ST. MARY UNIVERSITY

SCHOOL OF GRADUATE STUDIES

AN ASSESMENT OF FACTORS AFFECTING CUSTOMER LOYALTY; IN CASE OF EAST AFRICA BOTTLING S.C

BY

KIDIST BILATA

JULY 2018

ADDIS ABABA, ETHIOPIA

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A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF MARKETING MANAGMENT

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APPROVED BY BOARD OF EXAMINERS

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ENDORSEMENT

This is to certify that ***Kidist Bilata*** carried out this thesis on ***"An assessment of factors affecting customers' loyalty: The case of East Africa Bottling S.C"*** and submitted in partial fulfillment of the requirements for the award of the degree of Masters of Art in Marketing Management at St. Marry University with my approval as university advisor.

Signature ---------------------------- *Date* ----------------------------T/georgis Assefa (PhD) – Advisor

DECLARATION

I, Kidist Bilata declare that an assessment of factors affecting customer loyalty;. In the case of EABSC is wholly my work. I have carried out the present study independently with the guidance and support of my advisor, Assistant professor T/georgis Assefa. And the study has not been submitted for award of any Degree or Diploma Program in this or any other institution.

Kidist Bilata   **Signature**

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ABSTRACT

one of the core activity in profit oriented Company to stay in a business is having a loyal customer, the success or failure of a company depends on its customers. Having this in mind, this study was designed to assess factors affecting customers' loyalty; the case of EABSC key account customers in Addis Ababa. The specific objectives are: To point out factors affecting customer loyalty, To assess customers attitude towards the EABSC and To find the key factors that have impact on loyalty; this research aimed to answer What is the overall satisfaction of key account customers with the EABSC?, What kind of factors influences the probability of the EABSC customers to remain loyal or to move to other company? And what is the attitude of the customers towards EABSC? This research design employed in this study was quantitative approaches both primary and secondary data collection instruments were used to collect data. Closed ended questionnaire was used for the purpose of data collection. EABSC has 5000 key account customers. Therefore, the researcher takes 370 sample populations by using formula propounded by Cochran (1963). The selections of the respondents were carried out by using purposive sampling technique because it is believed that key account customers have direct relationship with the company and have more exposure about the company therefore, researcher took all the respondents of key account customers as a total population of the study. The findings show that EABSC has more than an average score in the relationship, compliant handling and trust dimensions which had an effect on the loyalty of the customers. Though most customers rely on their relationship with company representatives which affect customer's loyalty to the company. Generally relationship and trust have a significant role on loyalty of customers in EABSC. Trust and compliant handling are very essential aspects than other variables, and thus the student researcher highly recommends EABSC to make cooperative effort on such issues.

Key Words: *Customer loyalty, Trust, Customer relationship, Satisfaction. Compliant handling*

CHAPTER ONE

1. INTRODUCTION

1.1. BACKGROUND OF THE STUDY

Recent years have shown a growing interest in customer loyalty. The globalization of competition, saturation of markets, and development of information technology have enhanced customer awareness and created a situation where long-term success is no longer achieved through optimized product price and qualities. Instead, companies build their success on a long-term customer relationship. According to former studies, it can cost as much as 6 times more to win a new customer than it does to keep an existing one. (Rosenberg 1984: 45) Depending on the particular industry, it is possible to increase profit by up to 60% after reducing potential migration by 5%. (Reichheld 1993: 65) Hence we can see that the increase and retention of loyal customers has become a key factor for long-term success of the companies. The main emphasis in marketing has shifted from winning new customers to the retention of existing ones. Traditionally there are two approaches to treat customer loyalty. Some researchers have investigated the nature of different levels of loyalty; others have explored the influence of individual factors on loyalty. This paper will focus on the analysis of factors that influence customer loyalty. In order to achieve the objective of this paper, the researcher undertakes to find the key factors that have impact on loyalty.

1.2. BACKGROUND OF THE COMPANY

 Coca-Cola history began in February 1886 by pharmacist Dr. John's. Pemberton when the curiosity of an Atlanta, Georgia, led him to create a distinctive tasting soft drink that could be sold at soda fountains. He created a flavored syrup, took it to his neighborhood pharmacy, where it was mixed with carbonated water and deemed "excellent" by those who sampled it. Dr. Pemberton's 1886 (partner and bookkeeper, Frank M. Robinson, is credited with naming the beverage "Coca-Cola" as well as designing the trademarked, distinct script, still used today. Who is the owner of Coca Cola Company?

Originally intended as a patent medicine when it was invented in the late 19th century by John Pemberton 1886, Coca-Cola was bought out by business man (Asa Griggs Candler 2013), whose marketing tactics led Coke to its dominance of the world soft-drink market throughout the 20th century.

Where was the first Coca Cola factory?

In a candy store in Vicksburg, **Mississippi**, brisk sales of the new fountain beverage called Coca-Cola impressed the store's owner, (Biedenharn 2010) n. He began bottling Coca-Cola to sell, using a common glass bottle called a Hutchinson. Biedenharn sent a case to Asa Griggs **Candler**, who owned the Company.

Coca cola in Ethiopia established during the 1950s the only approved Coca-Cola bottler in Ethiopia, East Africa Bottling Share Company (EABSC) has become one of the giant bottlers in the country employing thousands of people, operating in three sites and distributing more than 40 million cases of product a year to more than 72,000 outlets nationwide.

