



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

**FACTORS AFFECTING CUSTOMER LOYALTY IN FOOD
PROCESSING INDUSTRY: A CASE OF AHWAN AND TWO
BROTHERS FOOD COMPLEX PLCs**

BY

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ADDIS ABABA

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INDUSTRY: A CASE OF AHWAN AND TWO BROTHERS FOOD COMPLEX PLCs**

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PROCESSING INDUSTRY: A CASE OF AHWAN AND TWO BROTHERS
FOOD COMPLEX PLC**

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DECLARATION

I, Kaushik Bhupathi, hereby declare that the project report titled “Factors affecting customer loyalty at Two Brothers Food Complex P.L.C and AH-WAN Food Complex, Ethiopia” has been submitted by me for the award of completion of Thesis in MBA, as partial fulfillment of the requirements for this course. This is the result of the original work carried out by me. This report has not been submitted anywhere else for the award of any other degree or diploma.

Name

Addis Ababa University, Addis Ababa

Signature

September 2021

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ABBREVIATION AND ACRONYMS

LD- Low Density

HD- High Density

PP-Polyethylene

ABSTRACT

This study sought to investigate the factors affecting customer loyalty in food processing industry: a case of AHWAN and TWO BROTHERS Food Complex PLCs in Adama city, eastern Oromia region. Quantitative research approach along with explanatory research design was applied. Customers of the two companies were considered as a study population, of which a sample size of 385 respondents were selected through convenience non-probability sampling technique. Self-administered questionnaires were used to collect the primary data. A total of 328 valid and usable responses were collected and used for analysis by the help of SPSS 20.0 software application. The findings showed that all the five factors namely customer satisfaction, commitment, trust, perceived quality and company image had positive and significant effect on customer loyalty at $p\text{-value} < 0.05$. Each factor had positive and significant effect on overall customer loyalty. Amongst the predictors, perceived quality took relatively the highest value ($B = .231$) followed by customer satisfaction ($B = .228$), and company image ($B = .211$). Trust ($B = .126$) and commitment ($B = .101$) had relatively the least effect on customer loyalty of AH-WAN and Two Brothers food companies' products in Adama city. In conclusion, all the five underlying determinants are good predictors of customer loyalty. It is better to invest more on product quality so as to get more benefit emanated from customer loyalty.

Keywords: Business Marketing Offer, Industrial Chemical Manufacturers, Advice Offer, Bottled Water Factories, Adaptation Offer, B2B Marketing

CHAPTER ONE

INTRODUCTION

“In this section I will present the background of the study, food industry, food industry in Ethiopia, Food processing industry, background of the organization, statement of the problem, and objective of the study, research questions, and Definition of terms, significant of the study, scope and delimitations of the study.”

1.1. Background of the Study

In the present competitive environment, many companies strive to fight in any given markets in various business aspects and secure long-term profitability. This can be achieved in two ways, by retaining the customer and/or attracting new people. According to Gilmore (2003), in such a potent environment, firms/ organizations got to specialize in retaining existing customers through effective marketing relationships. Such an environment has enhanced customer awareness that results in great changes from traditional product-oriented strategy to customer-oriented strategy, consistent with the core principle of relational marketing, which focuses on customer loyalty.

The purpose of relationship marketing is to make loyalty to create and maintain a positive attitude towards the corporate, thus businesses are shifting from profit-oriented strategy to customer-oriented strategy to win the competitive environment and become profitable. Nowadays business decision makers are discovering new innovative strategies to take care of their customers' loyalty to their goods and services, and also to further increase the bottom of loyal customers (Lauren, 2003).

According to Oliver (1999), customer loyalty means customers will continuously resell products or services of an equivalent brand within the future without ever being suffering from things, which may cause switching behavior, Consistent with Reich (1993) and Reinartz&Kumar(2003), during a highly competitive environment, customer loyalty has become an efficient means to realize a firm's profitability. consistent with Andres(2007), lately customer loyalty is becoming the most goal of Genesis. The globalization and development of data technology has raised customer awareness

and created a situation where long-term success is not any longer achievable without long-term customer relationships.

Recent years have shown a growing interest in customer loyalty. Globalization of competition, saturation of markets, and the development of information technology have changed customer behavior and perception and created a situation where success is not achieved through product value and qualities. Instead, companies build their success on long-term customer relationships. According to earlier studies, placing an existing customer can cost 6 times more than winning a new customer (Rosenberg, 1984). Depending on the particular industry, it is possible to increase profits by up to 60% after reducing potential migration by 5% (Reichheld, 1993). It is then believed that loyalty has become an important factor for the growth of customers and the long-term success of holding companies.

Customer loyalty recently has become one of the major factors which determine the long-term successful operations of any organization. This has led to many organizations prioritizing customer loyalty along with their other objectives as it has become very important to meet as well as to predict the customers' wants and needs. On the other side, customers also lately have realized the importance of them in the industry, especially food processing industry as it is directly related to health and wellbeing of them, and there are various choices offered.

The food industry is considered to be the world's largest industry at the present time. The global food and grocery retail market size was valued at USD 11.7 trillion in 2019; it is quite obvious that it is the largest industry in the world due to the increase in population which would lead to a higher demand for food. Currently, the food processing industry isn't very vast in Ethiopia but due to the new policies as well as grants being given by the governments, foreign investors are being encouraged to enter the local markets, as well as local firms are being given grants in order to improve machinery and raw material inputs to deliver the population with good quality products.

In Ethiopia food industry is among one of the rapid booming industries, due to its high potential. The recent growth in population, the rise in education levels as well as the increase in the standards of living of the people has increased the demand for food in the country. Many food processing factories are under construction, stimulated by the initiative of Government of Ethiopia and the sharp rise in demand. The rapid increase in the number of the food processing industry of the country has resulted in growing demand for proper maintenance and increase in customer loyalty.

However, in Ethiopia the food processing units are facing several challenges in maintaining customer loyalty due to lack of proper promotions for new products, Cultural limitations, limited Access to web, etc.

With the introduction of many new food processing units, it has become quiet challenging to maintain a constant sales rate and it has also become very hard to maintain customer loyalty as customer loyalty is a very sensitive and can increase or decrease drastically with small changes in few factors. In such competitive food industry, customer loyalty ranks one of the top factors that lead to long-term success of the firm. Businesses should strive to build long term relationships with the customer to increase retention of them. The interactions between the organization and the customer must be considered and established in order to build a loyal customer base. This paper is, thus, intended to examine the main factors which affect customer loyalty by taking Two Brothers Food Complex PLC and AH-WAN Food Complex in Adama city, Eastern Oromia region.

1.2. Background of the Study Units

1.2.1. Two Brothers Food Complex PLC

Currently, Two Brothers Food Complex is one of the top biscuit manufacturing and wheat flour milling units located in Adama, Ethiopia with its headquarters located in the heart of the capital Addis Ababa. The factory meets international standards of manufacturing practices right from raw material procurement till finished products sale. The work atmosphere within the food complex follows Good Hygiene Practices (GHP) and Good Housekeeping (GHK) Practices. Brothers are second to none in the food processing sector and have been awarded as the best entrepreneur for the last 5 years by the Ethiopian Government. They provide the most nutritious and affordable biscuit for all segments of the society.

There is a tremendous growth within this group for the past decade as they are the only manufacturing units that use the best milling and baking technologies in the nation. The company is engaged in the manufacturing of wheat flour and various types of biscuits. In the year 2000 the company started with a tiny wheat flour manufacturing facility producing 30 quintals per day and at present the company expanded its manufacturing facilities into biscuit manufacturing and sophisticated wheat milling lines. The manufacturing unit is owned by Mr. Mohammed Seid Ibrahim who is the General Manager.

Being the leader in the market they sometimes face an unusual pattern in the sale of their products, the marketing head claims that this is due to promotional activities not up to required standards. Since the past decade Brothers has gained many competitors. Despite all the advantages it has got over its competitors it has been facing hardships when it comes to the promotion of their products as well as maintaining a good margin of customer loyalty from the past 5 years. Thus, it would be beneficial for the organization if a study on customer loyalty would be conducted and factors affecting customer loyalty can be analysed.

1.2.2. AH-WAN Food Complex

AH-WAN PLC is renowned and established Pasta/Macaroni manufacturing facility based in Oromia region with professional working environment owned by the TWO Brothers – AH-WAN Private limited company. Ah-wan PLC initially started their operations from 1990 E.C/1998 G.C, procuring land on lease with local Oromia Investment Authorities with capital initial investment for Flour Mill machines – sophisticated and latest milling technologies – and for Pasta and Macaroni Machines – with innovative technologies – for the purpose of actively engaging in business activity and creating mass job opportunity for locals and providing the best and nutritious wheat milled and value added products for the society. The factory engages in two sectors; one in food complex that engages in milling of wheat flour and converting to value added products like Pasta and Macaroni products and second Plastic and PP Bag that produces different plastic products like LD, HD, PP film bags and rolls, PP Woven bags and roll, PP mats.

1.3. Statement of the problem

One of the most important problems of relationship marketing theory and practice is how to keep the customer, make him satisfied and loyal for a long period of time. Instead of focusing on attracting new customers and creating transactions, companies are increasingly focusing on delivering superior value to consumers and on building long-term relationships with customers in order to keep them. The retention of existing ones in relation to the conquest of new consumers is conditioned, above all, by intense competitive pressures, visible changes in customer behavior and high cost of acquisitions. Creation of satisfaction and loyalty in such conditions requires the companies to deliver high quality services as the preconditions for developing the trust and loyalty of the buyer (Mital & Kamakura, 2001). Both learning and feedback with customers are the source

of valuable information about their future requirements, shopping intentions and consumption (Paquette, 2006). Food industry in Ethiopia is not far from this facet.

The food processing industry has always been one of the top most growing industries and it is very dynamic and is subjected to constant changes/ competition due to its complexity as it is directly related to the health and wellbeing of individuals (Palmatier, 2008). There has been a drastic rise in the level of competition in this particular industry as there is always a scope for change in customer requirements/needs and since food is directly related to the health of an individual. A small mistake in production process or advertising can have a huge impact on the image of the organization and it can affect customer's loyalty.

The problem of customer retention is noticeable in the FMCG market in the country where the success of a company is limited by a small number of worthy customers, and where the interdependence relationship between sellers and customers is a limiting factor of business success (Zineldin, 2012). Being informed and professionalism of business customers, as well as the dominance of rational motives in decision-making process, increase their negotiating strength and power and make difficulties for companies to support long-term loyalty. This has led to a number of theoretical considerations and empirical research on how to achieve consumer loyalty and identify factors that motivate / demotivate such customer behavior (Rosenberg and Czepiel 2017).

In this circumstance, AH-WAN and TWO BROTHERS food complex PLCs' relationship marketing strategic value within the FMCG retailing sector is questionable. Zelalem (2015) and Senait (2017) have found that a lot of managers are disappointed with the outcomes of their marketing efforts. Chaston(2000) argues that the nature of the FMCG market with high volume sales, large number of customers and low profit margins makes it very expensive to establish long-term relationships. Egan (2000) and Vesel&Zabkar(2010) further state that customer loyalty programs within the FMCG sector are more costly than common advertising and other traditional marketing activities. The customer loyalty program does not always give any effect in the long run, as the competitors can copy it (Egan, 2000). When the only loyalty is the size of the discount that the loyalty-program offers, the customer experiences the most satisfaction from the exchange where the discount is the highest (Egan, 2000; Vesel&Zabkar, 2010).

Previous studies, in this context, argued that there is interrelationship between satisfaction and loyalty. Homburg &Giering (2011), Flynn&Goldsmith (2013) and Zineldin (2016) showed that

there is a positive relationship between customer satisfaction, company image and its commitment, switching cost and trust of the company and customer loyalty. Loyalty doesn't improve unless it is measured, hence it requires an examination of the relationship marketing strategies and major quality elements. Thus, marketing approaches that revolve around product quality, company image, trust, commitment, satisfaction and loyalty (Palmatier, 2008; Zineldin, 2012). However, there is a lack of rigorous investigations in the field of FMCG/ food industry in particular. Egan () and Lacey () argue that there are little empirical observations, especially in the FMCG (fast moving consumer goods) retail market, done in order to support different RM theories. There is also a lack of information on how relations are established, maintained, enhanced or terminated.

Starting from the above, the main goal of the study is to identify and determine the significance of certain factors in order to improve customer loyalty taking AH-WAN and TWO BROTHERS food complex PLCs as a case. The assessment is conducted on customers of the aforementioned two companies in Adama city, eastern Oromia region. For these companies, assurance of customer loyalty is very important to boost their profit margins as loyal customers are relatively frequent shoppers, less expensive to attract, often referring the products to their peers and family, and are willing to spend more on their favorite brand.

