation factors in influencing customer satisfaction and subsequent customer loyalty.

based on the fit indices and statistics, both the saturated model and estimated model demonstrate a good fit to the data, with low discrepancies, consistent Chi-square values, and a relatively high NFI value. This indicates that the estimated model provides a satisfactory representation of the relationships among the latent constructs and observed indicators in the structural equation model.

In summary, the path coefficients provide the relationships between customer satisfaction, loyalty, and product differentiation. They indicate that both customer satisfaction and product differentiation have positive associations with customer loyalty. Additionally, satisfaction with the product strongly influences customer satisfaction with service. These findings can be valuable for understanding the drivers of customer loyalty and for developing strategies to enhance customer satisfaction and loyalty within your business or organization.

By recognizing the comprehensive impact of these factors, companies can develop more nuanced strategies that address both the direct and indirect pathways through which CSATS and SATW influence CLOY. This holistic approach enables organizations to identify and leverage the most effective means of improving customer loyalty, whether through direct enhancements to customer satisfaction and product differentiation or by targeting other influential variables that mediate their impact.

The total indirect effect underscores the complex interplay of various factors influencing customer loyalty beyond direct relationships, while the specific indirect effect highlights a specific pathway through which product differentiation impacts customer loyalty via customer satisfaction. By considering both the total and specific indirect effects, businesses can gain deeper insights into the mechanisms driving customer loyalty and develop more targeted strategies to optimize customer satisfaction, product differentiation, and ultimately foster stronger customer loyalty.

### **5.3. Conclusion**

The analysis of the data using descriptive statistics, correlation, and mediation techniques revealed several key findings. The aggregate mean score of 3.69 for customer satisfaction indicates a positive sentiment towards the products provided by Habesha Breweries, with most respondents expressing satisfaction. While there is room for improvement in fostering stronger customer loyalty, the moderate level of loyalty and positive perceptions of product delivery, brand image, and product quality support the overall positive sentiment towards the brand. Correlation analysis demonstrated strong, statistically significant positive relationships between product differentiation factors and customer satisfaction and loyalty, highlighting their influence. The mediation model involving customer loyalty, product quality, and customer satisfaction revealed that over half of the variance in customer satisfaction can be explained by product quality, with a significant fit for predicting satisfaction. The results support the acceptance of hypotheses H3, H7, and H12 based on the analysis. The analysis of the mediation models involving customer loyalty as the outcome, product price and product delivery as predictors, and customer satisfaction as the mediator, based on a sample size of 381, revealed significant findings. The results showed that customer satisfaction plays a crucial mediating role in the relationship between product price and customer loyalty, as well as between product delivery and customer loyalty. The variance in customer satisfaction explained by product price and product delivery was substantial, indicating their significant influence on satisfaction levels. Similarly, the variance in customer loyalty explained by both product price and product delivery, mediated through customer satisfaction, was notable. The direct positive effects of product price and product delivery on customer loyalty, along with their indirect effects through customer satisfaction, emphasize the importance of customer satisfaction in mediating the impact of pricing and delivery on loyalty. Overall, these findings highlight the pivotal role of customer satisfaction in shaping customer loyalty in response to product pricing and delivery strategies.

In conclusion, the estimated structural equation model demonstrates a good fit to the data, highlighting the positive relationships between customer satisfaction, loyalty, and product differentiation. The path coefficients reveal the significant impact of customer satisfaction and product differentiation on customer loyalty, with satisfaction with the product strongly

influencing overall satisfaction with service. By understanding these relationships and considering both direct and indirect effects, businesses can develop targeted strategies to enhance customer loyalty and improve overall customer experiences. These findings underscore the importance of addressing multiple factors to optimize customer loyalty and satisfaction within organizations. Overall, a holistic approach to understanding and improving customer relationships is crucial for long-term success in today's competitive market.

#### **5.4. Recommendation**

Based on the findings from the study, the following recommendations made to Habesha Breweries shared company:

Firstly, Habesha Breweries should focus on enhancing the unique features and qualities of their products while differentiating products. This strategy will help strengthen customer satisfaction and loyalty by offering distinct value that sets their products apart from competitors. By highlighting these unique aspects, Habesha Breweries can create a stronger connection with their customers and increase their overall satisfaction.

Secondly, it is crucial for Habesha Breweries to maintain high standards of product quality or consider further improvements. Consistently delivering high-quality products will have a direct impact on customer satisfaction levels and subsequently influence their loyalty towards the brand. By ensuring that their products meet or exceed customer expectations, Habesha Breweries can build trust and loyalty among their customer base.

Thirdly, investing in building and maintaining a positive brand image is essential for Habesha Breweries. A strong brand image can significantly influence customer satisfaction and loyalty. By portraying a consistent and positive brand image through marketing efforts, customer interactions, and product presentation, Habesha Breweries can enhance the overall perception of their brand and encourage customer loyalty.

Moreover, Habesha Breweries should evaluate and optimize pricing and delivery strategies to align with customer expectations. Understanding the pricing sensitivity of their target market and ensuring efficient and reliable delivery can positively impact customer satisfaction and loyalty. By offering competitive pricing and convenient delivery options, Habesha Breweries can enhance the overall customer experience.

Furthermore, it is crucial for Habesha Breweries to continuously monitor customer satisfaction, feedback, and loyalty metrics. Regular monitoring will enable them to identify areas for improvement and make necessary adjustments to enhance the customer experience. By staying attuned to customer feedback and satisfaction levels, Habesha Breweries can proactively address any issues and maintain a high level of customer loyalty.