Coca-Cola was first bottled in Ethiopia's capital Addis Ababa in 1959 by the Ethiopian Bottling Share Company, which later opened a second branch in Dire Dawa in 1965 and in Bahir Dar 2016.

The two plants were nationalized in 1975 and ran as public companies until 1996 when they were bought by Ethiopian entrepreneurs. Just prior to this, in 1995, Coca-Cola Sabco.

 (A multi-national company operating in 7 countries based in South Africa, Port Elisabeth) bought shares in the business and, in 1999, signed a joint venture agreement with the plants. With its leadership working hand in hand, the business has seen significant growth over the years. Processes and functions have been improved, resulting in considerable sales increases.

Recently Coca Cola Beverages Africa have been merged with SABMiller to create the number one bottler in Africa; the Coca Cola beverages Africa. The merge enables the company to operate in more than 11 countries with a total production capacity of 792million unit cases. EABSC being a subsidiary of CCBA, it has now merged with the known local bottling company, Ambo mineral water which was owned by SABMiller.

1.2.1. COCA COLA CUSTOMERS

Recent survey shows that coke is the only product in the world with which more than 85% of the population is well aware of. All the companies have to keep updated study of their customers and in case of coke the company has always maintained excellent customer retention. Value of customers for coke can be understood by these factors that coke spends lot of efforts (financial and human resource) on customer research.

Coke customers vary massively in terms of age. From kids to youngsters, from youngsters to elders and from elders to older, coke has always captured high customer attention from decades.

1.2.1.1. CONSUMER MARKET

This is the group of consumer from where coke purchases are at the highest level because consumer market includes individuals and households. Households mostly buy coke for daily use in large number and purchasing by individuals is also the case of repeat purchase. Healthy consumer market is a big advantage for the company.

1.2.1.2. RESELLER MARKET

Reseller market of coke is very large all over the world. This is the market, which buy the product from company and resell it at profit. In Ethiopia Chicken Hot is the biggest example of reseller of coke. Chicken Hot purchases coke from the company and sell it with each fast food deal served at restaurant.

1.2.1.3. INTERNATIONAL MARKET

Coke isworldwide known product and every country where coke has been sold has manufacturing unit of its own. Similar is in the case of Ethiopia. Coke manufacturing plants are in Addis Ababa, Dire Dawa and Bahir Dar and these plants are producing the drink for the local use. So in Ethiopia there are no international buyers of coke.

1.2.1.4. KEY ACCOUNT CUSTOMERS

These are hotels, supermarkets, organizations and huge cafeterias, are very dependent on company's products with a need of consistent follow-up. These outlets are responsible of generating high revenue for the company. (Jones, 2000). not only that; but also most of the company's revenue is collected from this customer segment.

1.3. STATMENT OF THE PROBLEM

The customer's willingness to purchase again from the company, having a preference for the company, or recommending the company to others could be indications to customers' desire to remain in a relationship with a company that demonstrate how much a customer is related to a company. (Palmatier, 2006).

Loyal customers are often worth the marketing effort, owing to their willingness to buy additional products and spread positive word of mouth as well as their reliability as a source of continuous revenues. (Barnes 2003: 8)

The programs of customer retention could lead to a higher rate in buyer loyalty. Although that marketing manager's primary concern is maintaining and increasing brand loyalty, there is no guarantee for loyal buyers, because today's buyer might not be so in the future since loyalty is considered so transient. Loyalty is developed over a period of time from a consistent record of meeting, and sometimes even exceeding customer expectations (Teich, 1997). Kotler (1999) claims that the cost of attracting a new customer may be five times the cost of keeping a current customer happy. Customer loyalty is very difficult to be achieved. Time constraints are most often a barrier to customer satisfaction. Every organization in the market competes to develop advanced methods to keep on track.

The competitions between EABSC and Pepsi have always been neck to neck. These companies keep on try to take lead in terms of pricing, packaging, promoting and placing their products. Because both companies produce substitute goods that seems to keep competition strong and continuous.

EABSC has initiated new strategies to provide solutions to its customers and enhance loyalty, especially to key account customers. New strategies include new tariff (company sales representatives), price discount, new promotion strategy, new delivery process and the like. Key account customers are the most important customers who are 20% of company customers and probably produce 80% of the company revenue (Jones, 2000). Goss, Banting, Meredith and Ford (1998) in their book wrote that Key accounts are customers whose business is so important that is loss of them could significantly impair the marketer's sales volume, profitability and corporate image. Therefore, the problem of the study is to assess the factors influencing customer loyalty of Key account customers and in this stiff market how EABSC make its customers loyal?

1.4. BASIC RESEARCH QUESTIONS

1. What is the overall satisfaction of key account customers with the EABSC?

2. What kind of factors influences the probability of the EABSC customers to remain loyal or to move to other company?

3. What is the attitude of the customers towards EABSC?

1.4.1. RESEARCH OBJECTIVE

1.4.1.1 GENERAL OBJECTIVE

The general objective of the study is to assess factors that influencing loyalty of EABSC customers.

1.4.1.2 SPECIFIC OBJECTIVE

Specific research objectives include:-

1. To assess factors affecting customer loyalty.
2. To assess customers attitude towards EABSC.
3. To assess overall satisfaction of key account customers.