1.4. Research Question

Accordingly, this study tried to address the main question – what are the major factors affecting customer loyalty? This can be answered through addressing the following specific questions:

1. What is the effect of customer satisfaction on loyalty oh AHWAN and Two Brothers food complex Plc customers in Adama City?
2. How effective is the companies' commitment in the sense of creating customer loyalty?
3. How effective is the companies' trust in the sense of creating customer loyalty?
4. What is the effect of customer's perception towards AHWAN and Two Brothers food complex Plc products on customer loyalty in Adama City?
5. How effective is the companies' image in the sense of creating customer loyalty?

1.5. Objective of the study

1.5.1. General Objective:

The main aim of the study is to investigate factors that are affecting customer loyalty at Two Brothers food complex and Ahwan food complex in Adama city.

1.5.2. Specific objectives

- i. To scrutinize if satisfaction possesses an impact on customer loyalty in Two Brothers food complex and Ahwan Food complex.
- ii. To examine whether commitment has an influence over customer loyalty at Two Brothers food complex and Ahwan food complex.
- iii. To analyze whether trust has an influence on customer loyalty at Two Brothers food complex and Ahwan food complex.
- iv. To identify if perceived product quality has an influence over customer loyalty at Two Brothers food complex and Ahwan food complex.
- v. To explore the influence of brand image on customer loyalty at Two Brothers Food Complex and Ahwan food complex.

1.6. Research Hypotheses

On the basis of the research objectives mentioned above, the following hypotheses are to be tested.

- H1: Customer satisfaction has a significant and effect on customer loyalty.
- H2: Commitment has a significant and positive effect on customer loyalty
- H3: Trust has a significant and positive effect on customer loyalty.
- H4: Product perceived quality has positive and significant effect on customer loyalty.
- H5: Brand/corporate Image has a significant and positive effect on customer loyalty.

1.7. Significance of the study

This study would help the managers of both organizations to acquire more information as well as knowledge on how to retain customers as well as improve customer loyalty. It shall also help the company establish itself in a more competitive manner in order to win more customer as well as retain the existing ones. It shall help both the firms gain more idea about other competitor's products, it shall help the managers of both companies figure their own strengths and weaknesses in

this particular matter, scholars in this area may choose to use this study as a form of a reference. And it can also help other students/firms to carry out more extensive studies in this particular area.

1.8. Scope and Delimitations

Delimitations in terms of geographical, conceptual and methodological perspective are areas of possible emphasis or significance that would not be included in this research though.

The scope is geographically limited to Adama city, the place where about 85% of AH-WAN and Tow Brothers food and plastic products' market is at stake compared to other regional states. Their ease of accessibility makes them preferable for the intended study due to their economic benefits in terms of time and cost. For their homogeneity, the other food and plastic brands in the local market would also be intentionally excluded.

Conceptually, despite the vast scope of the issues surrounding brand loyalty, only five factors namely customer satisfaction, commitment, trust, perceived quality and company image were considered. Although antecedents of customer loyalty might arise from cultural differences of consumers within a given society, the study is limited to merely the behavioral and attitudinal aspects of consumer behaviors.

This study also prefers to first and foremost explore brand loyalty from the customers' perspective. Employees play a pivotal role in on-going customer satisfaction which leads to long term relationship and loyalty; thus, in order to truly gauge the effectiveness of the customer loyalty, it would be best to explore marketers and sales staffs' attitudes and perceptions toward on-going repeat sales, word-of-mouth recommendations, and customer loyalty.

1.9. Definitions of Key Terms

Satisfaction: perceived as customers feelings of pleasure/satisfaction which arises from actions which are driven from the organizations service provided with regard to customers' expectations. (Parasuraman, 2004, pp, 218)

Commitment: Affective commitment is the desire to maintain a relationship and is based on loyalty and affiliation. It is considered the commitment/devoted service provided by the two companies to its customers. (Gundlach, 2015, pp 59)

Trust: Customer trust is a means of purchasing a product or service, and customer trust has a direct relationship with customer loyalty, it can also be considered the extent of confidence/reliance a consumer has towards the products the food processing units offer. (Ribink, Leilgender&Streckens, 2004, pp. 273)

Perceived Quality: Perceived quality refers to the consumer's perception of the superiority of one brand over another. This level of perceived quality is not related to the characteristics of the product itself, but to a subjective evaluation of the brand present in the mind of the consumer (Anselmson, 2009, pp 61).

Brand Image: It indicates that anything can be a brand, such as a company, corporate, or name., and defined as a perception about a brand held in consumer memory. (Keller, 1993, pp. 301)

1.10. Organization of the paper

This paper/ research is organized into five chapters. Chapter one contains background of the study, statement of the statement of the problem, research objectives, hypothesis of the study, significance of the study, justification of the study, limitations and scope of the study. Chapter two provides a literature review informing the reader of what is already known in this area of study. Chapter three discusses the methodology employed in the study, including, research design, sample size and sampling technique, data source and collection method, procedure of data collection and method of data analysis. Chapter four is about data analysis and discussion of results. Finally, chapter five contains summary, conclusions and recommendations.

CHAPTER TWO

REVIEW OF THE RELATED LITERATURE

2.1. Theoretical Review

Customer loyalty and satisfaction are important for modern business for two main reasons. First, the customers are resources. It is far easier to obtain from an old customer than from a new one. Second, the customer loyalty and satisfaction have a positive impact on a company's profitability revenue (Rosenberg and Czepiel 2017). According to Jones and Sasser (1995), loyalty is considered a feeling, attachment or affection for a company's products and services.

It is more often known as being a strategic (long term) objective for firms and it is considered as one of the most vital aspect for any organization. Oliver (1999,33) defines loyalty as "a deep-seated commitment to rebuilding and preserving potential efforts due to future switching behaviors, despite efforts to rebuild and preserve a preferred product or service. Customer loyalty is seen as strength of relationship between a person's relative attitude and re-patronage.

Loyalty building needs companies to give more focus to the value of the products they put out in the market place as well as the services it provides customers, in order to meet their needs and desires.

Thomas and Tobey (2013) emphasize that "loyalty is more profitable." The expense to acquire a new customer is much higher than that of retaining the existing one. Loyal customers will encourage others to buy from an organization and think more than twice before changing their mind to buy other services. Customer loyalty is not gained by an accident; they are built through sourcing and design decisions. Designing for customer loyalty requires customer-centric approaches that recognize the desire and interest of service receivers. Customer loyalty is built up over time in many transactions. A relationship with a customer is equally important in customer loyalty and requires that company to work in a broader context that extends beyond itself, because no company can be world class in everything (McDonald & Keane 2000). Gremler and Brown (1999) divided customer loyalty into three distinct categories including behavioral loyalty, intentional loyalty, and emotional

loyalty. Behavioral loyalty is replicating purchase behavior whereas intentional loyalty is the intent of possible purchase. However, emotional loyalty is achieved when the customer feels that a brand coincides with their values, ideas and passion.

Corporate brands are intangible assets for companies that are difficult to imitate, and this is different from brands of products, emphasizing the importance of brand values (de Chretney, 1999).

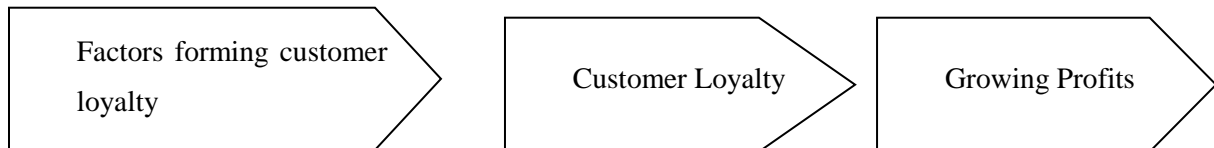


Figure 1: Model of customer loyalty(Loyalty model, 2012)

The figure above represents the factors forming customer loyalty (understanding customer’s needs and wants), the company must pay more attention towards the price, promotional techniques used, service and products in order to gain the customer loyalty, to create comfort environment between the customers and the organization is an important factor for an organization’s success. The more loyal customers an organization possesses the more profit they are bound to render into their accounts.

2.1.1. Customer Loyalty

Customer loyalty is a topic which has rendered amongst us since many decades, in simple terms mentioned by Beerli, Martin and Quintana (2004); these three have described customer loyalty to be summarized into repeat purchasing frequency or relative volume of the same brand purchase. Most definitions regarding customer loyalty can be split up into two broad meanings; Behavioral meaning (Example: repetitive purchase) and Psychological/ attitudinal meaning. Studies by Jacoby and Kyner (1973) have portrayed that when considering the psychological aspect of this particular issue, it can cause more challenges to be faced by organizations.

Customer loyalty is a measure of a customer's likeliness to do repeat business with a company or brand, its main aim is to make customers make purchases repetitively and more often and, in more quantities,as well as bring more customers to make purchase from a specific organization. Customer loyalty in recent studies has shown us that it plays a major role in the successful operations of any business in the corporate world we live in, overtime, loyal customers benefit organizations with positive word of mouth as well.

2.1.2. Approaches to Customer Loyalty

There are several ways to increase customer loyalty. The theory of behavioral loyalty lasted until 1970. Loyalty was seen as a function of total purchase participation (Cunningham 1956: 118; Farley 1964: 9), purchase frequency or purchase method (Tucker 1964). Sheth (1968) or purchase probability (Harary et al., 1962). These methods examine brand loyalty based on results (repetitive shopping behaviors) rather than reasons. In 1969, the two-dimensional concept of brand loyalty was introduced, stipulating that this loyalty should be measured by two standards of behavior and attitude (Jacoby et al., 1973). Jacoby and Keiner (1973) studied the psychological meaning of loyalty to distinguish it from behavioral loyalty (i.e., repeat purchases), because the measurement of loyalty may be an ineffective due to accidental purchase or convenience. Even if consumers are loyal to multiple brands, inconsistent purchases can mask loyalty. Similarly, Dick and Basu (1994) proposed to measure loyalty based on behavioral and hiring criteria, as well as the correlation between relative attitudes and repeat purchases. These different methods make it possible to distinguish customers by behavioral or emotional behavior (attitude), customer loyalty, but without an emotional connection with a brand or supplier. The behavioral dimension refers to issues related to repeat purchases and brand changes.

Loyal customers who have emotional connections, place more emphasis on engagement and psychological preferences, and place particular emphasis on topics such as brand recommendation, resistance to quality products, buyout intent, and willingness to pay premiums. Emotional infidelity is much stronger than behavioral fidelity and lasts longer. This relationship is so important to the customer that he or she will do whatever it takes to bring back strictly limited customers, repeatedly purchase products from limited suppliers, recommend those suppliers to other customers, and, with perseverance, must vigorously defend those decisions to avoid opposition from outside. Cronin and Taylor (1992) also suggested that behavioral and attitude factors be considered when defining and designing customer loyalty.

Customer loyalty can be considered to be as follows: **Behavioral loyalty** – in a brand where loyalty to a particular brand is primarily defined in terms of past purchasing patterns. Behavioral loyalty is frequently transacted and can sometimes be easily measured by observation techniques. (Morgan and Hunt, 1994), this particular concept can be further classified into other sub-segments (parts) by the reason of acting and they are mentioned below:

Functionally loyal - Functional loyalty, pricing, quality, distribution, product access convenience, or the use of different loyalty programs (points, coupons, games, draws, etc.) can create a distinctive loyalty, giving a solid reason to prefer a particular supplier. Forced to be loyal –Customers are forced to be loyal when they have to become customers even if they don't want to. (Usually, in the case of a monopoly). Loyal due to inertia - Because of the relatively low importance of comfort or operation the customer does not move to another vendor - if the choice is of less importance, there is no point in time and effort in finding alternatives.

Attitudinal loyalty – Attitudinal loyalty is sometimes defined synonymously with relationship commitment; it is considered as through which consumers have a favorable set of beliefs about the brand they bought. According to Jones and Sasser (1995: 94), there are three measures of loyalty that can be used to divide by loyalty itself: Customers' primary behavior – skills, frequency and quantity of purchases; Customers secondary behavior – customer references, endorsement and word spread; and Customer's intent to repurchase – He is a customer ready to repurchase in the future.

Oliver (1999) has proposed four ascending brand-loyalty stages according to the cognition-affect-conation-action pattern. First stage – is known to be cognitive loyalty, where customers are loyal to a particular brand based upon their information regarding to that particular brand. The second phase is affective loyalty, where in a customer's liking/positive attitude towards a brand is referred to. The third step - behavioral intention/conative loyalty, this is considered a strongly held commitment to purchase “good intention”. The final stage is action loyalty, where in customers transform intentions towards actions. At this stage customer usually are encountered with inertia, overcoming obstacles in order to initiate the purchase. However, it is difficult to measure as well as observe.