Lastly, investing in employee training for excellent customer service is vital for Habesha Breweries. Well-trained employees who can handle queries, resolve issues promptly, and build long-term customer relationships are essential for ensuring high levels of customer satisfaction and loyalty. By empowering their employees with the necessary skills and knowledge, Habesha Breweries can create a positive and memorable experience for their customers, ultimately fostering loyalty towards the brand.

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**APPENDIX 1:**  
**QUESTIONNAIRE**  
**ADDIS ABABA UNIVERSITY**  
**COLLEGE OF BUSINESS AND ECONOMICS**  
**MASTER OF BUSINESS ADMINISTRATION**

**Dear Participant,**

I am a post graduate student of Master of Business Administration at Addis Ababa University. Currently, I am undertaking research entitled “**The mediating effect of customer satisfaction on product differentiation and customer loyalty: The case of Habesha Breweries**”. You are one of the respondents selected to participate in this study. Please assist me in giving correct and complete information to present a representative finding on the subject. Your participation is entirely voluntary, and the questionnaire is completely anonymous. I confirm you that the information that you share with me will be kept confidential and only used for an academic purpose. Therefore, I kindly request you to answer the questions freely and openly to share your competence and knowledge with myself. I thank you very much for your willingness to spare some minutes from your precious time to participate in this study.

**General Instructions**

- No need for writing your name
- For Likert scale type statements, indicate your answers with a check mark (✓) in the appropriate box.

**Section 1: Demographic profile**

Please fill in the blanks, and put this mark (✓) to indicate your choice for these items that have alternative responses.

1. Sex:

b. Male

c. Female

2. Age:

a. 18-25 Years

d. 50-60 Years

b. 26-36 Years

e. Above 60 Years

c. 37-49 Years

3. Marital Status

A, Single b, Married c, Divorced D, Widowed

4. Educational background:

a. Certificate and below

d. M.A. /M.Sc.

b. Diploma

e. PhD

c. B.A/ B.Sc

5. Income level

a, below 3000  b, 3000 to 5000  c, 5000 to 10,000  d, above 10,000

6. How frequently do you drink Habesha beer?

A. once per week B. 2-5 days per week D. everyday

## Section 2: Product Differentiation

Please rate the following statement by writing the appropriate number of your choice.

1=strongly disagree 2=disagree 3=neutral 4=agree 5= strongly agree

	<b>Product quality</b>	1	2	3	4	5
1	I buy Habesha beer products because they are assumed better in quality than the rest.					
2	I consider quality first before price while buying beer.					
3	I repurchase beer that served me well in terms of quality.					
4	The quality of beer does play role in determining my choice.					
5	The products marketed by Habesha beer have a long shelf life so that they meet the wishes of consumers					
6	Products marketed by Habesha Breweries have a unique appearance compared to other products					
7	Products marketed by Habesha Breweries have a quality that meets consumer expectations					
	<b>Brand Image</b>					
1	I am proud to buy Habesha Beer brand products because many people like them					
2	The Habesha Beer brand has an easily recognizable color					
3	The Habesha Beer brand has an easily recognizable odor					
4	The packaging of Habesha beer products are visually appealing					
5	The Habesha beer products are perceived as premium brand in the market					
6	The advertising and marketing efforts of Habesha effectively communicate the brands value and identity					
7	The labeling of Habesha beer products are visually appealing					
	<b>Product Price</b>					
1	Product prices at Habesha Beer are affordable					
2	Product prices at Habesha Beer are cheaper than other beer					
3	The product prices at Habesha Beer are comparable to the benefits I get					
4	The product prices at Habesha Beer are in accordance with the quality I receive					
5	I bought the menu at Habesha Beer because of the expected price					

	<b>Product Delivery</b>					
1	Habesha Beer have Better timely product delivery system					
2	Habesha beer shares Co. deliver what makes its product different & unique from Competitors exist in the beer industry					
3	The company actually delivers the proven quality it Claims.					
4	The company delivers its products as promised with consistence customer service.					
5	The company delivers the articulated value of having competitive price.					
6	The company's product features claims are supported by the distribution it chooses.					
7	The company's delivered promises are related to the reality of the customer experiences.					

### Section 3: Customer Satisfaction

Please rate the following statement by writing the appropriate number of your choice.

1=strongly disagree 2=disagree 3=neutral 4=agree 5= strongly agree

	<b>Customer Satisfaction</b>	1	2	3	4	5
1	The Habesha beer product brand has no side effects on health so I feel very satisfied					
2	I am satisfied with the quality of product provided by Habesha Breweries					
3	I have enjoyed by the beer produced in Habesha Breweries					
4	I feel good about my decision of using Habesha Breweries product					
5	I have enjoyed by the product given at Habesha Breweries					

### Section 4: Customer Loyalty

Please rate the following statement by writing the appropriate number of your choice.

1=strongly disagree 2=disagree 3=neutral 4=agree 5= strongly agree

	<b>Customer's loyalty</b>	1	2	3	4	5
1	I used the Habesha Beer with superior comfort					
2	I would recommend a product if I consider it of better quality					
3	I will use the beer of Habesha beer product in the long term.					
4	I will not switch to another beer producer company					
5	I would suggest to all families to use the Habesha Breweries beer					
6	I would recommend people to use Habesha Breweries beer					
7	I decided to repurchase Habesha beer because it was according to my expectations					