1.5. SIGNIFICANCE OF THE STUDY

Customer loyalty plays significant role in the achievement of organizational objectives. Preliminary analysis of customers' needs help the organization in designing strategic planning. This study will assess the theoretical perspectives, and after processing the feedbacks from the various categories, will devise ways to make customers loyal.

Moreover, this study will have the following importance:-

 The subject of the study widens knowledge about customer loyalty also it will serves as source document for further study and it would help to relate theoretical knowledge, with what is going on in the real world.

1.6. SCOPE OF THE STUDY

This study focuses on assessment of factors that influencing customer loyalty. In order to have a manageable size of the research and get better insight, the study area coverage is limited to Addis Ababa. The type of product would be limited to only EABSC products. That is Coca Cola, Fanta, Sprite and Schweppes. The data will be collected from only Addis Ababa key account retailor customers. Because key account customers are responsible of generating high revenue for the company not only that; but also most of the company's revenue is collected from this customer segment.

1.7. ORGANIZATION OF THE PAPER

The study structured into five chapters; chapter one gives a brief introduction to the subject of the study. It starts by presenting the background of the study. It continues by providing the statement of the problem of the study, highlights the significance of the study and a brief definition of the key concepts presented. Chapter two discusses the theoretical positioning of the study. The focus is mainly on any issues related to customer loyalty. Chapter three present the study's methodologies and discusses the procedures used to obtain the data, the reason for using this method, reliability and validity of the study. Chapter five gives presentation of the study results and their analysis and provides the conclusion of the study.

CHAPTER TWO

REVIEW OF RELATED LITRATURE

2. THEORETICAL LITRATURE REVIEW

Loyalty from the English word loyal (faithful, loyal) is, above all, a positive attitude to the buyer of the company. Loyalty is a customer emotion that comes to you, in spite of the presence of other, more financially lucrative offers on the market. This is the main difference from the satisfaction, loyalty is not a rational evaluation, but the result of some, often unconsciously perceived, factors.

In practice, under the loyalty often understand customer satisfaction, which is not quite true. As noted by S. Sysoev and A. Neumann, "satisfaction comes when the buyer happy and does not regret the money spent. But the client will not necessarily be loyal. Loyal customer is always a satisfied buyer, but the buyer is not satisfied with the always loyal (Sysoev and Neiman, 2004). Although the customer satisfaction is the first step on the way to win his or her loyalty." Similar view is held by T.N. Gerpott, who believes that "satisfaction with the service is not identical with customer loyalty (Gerpott, 2001). By customer satisfaction should be understood a set of ordered assessments of individual service features (which may be positive or negative), and in these estimates are infused the individually perceived and expected quality characteristics.

Approaches to the study of customer loyalty fall into three broad categories: the behavioral approach, the attitudinal approach and the integrated approach (Oh, 2000). The behavioral approach examines the customer's continuity of past purchases, and then measures customer loyalty by rate of purchase, frequency of purchase, and possibility of purchase. The attitude approach infers customer loyalty from psychological involvement, favoritism, and a sense of goodwill towards a particular product or service. Approach takes account of both behavioral and attitudinal variables, in order to create its own concept of customer loyalty. We adopt the integrated theory of customer loyalty as our methodological framework. The concept of

customer loyalty is understood as a combination of customers' favorable attitude and the behaviour of repurchase. Earlier studies of factors affecting customer loyalty usually set the focus on customer satisfaction and the switching barrier (e.g., Dick & Basu, 1994; Gerpott, Rams, & Schindler, 2001; Lee & Cunningham, 2001). Customers experiencing a high level of satisfaction are likely to remain with their existing providers and maintain their subscription.

However, according to some research, customer satisfaction, while positively influencing customer loyalty, is not always a sufficient condition, and, in some cases, fails to produce the expected effect. Hence, these researchers suggest that it is necessary to analyze other potentially influential factors. It is in this context that the concept of the switching barrier was proposed (Jones, Mothersbaugh, &Betty,2002). Further, it has been demonstrated that the switching barrier plays the role of an adjustment variable in the interrelationship between customer satisfaction and customer loyalty. In other words, when the level of customer satisfaction is identical, the level of customer loyalty can vary depending on the magnitude of the switching barrier (e.g., Colgate & Lang, 2001; Jones.,2002; Lee & Cunningham, 2001). The significance of customer loyalty is that it closely relates to the company's continued survival, and to strong future growth. Hence, for a company to maintain a stable profit level when the subscription level has reached the saturation point, the market is mature, and competition is fierce, a defensive strategy which strives to retain existing customers is more important than an aggressive one, which expands the size of the overall market by inducing potential customers (Fornell, 1992; Ahmad & Buttle,2002)

Prus & Randall then describe customer loyalty as follows: *Customer loyalty is a composite of a number of qualities. It is driven by customer satisfaction, yet it also involves a commitment on the part of the customer to make a sustained investment in an ongoing relationship with a brand or company. Finally, customer loyalty is reflected by a combination of attitudes (intention to buy again and/or buy additional products or services from the same company, willingness to recommend the company to others, commitment to the company demonstrated by a resistance to switching to a competitor) and behaviors (repeat purchasing, purchasing more and different products or services from the same company, recommending the company to others)*

2.1. BEHEVIORIAL LOYALTY

Behavioral loyalty reflects the customer actions and involves the measurement of past purchases of the same brand or the same brand-set and/or the measurement of probabilities of future purchase given past purchase behavior (Bandyopadhy and Martell 2007). The behavioral measurements consider consistent, repeat purchase behavior as an indicator of loyalty and ignore the cognitive processes underlying that behaviour (Tucker 1999; Mcconnell 1999; Carman; Bowen and Chen 2001; Chaudhuri and Halbrook 2001). The major assumption of defining loyalty from behavioral perspective is that internal processes are spurious and behavior captures the loyalty (Tucker 1999).the behavioral measures anticipate the repeat purchase pattern of consumers from basic information about penetration and average purchase frequency (Knox and Walker, 2001). The advocates of behavioral approach suggest that most consumers have split-loyalty portfolios of habitually bought brands (Knox and Walker, 2001).