Marketing literatures across the globe help us identify that there exist various numbers of factors of loyalty from both a conceptual as well as a practical point of view, and can be divided into two distinct categories: Perceptual factors – satisfaction, trust and Behavioral factors- number of purchased goods/services

Dimensions of customer loyalty can be framed into evaluating judgments (provide quality and customer satisfaction), relational outcomes (trust and commitment) and company dynamics (corporate image, switching costs and communications). According to Bettel(2004), loyalty determinants are classified: Environment Characteristics of the environment: - Competitiveness, perceived switching costs, technical, legal, economic and natural changes. Clients -Flexibility of

related characteristics, resolution of complaints, duration of relationship. And Consumer Characteristics: - Joining the company, its desire to be involved; From the customer's point of view about the company: -Satisfaction, trust communication, brand image, quality of relationship.

According to Chang, Lai and Yang, (2008), loyal customers will increase their repurchase activities, provide business context, give word of mouth and are less likely to turn to alternative suppliers at the time of attractive sentiment. Compared to less loyal customers. Thus, customers who display both loyalty attitudes and behavioral characteristics act with a high commitment to their relationship with their service provider. Highlighting the strategic importance of customer loyalty, it is important to understand in depth the factors driving customer loyalty.

A number of scholars in the field of customer loyalty have tried to classify the factors that may affect it. (Cracklear, Mills et al. 2004) was convinced that customer loyalty should be seen as a combination of customer satisfaction and customer trust. (Stone, Woodcock et al. 2000) agreed that customer loyalty proves crucial and customer satisfaction. (Duffy 2003) stated that while customer loyalty gains significant benefits when its search is part of the overall business strategy.

2.1.3. Relationship and Loyalty

According to Bendapudi and Barry (1997), customers remain loyal to the service provider because they want to, or because they have no other choice. Therefore, the factors that support relationships can be classified into two specific categories:

Factors that contribute to customer engagement based on customer satisfaction, good quality of service, customer's sense of trust and emotional commitment to the hospital, positive image of the company, high level considered by the relative benefits that will increase the value of original products and services. Factors that prevent the customer from maintaining a relationship due to some negative bonds that prevent the customer from switching behavior. Considered the main exit barriers perceived by the consumer are: legal bonds (arrangement of contracts), financial bonds (loss of financial penalty or some financial rewards), cost of information and valuation, cost of learning, uncertainty costs, a small number of attractive options in the market and geographical bonds. (There is no other hospital in the customer's geographical location). Habit, inertia or customer inactivity cannot be included in the first category because they prove a lack of neutrality or attitude rather than a positive attitude towards the current organizations considered in this study. In this situation, the customer maintains a relationship with the current organization, not because of

habit or convenience and because of a high level of satisfaction. Although both categories of factors have a positive influence on customer relationships, there is a difference regarding their impact on the behavioral and ethical dimensions of loyalty.

Berry (2007) observed that "it is crucial for companies that customers do not just get customers." Criticism of this assumption is that new customers have to spend 6 times more to win than to keep existing. Customer loyalty can translate into profit in a variety of ways such as cross-selling and up-selling, getting new customers by word of mouth, loyal customers' price sensitivity and cost reduction (Chen & Hu, 2013).

The underlying principle underlying these assumptions is the emphasis of relationship marketing on maintaining the relationship between the company and its external actors, in which customers are classified as the most important actors. This activity facilitates the building of customer loyalty to maintain stable, mutually beneficial and long-term relationships. Thus, a leading business strategy is based on the ability to build and maintain a loyal and valuable customer relationship; Alternative search results in positive results, including reducing behavior, making repeat purchases, spending on ancillary services, creating exit barriers, and stimulating consumer cooperative behavior.

According to Gerpot (2000), the customer's long-term relationship with a service provider is of greater importance to the company's success in a challenging and competitive market. Customer loyalty is considered an important link and excitement for the profit and professional performance of organizational success (Oliver, 1997; Racheld, 1993; Sheth, 1998). Customers who show the best levels of loyalty to the consumer or the quality of service buy more often and spend more money. Thus, loyal customers not only increase the value of the business, but also enable the business to reduce costs and reduce the number of people involved in attracting new customers (Barroso and Pecan, 2012).

2.1.4. Factors Affecting Customer loyalty

2.1.4.1. Customer Satisfaction

Oliver (1981) defines satisfaction as a person's happiness or frustration and compares clear performance (or result) with product expectations. Satisfaction is a positive and intimate situation that arises when one party evaluates all aspects of its work relationship with another. Customer satisfaction is the emotional response between the overall customer attitude towards the service

provider, or what customers expect and what they achieve about meeting certain needs, goals or desires. Customer retention is defined as a future trend. In the marketing literature, at least two major classifications of customer satisfaction have been suggested: transaction-specific and cumulative perspectives by Anderson JC and Norse J. A (1990).

Kotler and Armstrong (1996) define customer satisfaction as a person's happiness or frustration and compare the performance of a product or service with what they expect. Customer satisfaction is about experience and experience, therefore, customer satisfaction refers to the differences that customers actually expect to achieve and the actual service performance that exceeds such expectations.

Bolton and Drew, (1991); Cronin & Taylor, (1992) Definitive Customers Satisfaction with the decision made based on the proposed service encounter.

According to Anderson and Sullivan (1993), customer satisfaction is recognized as the key to customer loyalty, so service providers seek management and increased satisfaction. According to Richeld (1993), customer satisfaction is an important factor in determining how successful a company is in customer relationships, so it is important to measure those factors. Customer satisfaction plays an important role in providing efficient services. In addition, companies offer a number of benefits to satisfied customers. They are: repeated protection from the company's portfolio, including meeting additional requirements; Positive walk-communication; increased brand loyalty; Acceptance of the best new offer to participate in premium prices; Low cost resilience; Increased Reputation and Customer-Lifetime Value, (Cronin & Taylor, 1992; Bolding et al.), 1993; Anderson, 1993; Bolton et al., 2000; Rinzet& Kumar, 2003; Rays, 2006; Foreline. 1992). Therefore, companies need to understand the needs and expectations of its customers and develop a high quality service that receives customer expectations in order to maximize competitive advantage compared to its competitors.

Researchers who follow transaction-specific logic (e.g., Oliver, 1993; Cronin, Taylor, 1992, p. 56) describe satisfaction as a post-choice evaluation decision of a particular purchase opportunity. In contrast, followers of consumer satisfaction, including Fornell (1992), see customer satisfaction as an overall evaluation process based on overall purchase and consumption and experience of products and services over time. According to Anderson et al. (1993, p. 54), true loyalty depends on

customer satisfaction. Most satisfied or happy customers are motivated to be loyal to a company, to consolidate their purchases with distributors and to advertise politely about the company.

Satisfaction is always higher when the customer gets maximum consumption and profit at the lowest price. According to Mittal & Kamakura (2001), satisfaction is an important factor in fostering consumer desire for future purchases, as well as a holistic approach based on customer experience. Satisfied customer stays longer with existing providers.

2.1.4.2. Commitment

is known as a psychological state, where in customers are willing to still continue to maintain and continue a relationship with the organization in hand, it is a crucial factor of determining the strength of a marketing relationship, and also a useful construct for measuring the likelihood of customer loyalty as well as its provision as an aid for prediction of future purchase frequencies. (Morgan and Hunt, 1994). They defined commitment as resisting a desire to maintain a valued relationship. Commitment is defined as a desire to maintain a relationship (Deshpande, Moorman and Zaltman 1993, Morgan and Hunt 1994). According to Dick, Basu (1994), the commitment came from: -Affective commitment means that customers prefer to maintain a relationship with the supplier: Calculate commitment is the commitment that describes the customer's need to maintain a commercial relationship. According to Ndubisi (2007), commitment is a key factor in fostering customer loyalty, such as meeting customer needs, adapting products to needs, and generally being flexible in customer relationships.

2.1.4.3. Trust

According to Ostrom and Lacobucci (1999), trust is defined as an acceptance of a trusted exchange partner in which one has confidence. This leads to trust submission because it reduces the cost of negotiating contracts and reduces consumer fear over the provider's opportunistic behavior (Bendapudi and Berry, 1997). Morgan & Hunt (1994) Willingness to rely on an exchange partner to define trust. He points out that brand trust leads to brand loyalty and commitment, because trust creates invaluable exchange relationships. Ganesan (1994) suggested that consumer trust is an important component as long as the consumer believes that he has beneficial intentions and goals. Morgan & Hunt (1994) trust suppliers who think they are associated with positive customer results and are therefore only interested in their well-being.

According to Berry (2007), reliability leads to submission because it reduces the cost of negotiating contracts. Trust is an important factor in influencing relationship commitment and customer loyalty. If one party trusts another party, such party will be willing to cultivate good intentions with the other party. Accordingly, when a customer trusts a business or brand, that customer is willing to give the business a good buying intention. When the service provider works in a way that builds customer trust, the risk with the service provider is reduced, allowing the customer to confidently predict the service provider's future transactions.

Loyalty affects trust by influencing the customer's perception of the integration of value with the service provider and such value is significantly associated with customer satisfaction and loyalty. Trust is recognized as a very crucial element in relationship marketing that requires a customer trust to maintain a business relationship. Increase the trust, which leads to more loyal customers (Gill, Flashner and Shatcher, 2006).

Shergill & Bing (2006) states that the promise of maintaining and enhancing relationships is an integral part of the relationship marketing process as a tool to achieve customer satisfaction maintain a customer base and achieve long-term profitability. Many scholars (Lim, Rasc 1997; Garberino and Johnson 1999; Chaudhary, 2002) supported the idea that faith is one of the most important aspects of obedience. (Morgan, 1994) The Consumer Attitude Argument Trust is motivated by commitment in the form of obedience. (Oliver 1999) Trust is an important factor in the loyalty of a true customer.

2.1.4.3. Perceived Quality

Perceived service quality is the consumers' overall perception about the quality/superiority of a particular product or service in comparison to other Service brand equity in healthcare available service products. Aaker (1991) considers it as an intangible overall feeling about a brand that affects market share, price, and profitability. Since service quality provides a base for service differentiation for a company in terms of reliability, responsiveness, assurance, tangibility and empathy (Parasuraman, 1985), the real test for its success depends on the competent quality of services it provides to the consumers. To qualify this test and to contribute to brand equity, hospitals must provide "service plus" that is, a combination of high-quality professional service and best patient care, quality services that can delight patients. This subsequently will enhance brand name and image of the hospital (Shanthi, 2006) and add to its brand value.

2.1.4.4. Brand image (Corporate Image)

According to Kotler (1991) the corporate image is the "overall impression created in the public mind about an organization" and is defined as the current characteristic of an individual in a particular organization, attitudes, beliefs and impressions about the organization and its behavior. According to Nguyen and LeBlanc (2001), the corporate image is related to the physical and behavioral characteristics of the organization, such as the business name, architecture, range of products / services, and quality of communication.

They believe that the factors that contribute to a corporate image are the physical entities of corporates and their behavior, including corporation name, heritage, and management philosophy and product diversification. It reflects the public's assessment of the organization's performance in areas such as management standards, work direction and communication activities. Satisfactory image of the customer is an important factor in relation to the features of the product. The image of the brand is important for a variety of reasons e.g. To promote one's own image, to satisfy one's own aesthetic satisfaction, or to obtain certain brand-related amenities (Akhtar, 2011).

According to Akhtar (as Norte said in 2013) over time, image build plays an important role in retaining customers, which significantly affects the relationship between performance and customer loyalty. Companies can paint different images such as the reliability of service delivery, employee commitment, global relations and sometimes intimacy with the country. This is a key factor in the context of trusted goods and services such as the healthcare sector. Therefore, the strong and positive institutional image of the current hospital provokes resistance to move to another hospital. It has been suggested that the set of beliefs that determine a corporate image determines satisfaction. The image of the brand is one of the most important factors. The customer can use this preference to display their own image. It can happen consciously or subconsciously. Consumers prefer brands with personality traits that match their character traits, which are their self-schemes.

A good brand image awareness about the quality of service makes the brand more attractive. Brand image is an important factor that affects customer loyalty, which is considered as an important factor in creating, building and maintaining relationships. Brand "name, word, logo, logo or design or its combination identifies the manufacturer or seller of a product or service. Corporate image is an important factor in the overall service evaluation. LeBlanc (2001)

2.2. Empirical Review

Effect of Customer Satisfaction on Customer Loyalty

Another research by Rasmey and Sohi (1997) contend that customer satisfaction and customer loyalty are correlated. Some other reserchers showed that customer satisfaction plays vital role in enhancing and maintaining long-term relationship among companies and their customers, customer satisfaction is reveled to be the improved predictor of customer loyalty (Haq& Amin, 2009). Kuuisk (2007) suggested that there is a direct connection among loyalty and satisfaction, satisfied customer happens to loyal and dissatisfied customer switches to another vendor. Customer satisfaction can act as a connection between customer participation and loyalty.

According to Luarn and Lin (2003) found that brands which make its consumers happy/satisfied/demonstrative get rapid larger attitudinal commitment and behavioral (purchase) loyalty. Likewise, author emphasizes that customer satisfaction mediate consumer learning from past experience and enlightens main post purchase behaviors, which include word of mouth, complaining, product usage and repurchase intention and suggested that repurchase intention and post purchase complaint are significantly influenced by web customer satisfaction.

A study done by Pirc (2008) showed that for customer satisfaction, there is an overall consensus about their influence on customer loyalty; however, the proposed effect is sometimes empirically supported and other times the effect is not found. According to Hallowell (1996) satisfaction of customers, their loyalty and productivity are interlinked. He presented it in the form of this model: satisfactory customers move into the category of loyal customers and that eventually leads toward profitability. Starting from the above, the following hypothesis is proposed:

H1: Satisfaction of customers has positive and significant effect of customer loyalty

Effect of Commitment on Customer Loyalty

A study conducted by Ndubisi (2011), entitled the effect of company commitment on customer satisfaction and loyalty, explained that relations based on trust between seller and buyer are the basis of mutual attachment creation. He also found out quality communication among buyer and seller, synchronized behavior and mutual work create trust and attachment. Together, both factors directly lead to cooperative behavior, long-term relationships based on loyalty.

Another study by Morgan & Hunt (1994), conducted on factors affecting brand loyalty, revealed that creating affection, that for both buyer and seller relations, is important and there is a mutual desire to continue and develop them in the future. They concluded that it is a power that drives participants to continue their cooperation. Relationships built on trust and commitment are a guarantee that the efforts made to maintain and develop relationships in the future will result in mutual benefits. That strengthens trust and commitment, increases customer loyalty and all performances of relationships.

The largest number of research connected with the relationship of trust, commitment and loyalty of customers, confirms the high degree of correlation of trust and devotion on the one hand, and retention of customers and future intentions for relationship developing, on the other. Attraction in relationships very often means sensitivity and dependence, which builds relationships that are worthy of the trust of the partner. Continuity of relationships over time motivates companies to work together to achieve goals and mutual benefits. Each side is aware that continued delivery of superior benefits will be valued from the other side, which therefore wants to engage in a relationship. Starting from the above,

H2: Commitment of the company has positive and significant effect of customer loyalty

Effect of Trust on Customer Loyalty

Ramsey and Sohi (1997) also came up with the conclusions that were found consistent with the above findings. Kuuisk (2007) explored trust of brand leading towards loyalty of customers as trust creates trade associations that are extremely appreciated. Brand trust has direct relationship with purchase intention as well as attitudinal loyalty. It is also suggested loyalty is achieved through trust (Luarn& Lin, 2003). It creates an important relationship between loyalty and commitment. They also suggested two results of trust, which are loyalty and commitment.

According to other researchers, trust identifies how the customer relies on the provider reliability. It concerns the provider ability, perceived by the customer, to assure a reliable service in respect of the contractual rules. Trust is the linked with the provider's capability to resolve problems with the smaller possible uneasiness for the customer as well (Chirico &Presti, 2008). Another study done by Pirc observed trust as having a positive impact towards loyalty of customer (Pirc, 2008).

Trust is an important determinant of the buyer's behavior in the purchasing process. It arises as a result of the overall customer experience with the product and the company, and its tangible and intangible attributes. Trust development generates positive attitudes and customer loyalty (Moreira & Silva, 2015). A customer who believes in an enterprise becomes a valuable source of information in the process of value creation. Mutual trust of the buyer and company creates conditions for the exchange of important information in the process of value creation and the construction of a long-term, mutually beneficial relationship. It is therefore considered that confidence is an essential factor that leads to long-term customer retention (Moorman et al., 1993; Anderson & Mittal, 2016). Lost trust means a lost customer. Starting from the above, the following hypothesis is proposed:

H3: Trust of customers has positive and significant effect of customer loyalty

Effect of Perceived Quality on Customer Loyalty

Numerous studies have shown that perceived quality of service is an important determinant of customer satisfaction and loyalty (Lovelock & Wirtz, 2011; Wilson, 2012; Moreira & Silva, 2015). This influence can be reached through degree of satisfaction, considering that the concept of customer satisfaction and service quality concept are connected, and often they are identifiable. Starting from that point, one can speak of a linear relationship between the quality of service and satisfaction, which means that a higher level of service quality leads to a higher level of customer satisfaction. There is also a perception that the quality of service is not the only determinant of customer satisfaction, even if it is often crucial (Veljković, 2009).

Research based on such insight did not show a strong correlation between the perceived quality of services from users and their satisfaction, especially when it comes to certain elements of service quality. The problem of the quality-of-service measurement comes out from the complexity and multidimensionality of the concept of product quality (Jain & Gupta, 2004).

The development of business organizations depends on the quality of the products they produce. The better the product produced and useful, the more consumers will enjoy it, especially to meet their daily needs. The quality of products that are in great demand by consumers can be seen from several factors including packaging, price, quality, and benefits obtained by consumers (Jain & Gupta, 2004). With good product quality it will have an impact on consumer loyalty and increase revenue for producers. This is confirmed by the opinion of Halim (2013) that products that have good quality will have an impact on increasing consumer loyalty. The results of research conducted

by Chinomona (2015), it can be concluded that quality products have a very strong impact and have a positive effect on consumers to be loyal to the products produced by a company.

The emphasis that the overall quality assessment depends on evaluation of the benefits provided by the particular product/service, and also on the process of its delivery, points to complexity and multidimensionality of the product/service quality concept. Starting from the above, the following hypothesis is proposed:

H3: Perceived Quality has positive and significant effect of customer loyalty

Effect of Corporate Image on Customer Loyalty

Some researchers prove that the favorable corporate reputation and image has positive and direct influence on its customers in return increasing their loyalty towards firm. Such image and good reputation of the company yield financial benefits for the company (Bartikowski & Walsh, 2011). Tsai and Yang (2010) describe these three proportions of corporate reputation “i.e., citizenship, credibility and image (both goods and service) are all positively related to firm attractiveness”.

According to Nguyen and Leblanc (2001) customer loyalty increase if perception of customer about corporate image and corporate reputation is good and favorable; and customer loyalty is also affected by the extrinsic factors like contact personnel and the physical environment where services are being delivered. Concerning with the worth of corporate reputation, Shamma and Hassan (2009) find corporate reputation’s importance along with the behavioral intentions for customer loyalty.

A study by Chen and Myagmarsuren (2011) explored the vital role of brand image which says that when a customer buys a product this leads to becoming faithful to that product. Therefore, positive brand image helps a company convey its brand value to customers. Furthermore, a good brand image is conducive to positive word-of-mouth by customers, favorable company reputation and marketing communication. On the other hand, negative brand image has the opposite effect on consumers. As for a neutral or unfamiliar image, the effect may be insignificant; moreover, it does not increase the effectiveness of communication and word-of-mouth (Gronroos, 2000). Hence, based on the above arguments, the following hypothesis is offered.

H5: Trust of customers has positive and significant effect of customer loyalty

2.3. Conceptual Framework

To help us find out the factors affecting customer loyalty at Two Brothers Food Complex, Ahwan Food Complex, the model below represents the independent and dependent variable which are taken into consideration in this particular study from the literature review namely Satisfaction, commitment, trust, perceived quality and image have positive relationship with customer loyalty (Aydin and Ozer, 2005). Hence, the model consists of five independent variables which are satisfaction, commitment, trust, corporate image and perceived quality, the dependent variable obviously being customer loyalty.

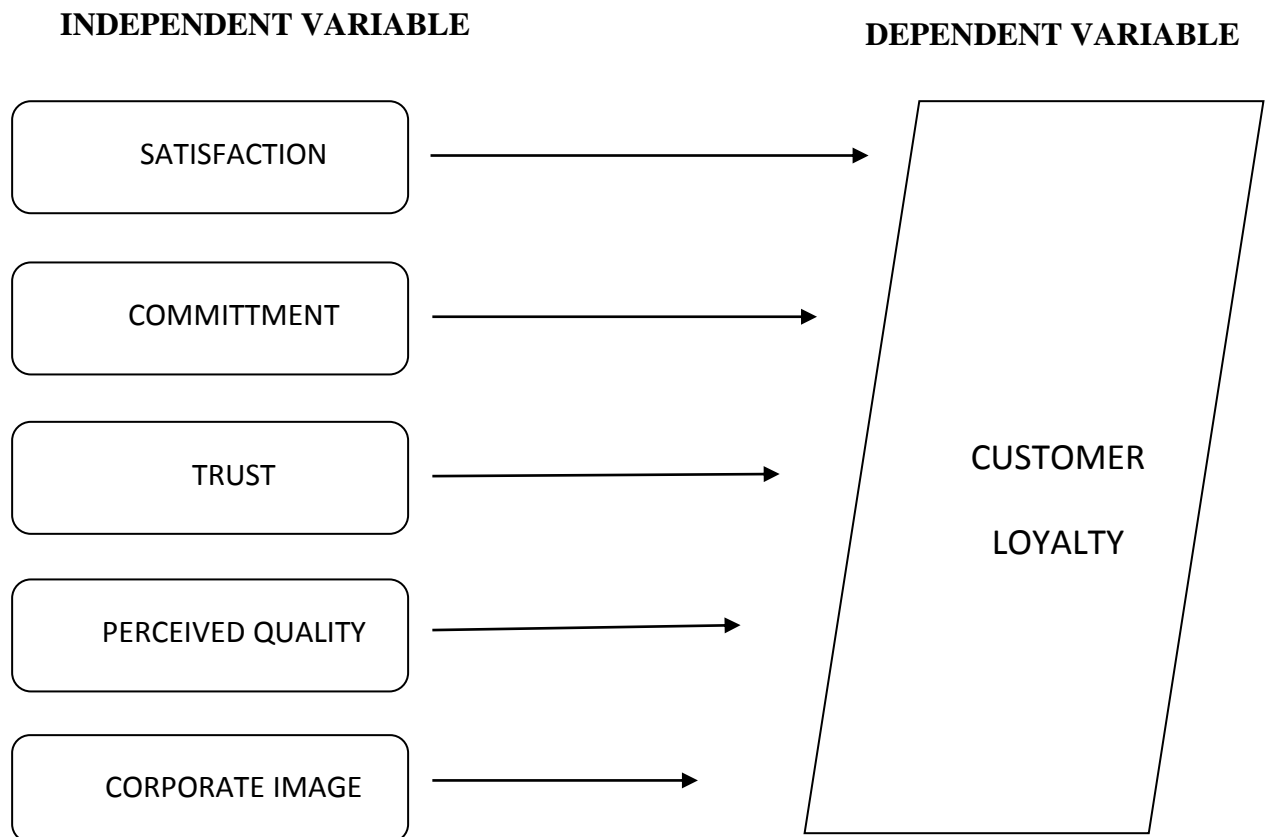


Figure 2 Conceptual Framework

(Source: Khansa, Z. Samina, B. Asma, A. and Aqeel S., 2012)

CHAPTER THREE

Research Methodology

In this section I will present the research paradigms, research approach, research design, sampling design, source of data, collection instruments, procedures and analysis methods undertaken, validity and reliability as well ethical considerations in this particular research.

3.1. Research Approach

There are basically two research approaches. The first one is qualitative research which involves studies that do not attempt to quantify their results through statistical summary or analysis. In a way it seeks to describe various aspects about behavior and other factors studied in the social sciences and humanities. In qualitative research data are often in the form of descriptions, not numbers. The other one is quantitative research which engages in systematic and scientific investigation of quantitative properties and phenomena and other relationships. The objective of quantitative research is to develop and employ mathematical models, theories and hypothesis pertain the natural phenomena. Quantitative research approach was adopted in this study for the fact that it involves generation of data in quantitative form for analysis. Data were quantified and statistical methods were used in the data analysis to seek evidence about characteristics or a relationship between the stated variables.

3.2. Research Design

There are three types of research design namely exploratory, descriptive and explanatory research. The goal of exploratory research is to discover ideas and in-sights while descriptive research is usually concerned with describing a population with respect to important variables. Explanatory research is used to establish cause-and-effect relationships between variables and causal analysis is concerned with the study of how one or more variables affect changes in another variable. It is thus

a study of functional relationships existing between two or more variables (Kothari, 2004). This study follows explanatory research design as it examined the variables of interest in the factors affecting customer loyalty and determines their relationship with customer loyalty.

3.3. Population

A population can be defined as the complete set of subjects that can be studied: people, objects, organizations from which a sample may be obtained (Shao, 1999). The population of the study was framed from dwellers of Adama city who have the experience of purchasing food and other products of AHWAN and Two Brothers foods Company's outlets.