Attitudinal Loyalty the behavioral definitions fail to explain how and why customer loyalty develops and changes. According to Day (1969), there is more to brand loyalty than just consistent buying of same brand. The attitudinal approach infers customer loyalty from psychological involvement, favoritism, and a sense of goodwill towards a particular products or service (Kim 2004).Attitudinal loyalty reflects the consumer's psychological disposition towards the brand (Evanchitzky; 2003). Attitudinal loyalty measurement suggest that consumers from relationship with some of their brands.

2.2. COMPOSITE LOYALTY

The composite definitions suggest that loyalty should always comprise favorable attitudes, intentions and repeat-purchase (Rundle-Thiele 2005). Oliver (1999) viewed loyalty as "a deeply held commitment to patronize a preferred a product/service consistently in the future, thereby causing repetitive same brand or same brand-set purchasing despite situational and marketing efforts having the potential to cause switching behavior". This definition also includes both attitudinal and behavioral components. The benefits of customer loyalty to a provider of either services or products include

● Lower customer price sensitivity;

● Reduced expenditure on attracting new customers; and

● Improved organizational profitability.

Customers may demonstrate their loyalty in any one of a number of ways; they may choose to stay with a provider, whether this continuance is defined as a relationship or not, or they may increase the number of purchases or the frequency of their purchases or even both. They may also become advocates of the organization concerned by playing a powerful role in the decision making of others (Reichheld, 2000; Zeithaml, 2000).

2.3. CUSTOMER SATISFACTION

Customer satisfaction generally means customer reaction to the state of fulfillment, and customer judgment of the fulfilled state (Oliver, 1997). There are many benefits for a company from a high customer satisfaction level. It heightens customer loyalty and prevents customer churn, lowers customers' price sensitivity, reduces the costs of failed marketing and of new customer creation, reduces operating costs due to customer number increases, improves the effectiveness of advertising, and enhances business reputation (Fornell, 1992).

The main factor determining customer satisfaction is the customers' own perceptions of service quality (Zeithamal & Bitner, 1996). In this study, we shall define service quality as the customers' satisfaction or dissatisfaction formed by their experience of purchase and use of the service (Parasuraman, Zeithamal, & Berry, 1999).

2.3.1. SATISFAYING CUSTOMER NEEDS

To succeed or simply to survive, companies need a new philosophy. To win in today's marketplace, companies must be customer-centered they must deliver superior value to their target customers. They must become adept in building customer relationships, not just building products. They must be skillful in market engineering, not just product engineering. (Kotler. 2005:463)

2.3.2. SATISFACTION AND LOYALTY

Bloomer and Kasper (1995) demonstrate that the satisfaction-loyalty relationship is not simple and straight forward as the level of elaboration on the part of the customer must act as a moderator between satisfaction and loyalty. Furthermore,Oliver. (1992) argue that the relationship between satisfaction and loyalty is non-linear, meaning that in case satisfaction increase above a certain level, customer loyalty will increase rapidly. Loyalty and satisfaction are related, although also clearly distinct. Oliver (1999) considers several conceptual bases for this distinction. But in general, higher satisfaction has been proposed to be related to higher quality (Hallowell, 1996; Straurs and Neuhaus, 1997), and found to be related to higher loyalty in ECSI model (Cassel, 2001).

2.3.3. SATISFACTION AND LOYALTY LINK

High-quality products and associated services designed to meet customer needs will create customer satisfaction. This high level of satisfaction will produce increased customer loyalty. According to conventional wisdom, we would be tempted to believe that the link between satisfaction and loyalty is a simple, linear relation. But reality proves us wrong: it is neither linear nor simple. The relation reacts differently according to time and circumstances. Unless they are totally satisfied, there is always a chance you will see your customers be lured away (Jones & Sasser Jr., 1995).

2.4. TRUST AND LOYALTY

Trust has been defined as "a willingness to rely on an exchange partner in whom one has confidence " (Moorman; 1993). Schurs and Ozanne (1998) defined the term as the belief that a partner's word or promise is reliable and a party will fulfill his/her obligations in the relationship. Other authors have defined trust in terms of opportunistic behavior (Dwyer , 1997)), shared values (morgan and Hunt, 1994), mutual goals (Wilson, 1995), action with positive outcomes (Andersen and Narus, 1994) and making and keeping promises (Bitner, 1995). Fulfilling promises that have been given is equally important as a means of achieving customer

satisfaction, retaining the customer base, and securing long-term profitability (Reichheld and sasser, 1990).

2.5. COMMITMENT AND LOYALTY

Commitment is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Morgan and Hunt 1994; Dwyer ;1997).In the marketing literature, Moorman (1992) have defined commitment as an enduring desire to maintain a valued relationship. This implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Gundlach. 1995) Morgan and Hunt .1994). Since commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to part benefits received.