3.4. Sampling Techniques

Sampling is the process of selecting a number of study units from a defined study population (Abiy, 2009). It is economical to take representative sample for the intended investigation when conducting census is unrealistic. There are two main sampling methods, probability and non-probability sample. In this study, the lack of access to a list of the population under study makes fully randomized samples (probability sampling) difficult to obtain (Zikmund, 2000). Thus, convenience non-probabilistic sampling was applied to determine the sample size. Targeted participants were contacted at 10 outlets of AHWAN and Two Brothers foods outlets in the city.

3.5. Sample Size

Sampling is the process of selecting a number of study units from a defined study population (Carvalho, 1984). Sample size for unknown population is selected based on Cochran (1963) who developed the formula to yield a representative sample for large population size at 5% margin of error and within 95% confidence level. It is demonstrated as:

$$n = \frac{z^2(p)(q)}{e^2}$$

Where:

n- Sample size; z- Standard deviation given a corresponding confidence level of 95%; p-Estimated proportion of incidence (success rate = 0.5); q-(1 -p) or assumed failure rate (0.5); e- Proportion of error margin in a given situation (5%)

Thus, the sample size of the intended study with 95% confidence level, probability of 50% occurrence, probability of 50% failure and 5% marginal error, is obtained as:

$$n = \frac{z^2(p)(q)}{e^2} = \frac{(1.96)(0.5)(0.5)}{(0.5)^2} = 384.16 = 385$$

A representative sample size of 385 respondents was taken from 10 outlets.

3.6. Source of Data

According to Catherine (2017), data may be collected as primary, secondary or both. Primary data are originated by the researcher for the specific purpose of addressing the problem at hand. On the other hand, secondary data contains relevant data that has been collected for a different purpose, but from which the conclusion is valuable for the purpose. In this study basically the primary source, i.e., data collected from consumers at the AHWAN and Two Brothers foodsCompany's outlets were used for analysis.

3.7. Data Collection Instrument

Questionnaire to be used must be prepared very carefully so that it may prove to be effective in collecting the relevant information. Structured questionnaires are those questionnaires in which there are definite, concrete and pre-determined questions (Kothari, 2004). The questions are presented with exactly the same wording and in the same order to all respondents. Resort is taken to this sort of standardization to ensure that all respondents reply to the same set of questions.

A structured questionnaire, based a 5- point Likert –scale, is used as a major instrument of data collection tool. The questionnaire consists of three sections. The first section elicits information on the demographic characteristics of the respondents, the second section constitutes of items that request information on the independent variables of the study i.e., factors affecting customer loyalty namely satisfaction, commitment, trust, perceived quality and company image; while the third section is all about the dependent variable – customer loyalty. The attributes were measured using 5-point Likert scale ranging from 1- for "Strongly disagreed" to 5- for "strongly agreed". The questionnaire was adopted from Khansa, Z. Samina, B. Asma, A. and Aqeel S. (2012), then adjusted to fit the context of the study.

3.8. Data Collection Procedure

A pilot survey was conducted on 30 respondents at Ahwan plc in Adama city prior to administrating the questionnaire to the targeted sample respondents so as to check whether the questioner is clear, easy to understand and straightforward to ensure that the respondents able to answer the questions

with no difficulty. For the validity check, on top of the feedbacks from the respondents, the questionnaires were also reviewed by the advisor of this study and marketing manager of Ahwan and Two Brothersplc to review the suitability of the questions, the language (style of expression) and the suggestions implemented to enhance the questionnaire. Finally, after having made all the requisite corrections, it was found reasonable to distribute them to the targeted respondents. Then respondents were contacted at the selected outlets of Ahwan and Two Brothers plc accordingly.

3.9. Data Analysis and Presentation

Data in this study were analyzed using both descriptive and inferential statistics. Descriptive statistics is used to interpret data in general and for testing hypothesis and investigating research objectives inferential method is used using statistical package for social science (SPSS) version 20.0. Descriptive statistics is applied to interpret demographic variables of the respondents and to discover the frequencies of each dimension whereas inferential statistics is used for hypothesis testing such as correlation and multi-regression. Tables and graphs are used to present analysis results pictorially.

3.10. Validity and Reliability Test

3.10.1. Validity

Validity, on the other hand, is concerned with whether the findings are really about what they appear to be about. Validity is defined as the extent to which data collection methods accurately measure what they were intended to measure (Saunders and Thornhill, 2003). To ensure the validity and reality of this research, the researcher utilizes the criterion argued by Bryman and Bell (2007) to test the process of the research. First of all, the internal validity would be fulfilled by the consistency between the research data collection and the theoretical framework. On the other hand, the external validity, which would also be met by this formal theory generated, represents that the findings would be used in more general area. Secondly, the researcher makes an adequate agreement in the process of the research, and the extent of the agreement determines the internal reality.

3.10.2. Reliability

Reliability of the data collection instrument involves the consistency of the result obtained with the instrument. Regarding the reliability test, Table -1, Cronbach's alpha was used to assess the internal

consistency of variables in the research instrument. The scale represents as a number between 0 and 1 but the alpha value above 0.7 indicates good reliability of the measurement scale (Zikmund, 2010). For this study, thus, a Cronbach's alpha score of .70 or higher is considered adequate to determine reliability.

Table 1: Reliability Test

	N	Cronbach's Alpha
Perceived Quality	4	.819
Commitment	4	.777
Trust	4	.710
Customer Satisfaction	4	.752
Company Image	4	.801
Customer Loyalty	5	.827
Overall Reliability	29	.799

(Source: Own Survey, 2021)

Based on this notion, the scale reliability was found to be within the acceptable range as all the variables' test scores were found to be above $\alpha = .70$ (Das, 2012). Thus, showing as indication of acceptability of the scale for further analysis, the reliability score of the six variables yielded within the range of $\alpha = .710$ to .827. The overall scale reliability score is also found to be $\alpha = .799$ on average. It can be concluded that the measuring instrument is credible to conduct data analysis based on the collected data using the questionnaire.

3.11. Ethical Considerations

Prior to the start of this research task, informed consent has acquired from the supervisors of Ahwan and Two Brothersplc. The consent form for approval request for this study has been granted from Addis Ababa University and formal consent of the targeted respondents have also been obtained from each participant prior to the commencement of data collection. The student researcher undertakes to protect the rights of the respondents by ensuring that none of the respondents has marked during the study or any subsequent thesis and that the respondents have been chosen to participate without coercion.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

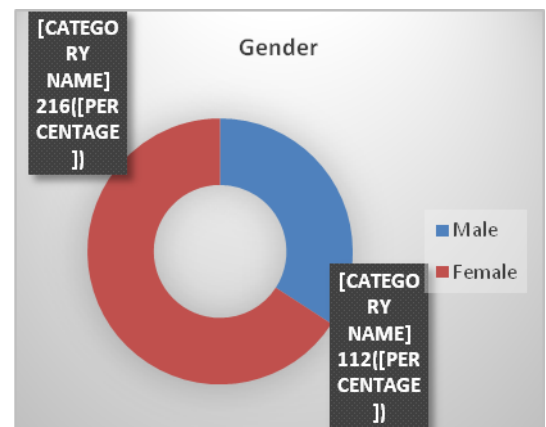
This chapter encompasses the data analysis, interpretation and presentation of the results. The analyses comprised of both descriptive and inferential statistics in which the former describes the demographic profile of respondents, analysis of responses under each attribute; whereas the latter includes correlation, assumption test and multiple linear regression analysis.

The data collected through self-administered questionnaire featured personal information of the respondents, the identified five factors (customer satisfaction, commitment, trust, switching cost and corporate image) and customer loyalty attributes in the case of Two Brothers and Al-Wan Plc in Adama city, Eastern Oromia region. A total of 385 questionnaires were disseminated to the targeted customers, of which 347 questionnaires were collected which accounted for 90.1% of the total distributed questionnaires. After having further screened for inconsistency, was found 21 responses and then rejected for missing data. Finally, a total of 328 valid and usable questionnaires were used for statistical analysis. Each response is encoded and transposed on SPSS 21.0 accordingly to make them suitable for data analysis.

4.1. Demographic Characteristics of the Respondents

The first part of the questionnaire consists of the demographic characteristics of the respondents. It requested a limited amount of information related to their personal and socio-demographic status.

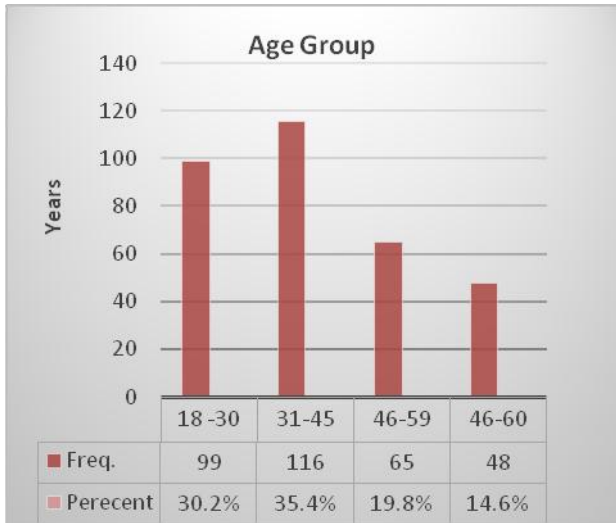
Referring to the respondent's gender orientation, female customers constituted relatively the highest percentage 216(65.9%) while their male counterparts shared the rest 112(34.1%). This implies that majority of the respondents were females who came to the market place to purchase food and other related materials than male



counterparts. It is a common phenomenon that females are frequent visitors of retailer shops. Figure -2.

Figure 3: Gender Orientation

Regarding the age group, 116(35.4%) of the respondents was found to be within the age range of 31-45-years followed by 99(30.2%) within 15-30 years. Whereas those respondents whose age fall within 46 - 60 years and above 60-years old belonged to 65(19.8%) and 48(14.6%) respectively.



This finding is positive in its indication that consumer interests towards AH-WANproduct from all age groups, adolescents all the way to the elderly. Of course, it is noteworthy to acknowledge that this phenomenon is largely due to the nature of the product category appealing to people from regardless of age. However, it would be interesting to cross reference this finding with findings regarding other variables and see if there's valuable insight to arrive at. Figure -3.

Figure 4:Age Distribution

Regarding the educational status of the respondents, 141(43%) were first degree holders, 85(25.9%) of them had Diploma, 71(21.6%) of them attended high school and below, and the rest 31(9.5%) were masters' degree and above holders. Thus, the result implies that the majority of the respondents fortunately possessed a high level of education and they have the knowledge to fill the questionnaires based on the factors affecting their loyalty towards AH-WANbranded products. Figure -4.

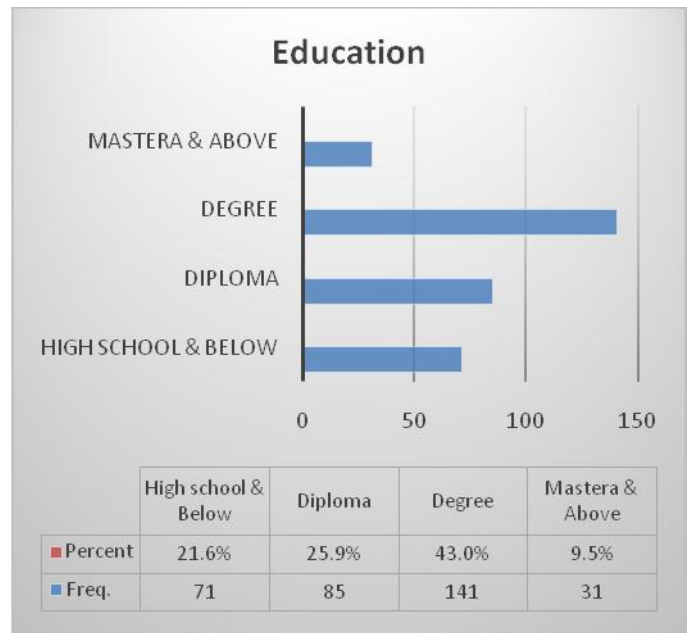
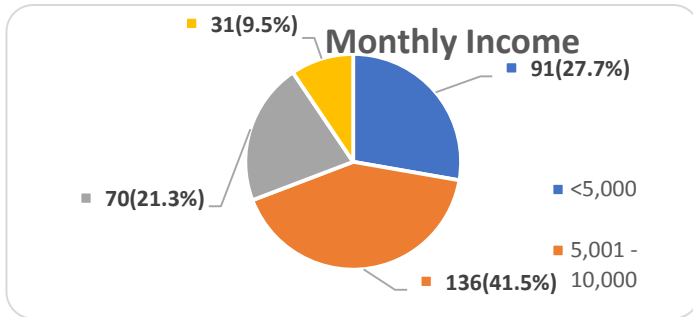


Figure 5: Educational Background



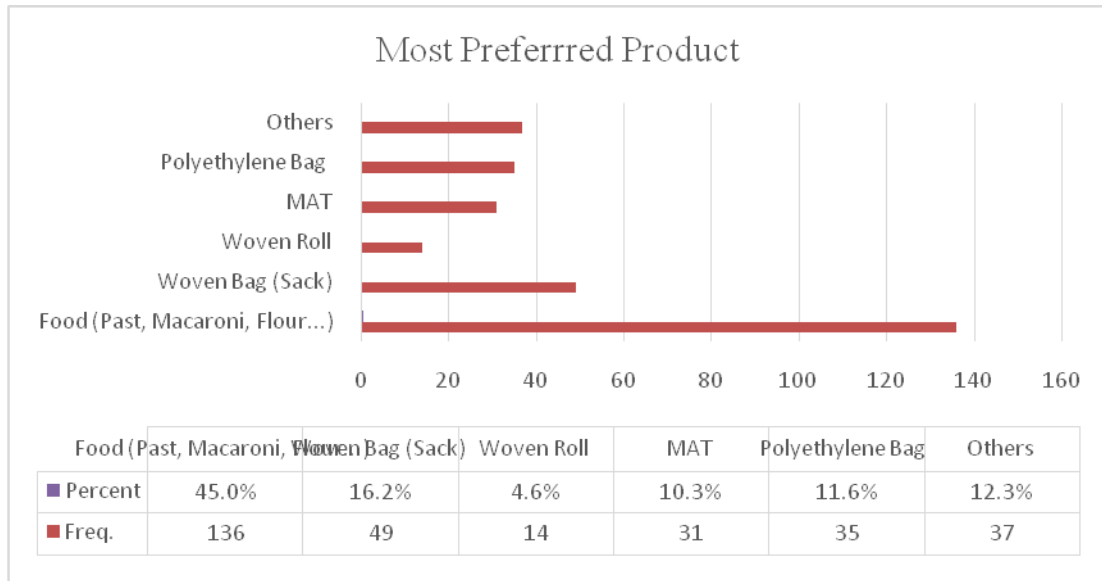
Furthermore, with regards to monthly income, 136(41.5%) earned the monthly income below Birr 5,001 to 10,000 followed by less than Birr 5,000 which accounted for 91(27.7%). The rest 70(21.3%) and 31(9.3%) of them were

earned from 10,001 – 20,000 birr and more than Birr 20,000, respectively. This implies that the respondents had different level of economic status in terms of their monthly income. It can be taken as a good opportunity to have responses from different income level perspective. Figure -5.

Figure 6: Monthly Income

Amongst the products offered by AH-WAN, for 147(44.8%) of the respondents, food items like pasta, macaroni, white flour, etc.) were most preferred item. While woven bag (sack), polyethylene bag, and other products took the share of 53(16.2%), 39(11.9%) and 41(12.5%) respectively. But woven roll 15(4.6%) and mat 33(10.1%) represented the least preferred products. This implies that the majority preferred food products, thus, working on such fast-moving items seems more effective to

build



customer loyalty. Figure -6.

Figure 7: Most Preferred Product

In general, results of the findings revealed that the demographic characteristics of the respondents were dominated by young female customers with different educational background and income levels. Proper identification of their demographic factors helps in designing and implementing effective and efficient marketing strategies but their effects on building customer loyalty in relation to satisfaction, trust and company image needs further investigation so as to have holistic view.

4.2. Description of Study Variables

Descriptive statistics were used to describe the basic features of the data in a study. It provides simple summaries about the sample and the measures. Here, descriptive statistics is used to present quantitative descriptions in a manageable form for the fact that each descriptive statistic reduces lots of data into a simpler summary (Gelman, 2007).

It offers summary statistics for continuous numerical factors in terms of mean, standard deviation and the number of respondents (N). The mean scores have been computed for all the five factors and customer loyalty variables by equally weighting the mean scores of all the items under each dimension. The results shown in the tables below are for all five factors, as note that N is 328. Looking at the means or average is a dimension of central tendency that provides a general picture of the data without unnecessarily inundating it with each of the observations in the data set. The Standard Deviation is another dimension of dispersion for interval scaled data and it provides an indication of the spread of a distribution or the variability of in the data.

To compare the respondents' perception towards the variables, they were asked to rate their perception on a five-point Likert type scale ranging from 1- being strongly disagree to 5- strongly

agree for the six variables. Regarding the mean score, the scale is set in such a way that respondents strongly disagreed if the mean scored value is in the range of 1.00 – 1.80; disagreed within 1.81 – 2.60; neither agreed nor disagreed within 2.81 - 3.40; agreed if it is in the range of 3.41 – 4.20; while strongly agreed when it falls within 4.21 – 5.00. Under the description of study variables, analysis of five factors affecting customer loyalty (commitment, trust, perceived quality, customer satisfaction and company image) and customer loyalty attributes are presented as follows.

4.2.1. Customer Satisfaction

Results of the findings on Table -2 indicates that the respondents admitted AH-WAN products' ambient availability (mean 3.52). Whereas, they had doubts on whether the package of the products provide them detail information (mean 3.18). On the other hand, they believed that the products didn't meet their standard (mean 2.64) and fairness of the product price (mean 2.77) compared to other competitor's products.

Table 2: Respondents' perception on Customer Satisfaction

Statement	Mean	Std.
The packages of the products provide me detail information	3.18	1.225
AH-WAN company's products are ambiently available	3.52	1.797
The quality of the company's products is up to my standard	2.64	1.194
The price of the product is fair enough compared to other competitors	2.77	1.714
Grand Mean	3.03	1.297

(Source: Own Survey, 2021)

Overall, majority of the respondent were slightly satisfied with products' availability but had doubts on competitiveness of their market prices as the grand mean scored value of overall customer satisfaction was found to be 3.03 with a standard deviation of 1.520, which clearly indicates that customers had varied stand regarding the perceived quality of the products' ability to exceed their expectation. This implies that fair price offer, detailed information, ease of availability and exceeding customer standards have influence on their loyalty towards the company's products.

4.2.2. Commitment

Table 3: Respondents' Perception on Company Commitment

Description	Mean	Std.
The company contacts customers to cross check that they are satisfied	4.16	1.485
The company makes adjustments to meet customer needs	4.05	1.673
The company is flexible in serving customized customer needs	3.32	1.773
The company makes efforts to involve customers regarding future plans	3.84	1.787
Grand Mean	3.84	1.232

(Source: Own Survey, 2021)

Referring Table -3, the results revealed that majority of the respondents are strongly believed that the company contacts customers to cross check whether they are satisfied (mean 4.16). Besides, they admitted that the company makes adjustments to meet customers' needs (mean 4.05) and managements make efforts to contact retailers/ customers to communicate regarding its future plans such as new product launch (mean 3.84). However, they had doubts on their flexibility in serving their needs (mean 3.32). The company's commitment towards customer's needs through investigating customer's satisfaction was apparently perceived positive as the overall grand mean scored value was found to be 3.84. This implies that concern for customer satisfaction, adjustment to meet their needs, service flexibility and customer involvement in new product development affect the perception of the respondents.

4.2.3. Customer Trust

Table 4: Respondents' Perception on Customer Trust

Statement	Mean	Std.
The company makes me feel confident on the quality of its products	4.22	1.472
The company disseminates credible information to the customers	3.98	1.612
The company tries to involve customers in the process of value creation	2.95	1.751
The products offered by the company are trust-worthy	4.01	1.601
Grand Mean	3.79	1.286

(Source: Own Survey, 2021)

Referring the results on Table -4, the respondents strongly agreed that the company made them feel confident on the quality of its products (mean 4.22). Meanwhile, they also confirmed that products offered by the company is trustworthy (mean 4.01) and disseminates credible information to the customers (mean 3.98). To the contrary, they were indifferent against the willingness of the company to encourage or involve customers in the process of value creation (mean 2.95). Overall, the respondents trusted as the grand mean value was found to be 3.79 with standard deviation of 1.286. This shows that the respondents had considerable variation in perception towards the trustworthiness of the company from the mean value. It can be taken as an indication for the influence/ importance of trust between seller and buyers for further improvement.

4.2.4. Perceived Quality

Based on Table -5, majority of the respondents are believed that the products are ‘safe to use’ (mean 3.67). Besides, they admitted that the quality of the product complies with what the company promised to offer (mean 3.70), suits their intended purposes (mean 3.61), and price competitiveness of the product with the current market price (mean 3.72).

Table 5: Respondents' Perception on Perceived Quality

Statement	Mean	Std.
The products are safe to use/ consume	3.67	1.856
The product quality corresponds to declared (promoted) quality	3.70	1.854
The company offers competitive price for its products compared to current market price	3.72	1.863
The products suit their intended purposes	3.61	1.892
Grand Mean	3.67	1.846

(Source: Own Survey, 2021)

The overall mean scored value (grand mean, 3.67) of perceived quality of AH-WAN products was apparently positive for the fact that the products are capable to fit their purposes. This implies that product conformance, safety and declared quality affect the perception of the respondents.

4.2.5. Company Image

Table 6: Respondents' Perception on Company Image

Description	Mean	Std.
The company is involved in the community service	4.27	1.524
The company maintains good reputation	3.70	1.773
The company is liked by the society	4.21	1.551
The company is unique compared to its other competitors	3.69	1.773
Grand Mean	3.97	1.520

(Source: Own Survey, 2021)

The results revealed that majority of the respondents strongly agreed with company's involvements in the community service (mean 4.27), and gratified by the community (mean 4.21). they also agreed that the company maintains good reputation (mean 3.70) and is unique compared to its competitors (mean 3.69), The overall company image was found to be promising (grand mean 3.97) which implies that the concerned managements were implementing its marketing strategy in the direction that would result into positive impact to the organization's' image.

4.2.6. Customer Loyalty

Table 7: Respondents' Perception on Customer Loyalty

Description	Mean	Std.
If the company increases the product's price, I do still prefer to buy its products	3.41	1.481
I would recommend this company's products to others	3.66	1.502
I do pay my attention to this particular firm	3.45	1.057
I prefer the products of the company even though I have other alternatives.	3.49	1.081
I wouldn't switch to its competitors as I do value this firm	3.46	1.066
Grand Mean	3.50	1.027

(Source: Own Survey, 2021)

Results of the findings in Table -7, the respondents pay attention to the company (mean 3.45), willing to pay higher prices than similar products in the market (mean 3.41), would recommend it

for others (mean 3.66), preferred to its products even though they had other alternatives (3.49), and wouldn't switch to other suppliers as they have value the company (mean 3.46). Overall, the results prevailed the respondents are slightly loyal to the company as the grand mean scored value was found to be (grand mean 3.50). However, it has an implication that the company requires to exert more effort to retain the customers to make them loyal through different marketing strategies.

4.3. Inferential Statistics

Inferential statistics uses sample measurements of the subject and make generalization about the larger population. It comprises correlation analysis among variables, assumption of data test for their suitability or fitness to the intended regression analysis model (normality, collinearity, linearity and homoscedasticity), and finally, the multi-regression analysis in terms of model summary, ANOVA test and determination of beta coefficients are conducted to address the objectives of this study.

4.3.1. Correlation Analysis

This study employs correlation analysis, which investigates the direction and strength of the relationships between the studied variables. Pearson correlation analysis was used to provide evidence of convergent validity. Pearson correlation coefficients reveal magnitude and direction of relationships (either positive or negative) and the intensity of the relationship (-1.0 + 1.0) between useful measure of association between two or more variables. To interpret the direction and strengths of relations b/n variables, the guidelines suggested by Field (2005) were followed. His classification of the correlation coefficient (r) refers 0.1– 0.29 is weak; 0.3 – 0.49 is moderate; and ≥ 0.5 is strong.

Table 8: Relationships Between Study Variables

Dimensions	IMG	COM	TRU	PRQ	SAT	CLY
Company Image	1					
Commitment	.649**	1				
Trust	.117*	.413**	1			
Perceived Quality	.151**	.391**	.356**	1		
Customer Satisfaction	.324**	.458**	.291**	.162**	1	
Customer Loyalty	.488**	.504**	.561**	.698**	.577**	1

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

(Source, Own Survey, 2021)

The results in Table -8. shows the relation between the five independent variables (namely customer satisfaction, commitment, trust, perceived quality and company image) and the intended variable (customer loyalty). The results of the correlation test revealed that, except perceived quality, the other four dimensions had positive and strong relations with overall customer loyalty.

Specifically, perceived quality had positive and relatively the highest strong relation ($r = .698$) followed customer satisfaction by ($r = .577$), trust ($r = .561$) and commitment ($r = .504$); whereas company image had positive and moderate relationship ($r = .488$). It can be concluded that the relationship between the five factors and overall customer loyalty had significant and positive relations which implies that the five independent variables are good predictors of customer loyalty in the context of AH-WAN company's customers in Adama city.