2.6. COMMUNICATION AND LOYALTY

 In this context communication refer to ability to provide timely and trustworthy information. Today, there is a new view of communication as an interactive dialogue between the company and its customers, which takes place during the pre-selling, consuming and part-consuming stages (Anderson and Norus, 1990). Communication as an antecedent of customer loyalty means keeping in touch with valued customer, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs. It is the communication task in the early stage to build awareness, develop consumer preference, convince interested buyers, an and encourage them to make the purchase decision (Ndubiri and chan, 2005).

2.7. CUSTOMER RETENTION AND LOYALTY

The most important consideration to attain high customer loyalty is for firms to deliver high customer value. (Kotler 2000:507-09). He continued to stress that it has been the practice by firms to devote much attention and effort to attracting new customers rather than retaining existing ones, adding that traditionally firms emphasis more on making sales rather building

relationships, on pre-selling rather than caring for the customer afterwards.

Although it is not easy to retain all the existing customers, a company does try it because of the cost involved in marking new customers is much more than that involved in retaining them. (Monga, Anand 2003:553)

Kotler (2000) states the critical factor to attaining customer loyalty is customer satisfaction because a customer who is highly satisfied will exhibit the following characteristics;

• Stay loyal longer

• Buys more as the company introduces new products and upgrades existing ones

• Talks favorably about the company and its products

• Pay less attention to competing brands and advertising, and is less sensitive to price

 • Cost less to serve than new customers because transactions are reutilized

2.8. BONDING, COMMITMENT AND TRUST

Bonds can be seen as strong emotional states and sources of sustained competitive advantage. Bonding has become a central concept in customer relationships and is seen to be a key objective of relationship marketing. According to Sheth and Parvatiyar (1995). *Any relationship that attempts to develop customer value through partnering activities is likely to create a greater bonding between customers and marketers. The greater…such bonding, the more committed the consumer becomes in the relationship…* (Arantola 2002, 59.) Arantola (2002, 59) states, that bonds always include a mutual orientation. The more bonds a customer has to a certain provider, the more willing they are to accept lower service quality whether the bond is dedication-based or constraint-based. Usually intentionally built bonds work well as exit barriers. However, these types of bonds usually still have some sort of time limit. Social bonds are based on values and thus last longer, but usually take considerable time to develop. (Arantola 2002, 59-60.) Enlists

different bonds and how they work depending on how they are perceived.

Lacey and Morgan (2009, 4) define commitment as, an implicit or explicit pledge of relational continuity between buyers and sellers" when Arantola (2002, 65) expands the definition also to the mental exclusion of other exchange partners. According to Arantola, commitment can be measured by the following criteria: inputs, durability and consistency. Inputs can be broken down to economic, communicative or emotional; durability translates into future-orientation and consistency means predictability of the parties. Trust can be defined as a belief that a company is reliable and holds its own end of the deal sincerely. Lacey and Morgan (2009, 4) indicate that trust reduces customers' vulnerability because they are certain that they can rely on their business partner's personnel, products and services. In many relationship marketing researches, trust is thought of as an antecedent to commitment. A model suggested by Lacey & Morgan (2009, 4), assumes that B2B loyalty program membership is expected to positively affect relationships because commitment assures the customer that they will benefit from the program. Lacey and Morgan (2009, 4) researched two hypotheses regarding trust in B2B loyalty behavior. They found support to the first hypothesis; trust in the supplier is positively related to the commitment level of the customer. The second hypothesis of a loyalty program positively moderating trust and commitment to the firm, however, was not supported by research data. So without founded trust, the loyalty program is regarded insufficient in assuring a client to commit to a deeper relationship.

2.9. RETENTION AND DEFECTION

Increased customer value and loyalty is often improved through long-term relationships. For this to happen, companies must minimize customer defection. The idea is that the better the retention of customers, the longer the commitment and the relationship. These long relationships deepen the commitment and entice loyalty behavior. Zineldin (2006, 434) says that in order to pursue customer retention efforts, it is vital for "-- companies to be responsive to customer concerns by keeping open dialogues with them." He suggests this to be done by efficiently handling complaints, analysis of customer satisfaction data and active solicitation, and by developing of long-term strategic relationships by meeting constantly changing customer expectations. A

company should evaluate customers through the lifetime value (LTV) of a satisfied customer rather than profit gained from an individual transaction. The lifetime value comprises of future purchases, referrals and avoiding negative word-of-mouth.

2.10. THE SWITCHING BARRIER

The switching barrier refers to the difficulty of switching to another provider that is encountered by a customer who is dissatisfied with the existing service, or to the financial, social and psychological burden felt by a customer when switching to a new carrier (Fornell, 1992). Therefore, the higher the switching barrier, the more a customer is forced to remain with his or her existing carrier. According to a previous study, the switching barrier is made up of switching cost, the attractiveness of alternatives, and interpersonal relationships. Switching cost means the cost incurred when switching, including time, money and psychological cost (Dick & Basu, 1994), and is defined as perceived risk, insofar as there are potential losses perceived by customers when switching carriers, such as losses of a financial, performance-related, social, psychological, and safety-related nature (Murray, 1991). Attractiveness of alternatives means the reputation, image and service quality of the replacing carrier, which are expected to be superior or more suitable than those of the existing carrier. Attractiveness of alternative carriers is intimately linked to service differentiation and industrial organization. If a company offers differentiated services that are difficult for a competitor to match or to provide with equivalents, or if few alternative competitors exist in the market, customers tend to remain with the existing company (Bendapudi & Berry, 1997). Interpersonal relationship means a psychological and social relationship that manifests itself as care, trust, intimacy and communication (Gremler, 1995). The interpersonal relationship built through recurrent interactions between a carrier and a customer can strengthen the bond between them and finally lead to a long-term relationship. Companies are not alone in desiring a sustained relationship. Many customers wish to establish, develop and continue with a company an interpersonal relationship that provides value and convenience (Gwiner, Gremler, & Bitner,1998). Therefore, relationship-specific investment helps increase customers' dependence, and thus magnifies the switching barrier.(Jones,Mothersbaugh,&Betty,2000).