4.3.2 Assumption for Multiple Linear Regression Model Test

Linear regression is an analysis that assesses whether one or more predictive variables explain the dependent (criterion) variable. The regression assumptions are correlation (linear relationship), Multicollinearity, Homoscedasticity and Normality test.

I. Multicollinearity

Multicollinearity is an assumption that there are no highly related predictor variables. Having such problem or violation of the assumption may lead the prediction of the linear regression model inconsistent output. Thus, before running the linear regression (Ordinary Least Square Method), one should check for the problem of multicollinearity issue s high correlation between some of the independent variables. The study checks this with the variance Inflation Factor (VIF) which calculates the influence of correlation among the independent variables on the precision of regression estimates. The VIF should not exceed 10. If the Tolerance ($1/VIF$) value is less than 0.1 it also indicates that there is possibility of multi-Collinearity, but if it is greater than 0.1 it means that there is no multicollinearity problem with in the model(Hair, 2004).

In this study, Table -9., shows that the collinearity statistics analysis of VIF value ranges from 1.263 to 2.519 and Tolerance value ranging with .397 to .792 indicated that there was no collinearity

problem. This could be taken as a confirmation that there were no multicollinearity problems to proceed for regression analysis.

Table 9: Collinearity Assumption Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	Company Image	.543	1.843
	Commitment	.397	2.519
	Trust	.740	1.351
	Perceived Quality	.792	1.263
	Customer Satisfaction	.773	1.294

Dependent Variable: Customer Loyalty

(Source: Own Survey, 2021)

II. Homoscedasticity

There should be homoscedasticity before running multiple regression analysis, this means that the residuals (the differences between the values of the observed and predicted dependent variable) are normally distributed, and that the residuals have constant variance (Burns & Burns 2008). If the assumption of homoscedasticity is violated (i.e., there is heteroscedasticity).

Using the plots of standardized residuals (ZRESID) against standardized predictors (ZPRED), the researcher tried to check whether the graph looks like a random array of dots evenly dispersed around zero because the Testing for Homoscedasticity lies with an assumption in regression analysis that the residuals at each level of the predictor variable(s) have similar variances. This is to mean that at each point along any predictor variable, the spread of residuals should be fairly constant.

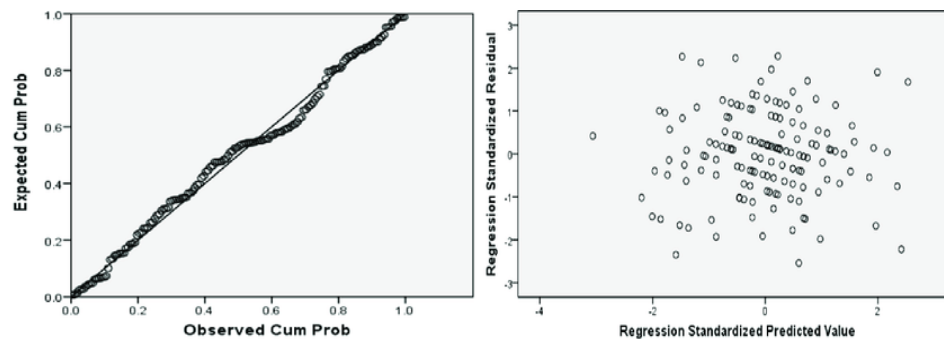


Figure 8: Scattered Plot

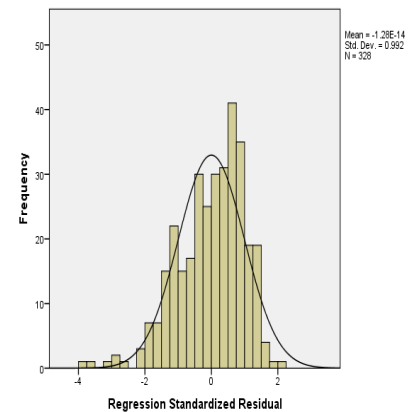
In figure -7, it shows that each of the five independent variables (the predictor variables) against the expected value (straight line). The plot in the same figure of the annexed plot shows that how the points are randomly and evenly dispersed throughout the plot. And, these patterns are indicative of a situation in which the assumption of homoscedasticity have been met in whole variables against customer loyalty. The graph has demonstrated homoscedasticity of the study.

III. Multivariate Normality

Test of normality is another assumption to be tested before running regression. The normal distribution is detected based on skewness and kurtosis statistics. For the sample size above 50 responses are usually sufficient to ignore the assumption regarding normal distribution (Weinberg, 2008). Since samples size of the study exceeds by far the suggested number hence it assumes normality by default. For further confirmation, multivariate normality test has been carried out. As proposed by George (2010), the acceptable range for multivariate normality for both statistics (skewness and Kurtosis) is between -2 and +2.

Table 10: Normality Test

	N	Skewness		Kurtosis	
		Statistic	Std. Error	Statistic	Std. Error
Company Image	328	-.462	.149	-.154	.290
Commitment	328	-.471	.149	-.111	.290
Trust	328	-.314	.149	.264	.290
Perceived Quality	328	.180	.149	.166	.290
Cust. Satisfaction	328	.097	.149	.225	.290
Customer Loyalty	328	.239	.149	-.205	.290
Valid N (listwise)	328				



Source: Own Survey, 2021

Figure 9: Frequency Distribution of Standardized Residual

Thus, as depicted in Table -10. All variables' values of skewness and kurtosis are almost within the acceptable range for normality. So, this implies that all items show close to normal distribution considering the criteria of skewness and kurtosis values between -2 and 2. Therefore, the data used in this study could be assumed to be normally distributed.

IV. No Auto-correlation/Independent of Errors

To determine the autocorrelation between observations Durbin-Watson test was used. The Durbin-Watson statistic ranges in value from 0 to 4. A value near 2 indicates non-autocorrelation; a value toward 0 indicates positive autocorrelation; a value toward 4 indicates negative autocorrelation (Field, 2005). With Durbin Watson value of 1.808, which is very close to 2, it can be confirmed that the assumption of independent error has almost certainly been met (*Please refer Model Summary Table*)

4.3.3. Multiple Linear Regression Analysis

Multiple linear regression model was applied to test how far the identified five factors affected on the customer loyalty. Coefficient of determination (R^2) is the measure of proportion of the variance of dependent variable about its mean explained by the independent or predictor variables. Higher value of R^2 represents greater explanatory power of the regression equation. Multiple linear regression analysis in this study was used to model the value of customer loyalty based on its linear relationship with the five predictors (satisfaction, commitment, trust, perceived quality and company image). This means, the overall customer loyalty is an aggregation of the five dimensions. In order to indicate the effect that each predictor had on the construct, the unstandardized coefficients are checked.

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	.834 ^a	.695	.690	.57137	1.808

^a. Dependent Variable: Customer Loyalty

^b. Predictors: (constant), Satisfaction, Commitment, Trust, Perceived Quality, Company Image

As indicated in the model summary of the analysis on Table -11, the value of R (.834) indicated relations of the five independent variables with the dependent one affecting approximately 69.5 % (R^2) of the variance of customer loyalty. However, the remaining percent (30.5%) was explained by other variables not included in this study.

ANOVA test, Table -12, value of 146.825 is significant at $p < 0.001$. Therefore, it can be inferred that with 69.5% of variance (R^2), the five factors are statistically significant and the model

appropriately measured the dependent variables – customer loyalty. In short, the regression model predicts overall customer loyalty and has been significantly explained by the stated five factors.

Table 12: ANOVA Analysis

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	239.663	5	47.933	146.825	.000 ^b
Residual	105.120	322	.326		
Total	344.782	327			

^a. Dependent Variable: Customer Loyalty

^b. Predictors: (constant), Satisfaction, Commitment, Trust, Perceived Quality, Company Image

The last output in the analysis of the multiple regression models represents the output for the beta coefficients of each factor. Referring Table -13, the regression analysis revealed that each factor had positive and significant effect on overall customer loyalty. Amongst the predictors, perceived quality took relatively the highest value ($\beta = .231$) followed by customer satisfaction ($\beta = .228$), company image ($\beta = .211$). Trust ($\beta = .126$) and commitment ($\beta = .101$) has relatively the least effect on customer loyalty of AH-WAN products in Adama city. The implication is that, for instance, the effect of a unit changes in “perceived quality” attribute might bring 0.231 units change in customer loyalty, given that all other variables in the model are constant. Moreover, all predictors (independent) dimensions have statistically positive and significant relationship with the criterion (dependent variable) for the fact that *p-value* was found to be < 0.05 .

Table -13. Estimated Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.253	.128		1.979	.049
Company Image	.211	.029	.265	7.396	.000
Commitment	.101	.028	.149	3.575	.000
Trust	.126	.019	.227	6.557	.000
Perceived Quality	.231	.041	.277	5.667	.000
Cust. Satisfaction	.228	.028	.288	8.228	.000

^a Dependent Variable: Customer Loyalty

Source: Own Survey, 2021

The regression equation for this research is presented as.

$$CLY = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e$$

Based on multiple linear regression analysis on Table -13, substituting the results in the model yields:

$$PI = .253 + 0.211 IMG + 0.231 PRQ + 0.126 TRU + 0.101 COM + 0.228 SAT$$

Where, CLY = Customer Loyalty; SAT = Customer Satisfaction; COM = Commitment; TRU = Trust; PRQ = Perceived Quality; and IMG = Company Image. β_0 = Constant, β_1 to β_4 = beta coefficients, and e = error terms.

To conclude, among the five underlying determinants those which had the highest significant effect on customer loyalty are perceived quality, customer satisfaction and company image. Whereas commitment and trust got relatively least positive significant effects. Therefore, based on the results these findings, all the proposed hypotheses were supported. The summary is presented as below:

Table 13: Summary of the Research Hypothesis Test Results

Hypothesis	Analysis Used	Findings		Result
H ₁ _ Company Image	Multiple Linear Regression	$\beta = 0.211$; $p < .05$	Positive Significant	<i>Supported</i>
H ₂ _ Commitment	Multiple Linear Regression	$\beta = 0.101$; $p < .05$	Positive Significant	<i>Supported</i>
H ₃ _ Trust	Multiple Linear Regression	$\beta = 0.126$; $p < .05$	Positive Significant	<i>Supported</i>
H ₄ _ Perceived Quality	Multiple Linear Regression	$\beta = 0.231$; $p < .05$	Positive Significant	<i>Supported</i>
H ₅ _ Customer Satisfaction	Multiple Linear Regression	$\beta = 0.228$; $p < .05$	Positive Significant	<i>Supported</i>

4.4. Discussion

This part elaborates the findings of the results in line with the specific objectives of the study. This study was intended to assess the factors affecting customer loyalty. The discussion focuses on the major findings of perceived quality, customer satisfaction, trust, company image and commitment dimensions, and their relationship with overall customer loyalty of AH-WAN Plc in Adama city.

The results of the findings revealed that company image had positive and significant effect ($B = .211$, $p < .05$). It indicates that the respondents acknowledged the company developed a good brand image and can be taken as a positive manifestation for AH-WAN plc. I.e., its products could be

accepted by consumers because they have characteristics and advantages compared to similar products from other companies. This is supported by the opinion expressed by Lau &Phau(2007) which states that company image is the trust given by consumers to a particular company. From the results of research conducted, it can be supported the hypothesis which proposed brand image of a production result has a positive impact on consumer loyalty.

Company commitment had also positive and significant effect on customer loyalty as the beta coefficient was found to be $B = .101$ at $p < .05$. In this case, company commitment had the least absolute value which implies that this variable individually has the least contribution to the explanation of dependent variable, i.e., commitment had a lesser dominant influence on customer loyalty compared to the other four variables. This explains that quality communication in terms of periodic assessment of customer needs, making adjustment accordingly, and providing flexible service among buyer and seller createcredibility and attachment. These attributes directly lead to cooperative behavior, long-term relationships based on loyalty, according to Morgan & Hunt (2014).

Meanwhile, trust had also positive and significant effect on customer loyalty ($B = .126$, $p < .05$). developing confidence on the quality of AH-WAN products, disseminating credible information and involving customers in new product development process affect customer loyalty. It is in line with the research by Garbarino&Jobyson (2016) who found a strong relationship between loyalty and customer trust. Their research suggested that there is a distinct need for trust in developing positive attitudes towards product brands. According to them, brand trust is the central construct for any long-term relationship and is an important contributor in attaching an emotional commitment which leads to long-term loyalty.

Perceived quality had relatively the highest effect on customer loyalty ($B = .231$, $p < .05$) in this case. AH-WAN products are capable to fit their purposes which implies that product conformance, safety and declared quality influenced the perception of the respondents. With good product quality it may have an impact on consumer loyalty and increase revenue for producers. This is confirmed by the opinion of Halim (2015) that products that have good quality will have an impact on increasing consumer loyalty. It can be said that quality products have a very strong impact and have a positive effect on consumers to be loyal to the products produced by the case company.

Finally, next to perceived quality, customer satisfaction had also relatively the highest effect on customer loyalty ($B = .228, p < .05$). High degree of customer satisfaction often creates confidence and commitment between parties in interaction, which increases customer loyalty and duration of relationships. Various forms of cooperation and partnerships in the business market emphasize more complete survey of the satisfaction and the common nature of involved parties. The achieved satisfaction is seen as a cohesive factor or strength in development of further and deeper relations. According to Ghijsen (2010), involving the customer in production performance and other business processes, results in his partial responsibility for customer's own satisfaction.

In summary, based on the literature review, the identified five factors namely company image, commitment, trust, perceived quality and customer satisfaction positively and significantly influenced the loyalty of AH-WAN plc in Adama city. Company's commitment to build long term relationship, developing its company brand, provision of product with up to the standard, and exerting efforts in satisfying customers drive them to be loyal for the company even though there is a room for further improvement in all the five aspects

CHAPTER FIVE

MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Major Findings

Specific Objective -1. Effect of company image on customer loyalty

- The results revealed majority of the respondents strongly agreed with company's involvements in the community service (mean 4.27) and gratified by the community (mean 4.21).
- Company image had positive and moderate ($r = .488$) relationship with customer loyalty
- Company image had positive and significant effect on customer loyalty as the regression coefficient found to be $B = .211, p < .05$.

Specific Objective -2. Effect of company commitment on customer loyalty

- The results revealed that majority of the respondents are strongly believed that the company contacts customers to cross check whether they are satisfied (mean 4.16).
- However, they had doubts on their flexibility in serving their needs (mean 3.32).
- Company commitment had positive and strong ($r = .504$) relationship with customer loyalty.
- Company commitment had relatively the least positive and significant effect on customer loyalty ($B = .101, p < .05$).

Specific Objective -3. Effect of trust on customer loyalty

- The respondents strongly agreed that the company made them feel confident on the quality of its products (mean 4.22) and disseminates credible information to the customers (mean 3.98).
- To the contrary, they were indifferent against the willingness of the company to encourage or involve customers in the process of value creation (mean 2.95).
- Trust had positive and strong ($r = .504$) relationship with customer loyalty.
- Trust had positive and significant effect on customer loyalty ($B = .126, p < .05$).

Specific Objective -4. Effect of perceived quality on customer loyalty

- Majority of the respondents are believed that the products are 'safe to use' (mean 3.67) and offered competitive market price (mean 3.72).
- Perceived quality had positive and strong ($r = .698$) relationship with customer loyalty.
- Perceived quality had relatively the highest positive and significant effect on customer loyalty ($B = .231, p < .05$).

Specific Objective -5. Effect of customer satisfaction on customer loyalty

- Results of the findings indicates that the respondents acknowledged AH-WAN products' ambient availability (mean 3.52).
- Whereas, they had doubts on whether the package of the products provide them detail information (mean 3.18).

- On the other hand, they believed that the products didn't meet their standard (mean 2.64) and fairness of the product price (mean 2.77) compared to other competitor's products.

5.2. Conclusion

The aim of this study is to investigate the factors affecting customer loyalty in the case of AH-WAN plc in Adama city. Customer loyalty measurement is an important segment of marketing control in order to gather information on what is necessary for customers satisfaction results in their repeat purchase and decide whether that is sufficient for essential loyalty. Measuring of customer loyalty in the business market is complex and often linked with the subjectivity. Often, researchers in customer loyalty measurements are focused on delivered product quality measuring. The essence of customer loyalty measuring is getting feedback that determines their long-term repetition of buying and pursuing it in spite of competing pressures.

In this regard, based on literature reviews, five factors namely customer satisfaction, commitment, trust, perceived quality and brand image were identified that affect customer loyalty. The results of this study findings illustrated that all the aforementioned five factors had positive and significant effect on customer loyalty. That means, when there is an increase in the components of all independent variables, there will be a positive improvement in the overall customer loyalty in general.

Amongst the factors, perceived quality had relatively the highest effect on customer loyalty. The better and useful of the products offered by AH-WAN plc, the more consumers will enjoy it, especially to meet their daily needs. The quality of products that are in substantial demand by the customers arose from product conformance, safety and declared quality and benefits obtained by consumers that influenced the loyalty of the consumers. Such quality attributes are a basis for exceeding customer's expectation that drives to satisfaction.

Customer satisfaction is an important indicator of customer loyalty, preceded by perceived quality. It has also positive and significant effect on the loyalty of the customers in this case. Customers may be happy, but they do not have to repeat shopping from the same company. According to that, satisfaction involves cooperation and information exchange with the company. Main requirement is existence of mutual trust with sharing sensitive information in the process of creating value for customers, and developing a long-term relationship with them.

Meanwhile, trust had also positive and significant effect on customer loyalty. Trust develops positive attitudes towards product brands and can be taken as a central construct for any long-term relationship as well as an important contributor in attaching an emotional commitment which leads to long-term loyalty. That means, trust creates customer loyalty through an open, frequent and honest communication developed. Such communication increases credibility, reliability and intimacy. It improves customer responsiveness, especially emotional, which increases their readiness to cooperate and engage more in relationships. Such reputation in turn will have influence on building good brand and company image in the long run.

As far as the company image of AH-WAN plc concerned, it had also positive and significant effect on the loyalty of its customers. It indicates that the respondents acknowledged the company developed a good brand image and can be taken as a positive manifestation for its products accepted by consumers for their differentiated characteristics and advantages compared to similar products from other companies. From the results of research conducted, it can be supported the hypothesis which proposed brand image of a production result has a positive impact on consumer loyalty.

This means that in positioning of long-term relationships, it is necessary to strengthen emotional loyalty aspect of customer loyalty. Relationships built on commitment are a guarantee that the efforts made to maintain and develop relationships in the future will result in mutual benefits. That strengthens trust results in increasing customer loyalty. However, in AH-WAN plc's context, it had relatively the least effect on customer loyalty. Commitment had a lesser dominant influence on customer loyalty compared to the other four variables.

5.3. Recommendations

Based on the findings of the study and conclusions made, the research forwarded the following recommendations intending to improving the factors that affect customer loyalty in order to enhance loyalty of the customers in the long run. Among these:

- From the findings, company's involvement in the community service is the most relevant in displaying customer loyalty. However, building such company image explained relatively lesser effect on loyalty of the customers. This can be improved by exerting more efforts in terms of building company image through participating in different philanthropic corporate social responsibilities. It is recommended to the concerned marketing managements to support local

disadvantaged dwellers by providing food items (pasta, macaroni, white flour) in a consistent manner, and needs to promote it aggressively via the company's public relations.

- Similarly, the findings revealed that company's commitment had relatively the least effect on customer loyalty. The respondents had doubts on their flexibility of the company in serving their needs. This can be achieved through conducting marketing intelligence on periodic assessment of what the market needs. It is better to adjust or be flexible on price and service delivery by the marketing and sales managers.
- It is also found that trust has positive and significant effect on building loyalty of customers. However, the findings revealed that the respondents had considerable variation in perception towards the trustworthiness of the company. This can be mitigated by willingness of the marketing and other strategic decision makers to encourage/ involve customers in the process of value creation (like taste, quantity, quality, price and delivery issues).
- Perceived quality had relatively the highest effect on customer loyalty in this case. Products that have good quality will have an impact on increasing consumer loyalty. In this regard, respondents acknowledged AH-WAN products are capable to fit their purposes. It can be suggested that marketing and sales managers in collaboration with production department to improve conformance, safety and quality of the offered products. With good product quality it may have an impact on consumer loyalty results in increasing revenue.
- Customer satisfaction had also relatively the highest effect on customer loyalty, next to perceived quality. However, in this case, customers had varied stand regarding the quality of the products' ability to exceed their expectation. This can be solved by marketers' strategic approaches in terms of fair price offer, detailed information provision, ease of availability and exceeding customer standards. Involving the customer in production performance and other business processes may results in customer's partial responsibility for his own satisfaction.

5.4. Limitations and Suggestions for Future Research

This thesis has certain limitations. Hence, it is important to reflect on some of the limitations of this study. First, it was conducted using a sample from walking customers that found AH-WAN's sales outlets in Adama City. Its generalization to customers found in other regions is difficult. Therefore, future studies should select customers (end users, retailers, agents, etc.) found in the other regions.

Food processing and package manufacturing companies were the major focus of the present study, however, the understanding and additional views of all types of fast-moving goods manufacturers could be explored in future studies. Therefore, the researcher suggested that similar study can be further extended to other manufacturers.

This study was also cross-sectional and explanatory in nature. Future researchers could undertake more in-depth longitudinal study on other commodities manufacturers in the country.

This thesis was conducted from the perspective of AH-WAN and its sister company, named Two Brothers food complex plc's customers only. However, this study did not explore the perspective of the company i.e., employees. Therefore, for future it is recommendable that a similar study will be undertaken using the perspective of the employees and make a comparative analysis.

As the research design the researcher was employed only quantitative method. Thus, the researcher suggested that a mixed research design i.e., both qualitative and quantitative shall be used since qualitative study might give more detailed information in the future.

There are a number of variables that affect AH-WAN's customer loyalty. Hence, for future research, the researcher suggested that the number of research variables used to predict customer loyalty shall be added.

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Appendix – I



ADDIS ABABA UNIVERSITY FACULTY OF BUSINESS AND ECONOMICS

Survey Questionnaire to be filled by Customers

Dear Respondent,

This particular questionnaire has been designed in order to gather information on the factors affecting customer loyalty at Two Brother Food Complex and AH-WAN Food Complex for the award of Masters in Business Administration (MBA)

The main aim of this questionnaire is to collect data through primary sources and gather first-hand information on the aim of my thesis. I am assuring you that the information provided by you shall be considered exclusively for my study and research for academic purpose and will be kept confidential.

Kindly do NOT write your name on the questionnaire

Your sincere contribution to my project is highly appreciated, thank you in advance for your time and cooperation.

Kaushik Bhupathi

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Part I. General Information

1. Gender Female Male
2. Age (years old) 18 - 30 31 – 45 46 - 60 Above 60
3. Education High school Degree Masters Ph.D.
 Other, please specify _____
4. Income (Birr/month)
 < 10,000 10,001 – 20,000 20,001 – 30,000 > 30,000
5. Most Preferred Product
- Food (Past, Macaroni, Flour...)
- Woven Bag (Sack)
- Woven Roll
- MAT
- Polyethylene Bag
- Others, please specify _____

Part II. Study Questions Related to Factors Affecting Customer Loyalty

The following are questions regarding customer loyalty and five factors that affect customer loyalty. These factors are expected to have an influence on customer loyalty regarding the firm. Please read each statement carefully and show your level of agreement on the statements by putting “X” mark in the boxes using the following 5-scale Likert scales: Strongly agreed (SA)=5, Agreed (A)=4, Neutral (N)=3, Disagreed (DA)=2, and strongly disagreed (SDA)=1

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The packages of the products provide me detail information	1	2	3	4	5

AH-WAN company's products are ambiently available	1	2	3	4	5
The quality of the company's products is up to my standard	1	2	3	4	5
The price of the product is fair enough compared to other competitors	1	2	3	4	5
The company contacts customers to cross check that they are satisfied	1	2	3	4	5
The company makes adjustments to meet customer needs	1	2	3	4	5
The company is flexible in serving customized customer needs	1	2	3	4	5
The company makes me feel confident on the quality of its products	1	2	3	4	5
The company disseminates credible information to the customers	1	2	3	4	5
The company tries to involve customers in the process of value creation	1	2	3	4	5
The products offered by the company are trust-worthy	1	2	3	4	5
The company makes efforts to involve customers regarding future plans	1	2	3	4	5
The products are safe to use/ consume	1	2	3	4	5
The product quality corresponds to declared (promoted) quality	1	2	3	4	5
It worth to buy the products with the current market price	1	2	3	4	5
The products suit their intended purposes	1	2	3	4	5

The company is involved in the community service	1	2	3	4	5
The company maintains good reputation	1	2	3	4	5
The company is liked by the society	1	2	3	4	5
The company is unique compared to its other competitors	1	2	3	4	5
If the company increases the product's price, I do still prefer to buy its products	1	2	3	4	5
I would recommend this company's products to others	1	2	3	4	5
I do pay my attention to this particular firm	1	2	3	4	5
I prefer the products of the company even though I have other alternatives.	1	2	3	4	5
I wouldn't switch to its competitors as I do value this firm	1	2	3	4	5

Many Thanks for Sharing Your Valued Time!!