2.11. THE RELATIONSHIP BETWEEN CUSTOMERSATISFACTION, SWITCHING BARRIER AND CUSTOMER LOYALTY

As a general rule, customer satisfaction and customer loyalty are very closely related. Customer satisfaction functions as an antecedent of customer loyalty. It prevents customer churn and consolidates retention, thereby constituting an important cause of customer loyalty (Fornell, 1992; Reichheld, 1996). Further, while affected by market structure, customer type and customers' individual ways of solving problems, the connection between customer satisfaction and customer loyalty is not always a linear relation, although it constitutes a positive relationship (Fornell, 1992; Soderlund, 1998). And when customers switch the service provider, they tend to perceive the burden of risks which becomes the switching barrier that influences customer loyalty.

2.12. PERCIVED VALUE

Delivering superior customer value is an essential strategy for firms to gain competitive advantage and long term success (Parasuraman, 1997; Woodruff, 1997). Researchers have defined perceived value as the customer's overall assessment of the benefits they receive relative to the sacrifice they make (Dodds, 1991; Slater, 1997; Woodruff, 1997). According to Parasuraman and Grewal (2000), there are four distinct types of perceived value in their proposed expanded model of customer loyalty: (1) acquisition value, (2) transaction value, (3) in-use value, and (4) redemption value. Perceived value is implied as a dynamic construct and may change its central component(s) over time. For instance, acquisition and transaction value may be dominant during and immediately after a purchase, while in-use and redemption value may emerge only during later stages of using the product/service. According to Lin and Wang (2006), in their study on the determinants of customer loyalty, the benefit components of perceived value include intrinsic attributes (i.e. how a purchase makes one feel), extrinsic attributes (i.e. reputation of the product/service), perceived quality and other relevant high level abstractions. The 'sacrifice' components of perceived value include: monetary prices and non-monetary costs (e.g. time, energy, effort).

2.13. TRUST

Based on previous research, trust has been defined as: (1) a set of specific beliefs dealing primarily with the integrity, benevolence, and ability of another party (Doney and Cannon, 1997; Gefen and Silver, 1999); (2) a general belief that another party can be trusted (Gefen, 2000; Hosmer,1995; Moorman, 1992), sometimes also called trusting intentions (McKnight, 1998) or the willingness of a party to be vulnerable to the actions of another (Mayer, 1995); (3) affect reflected in "feelings" of confidence and security in the caring behavior (Aarts., 1998; Gefen, 2003). This is aligned with Ouellette and Wood (1998) who stated that once a behavior has become a habit or well-practiced behavior, it becomes automatic and is carried out without conscious decision. This implies that habit is guided by automated cognitive processes, rather than by elaborate decision making processes.

2.14. REPUTATION

Herbig and Milewicz (1993) have defined reputation as an estimation of the consistency over time of an attribute of an entity. An organization can therefore have numerous reputations (i.e. price, product quality and innovativeness reputations) and/or global reputation.

2.15. HABIT

The role of habit in predicting behavior has been verified in previous studies (Gefen, 2003, Ouellette & Wood, 1998; Trafimow,2000). Most habitual behavior arises and proceeds efficiently, effortlessly, and unconsciously (Aarts, 1998) and habit can predict customers future behavior (Bamberg, Ajzen, & Schmidt, 2003). Gefen (2003) defined habit is what an individual usually does when there is a behavioral preference in the present. Habitual behavior leads to the continuation of the same type of purchase intentions (Boulding, 1993), word of mouth (Gremler., 2001) and commitment (Moorman., 1992) dimensions. Purchase intentions were defined as the propensity to purchase a product or service at some point in the future (Ranaweera, 2003). Customer commitment refers to the strength of relational ties and to the desire to maintain a relationship (Bansal., 2003). Word of mouth is defined as oral, person to person communication between a communicator and a receiver whom the receiver perceives as non-commercial with respect to a brand, product or service (Arndt, 1999).

2.16. CUSTOMER LOYALTY

An interesting finding indicated by the majority of the used sources stated that loyalty programs do not bring about customer loyalty. Another issue was that the programs are often run inefficiently and should be altered quite radically. Most sources also stated that these loyalty schemes do not create profit as well as should be expected in return to the financial input. Another proposition was that they are just considered as drivers of repurchase activity but do not entice actual loyalty. It's also fair to say that in addition to the considerable financial commitment the programs also require a lot of attention and effort marketing-wise and service-wise. Active and current information is constantly needed in order to be able to conjure any kind of improvement suggestions. The company's fine idea will most likely be far off from what the consumer wants, be it an individual or business. Based on the used sources, loyalty programs are experiencing a time of change. This may be a result of the fact that loyalty programs don't create customer loyalty in the correct sense. The common customer program may cause small changes in customer purchase activity at a certain company, but temporary price reductions and a bonus system are not sustainable tools by themselves. Arantola (2002, 9) indicates that, "-- loyalty programs have become so common that it is often predicted that they will lose their impact on the individual consumer." She also refers to Butscher1 (1998) who found that 90% of the programs in his study were based on price-related benefits making them short-term tools. It's also worth remembering that there is high probability that the competitor already has an exactly similar program or can imitate it swiftly. Loyalty derives from understanding the customer and by offering them something more than just the product they need. Attention needs to be put into the augmented product and service, because loyalty cannot be sustainable just by offering reduced prices.This way it's possible to efficiently coordinate marketing activities accordingly to the genuine expectations of the key customer segments. It is also otherwise possible to research the drivers of customer purchase behavior.

Arantola (2002, 46) imposes the question, "-- are marketers aiming at loyalty in today's marketing environment? What, then, is the loyalty the marketers aim at?" It appears to be a habit of not defining the necessary terms and lose sight of the context under which the particular

phenomenon is observed from. It is the foundation of any loyalty program to have a clear understanding of what the company means with loyalty. It is a difficult term to define, largely as result to the numerous different approaches, theories and levels of customer loyalty. Below are listed some general views of loyalty. According to Arantola (2002, 46), researches on retailing and repeat-buying-behavior consider loyalty by, *the proportion of consumer's expenditure devoted to a store, attitudes to the store, sequences of purchase in the same store or hybrid measures. Most of these studies rely on scanner data taken directly from cash registers and panel data collected on the household level.* Arantola (2002, 46) also points out that, "Survey data is often collected at the point of purchase, which leads to the over-representation of frequent shoppers". Other options would be to focus on measuring intent to return, switching intentions and actual switching behavior. From the managerial point-of-view, loyalty is often seen as the opposite of defection. It's also important to remember that, "measuring satisfaction often leads to fairly good results but these results do not measure loyalty" (Arantola 2002, 49).

2.17. CUSTOMER LOYALTY APPROACHES

There are multiple approaches to customer loyalty. Theories of behavioral loyalty were dominating until 1970 considering loyalty as the function of the share of total purchases, function of buying frequency or buying pattern (Tucker 1999: 32; Sheth 1999: 398) or function of buying probability (Harary.1982; McConnell 1999:14; Wernerfelt 1991: 231). These approaches looked at brand loyalty in terms of outcomes (repeat purchase behavior) rather than reasons, until Day (1969) introduced the two-dimensional concept of brand loyalty, which stated that loyalty should be evaluated with both behavioral and attitudinal criteria. Contemporary researches consider and accent the psychological (mostly attitudinal and emotional) factor of loyalty (Oliver 1999: 34; Chaudury 1995: 28; Djupe 2000: 79; Reichheld 2003: 47). There are also approaches comparing loyalty with marriage (Hofmeyr 2000: 53–83; Lewitt 1983: 89; Dwyer 1987: 14). These different approaches allow distinguishing customers as whether behaviorally or emotionally loyal. Behaviorally loyal customers act loyal but have no emotional bond with the brand or the supplier whereas emotionally loyal customers do. Jones and Sasser call these two kind of loyalty accordingly false or true long- term loyalty (Jones 1995: 90).
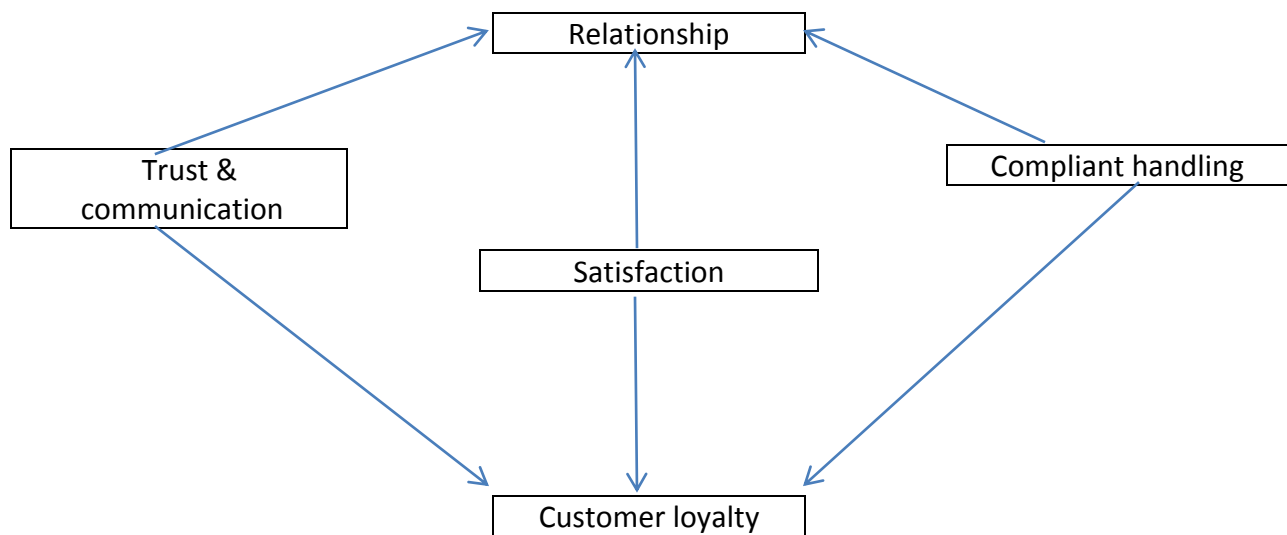
Hofmeyr and Rice (2000: 87) divide customers to loyal (behavioral) or committed (emotional). Emotional loyalty is much stronger and longer lasting than behavioral loyalty. It's an enduring desire to maintain a valued relationship. The relationship is so important for the customer that he or she makes maximum efforts to maintain it. (Morgan 1995:24; Reichheld 2003: 9; Moorman 1992: 316) Highly bonded customers will buy repeatedly from a provider to which they are bonded, recommends that provider to others, and strongly defend these choices to others – insisting that they have chosen the "best" product or service. (Butz 1996: 65) Behaviorally loyal customers could be divided to sub-segments by the reason of acting:

• Forced to be loyal,

• Loyal due to inertia or

• Functionally loyal.

Customers are forced to be loyal when they have to be clients even if they do not want to. Customers may be forced to consume certain products or products/services offered by certain vendor e.g. when the company acts as a monopoly or the poor financial status of the customer is limiting his selection of goods. Grönholdt, Martensen and Kristensen have found that companies with low price strategy had a much higher loyalty than expected from their customer satisfaction. On the other hand, companies that had used a lot of energy on branding indeed had a high customer satisfaction but they did not have a correspondingly high loyalty. (Grönholdt 2000: 512) Forced loyalty could be established trough creating exit barriers as well. Loyal behavior may also result from inertia – customer does not move to another vendor due to comfort or relatively low importance of operation – if the choice has low importance, there is no point to spend time and effort on searching for alternatives. Thus, based on his faith in the suitability of the current product, the customer continues to use it without checking alternatives. It's in accordance to Oliver's approach of cognitive loyalty: the loyalty that is based on brand belief only. "Cognition can be based on prior or vicarious knowledge or on recent experience-based information. If the transaction is routine, so that satisfaction is not processed (e.g. trash pickup, utility provision), the depth of loyalty is no deeper than mere performance." (Oliver 1999: 35) Hofmeyr and Rice (2000: 23) say that one of the reasons that customers don't switch brands when they are dissatisfied is that they feel that the alternatives are just as bad as the brand they are using or even worse. Inertia may be caused also by lack of information about attractive characteristics of the brands (Wernerfelt 1991:231). Functionally loyal customers are loyal

because they have an objective reason to be. Wernerfelt points out "cost-based brand loyalty" where brand utilities have a positive influence on brand choice. (Wernerfelt 1991:231) Functional loyalty can be created by functional values using price, quality, distribution, usage convenience of a product or through different loyalty programs (points, coupons, games, draws etc.) giving a concrete reason to prefer certain supplier. Unfortunately competitors can most easily copy functional values. Thus, creating functional value offers a fleeting competitive advantage: functional loyalty can't be very long lasting. (Barnes 2003: 8)

2.18. CONCEPTUAL FRAMEWORK

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                        ┌──────────────────┐
                        │   Relationship   │
                        └──────────────────┘

┌──────────────────┐                          ┌──────────────────┐
│     Trust &      │                          │ Compliant handling│
│  communication   │        ┌──────────────┐  └──────────────────┘
└──────────────────┘        │ Satisfaction │
                            └──────────────┘

                        ┌──────────────────┐
                        │ Customer loyalty │
                        └──────────────────┘
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The research framework (Adopted from Nelson Oly, 2004-2007)

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CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

</div>

3. INTRODUCTION

The purpose of this chapter is to explain the procedures used to answer the research questions proposed in Chapter 1. Sections regarding research purpose, design, sampling, data collection and data analysis procedures are included. It begins by an introducing the research design. Section 3.1 discusses about the general methods of research; a clear explanations and illustrations about the reasons for selecting the research design are put as well. Section 3.2 covers the population and choices about sampling and data collection. Sections 3.3 introduce you with the study instruments that are followed to secure data from study participants. Section 3.4 discusses about the variables the study used to measure the construct. Section 3.5 introduces the concept of validity and reliability. Finally Section 3.6 present about the methods of data analysis.

3.1 RESEARCH METHDOLOGY

The study employs a quantitative, descriptive design to answer the research questions.

3.2 POPULATION AND SAMPLE

The study is particularly interested to assess factors that influencing customer loyalty in case of EABSC. EABSC has 5000 key account customers. Therefore, the researcher takes 370 sample populations by using formula propounded by Cochran (1963). Questioner was distributed to 410 key account customers. The main reason for selecting this customers group is because these groups have direct relation with the company.

3.3 SAMPLING TECHNIQUE

A sample design is a clear plan for obtaining a sample from a given population. As Kothari (2004) noted it refers to the technique or the procedure the researcher would adopt in selecting items for the sample.

This study used target population for reliability of the study therefore; the researcher selected the following as target population.

The population of the study consisted of EABSC Addis Ababa plant key account customers. To conduct this study the researcher used non probability sampling technique, from different type of this technique, the researcher selected Judgmental or purposive sampling technique means hand picking individuals from the population based on judgment or selecting the samples from the entire universe based on the researcher own criteria. The main criteria researcher used to conduct this study is the experience of the customer, customer's relationship with the company and knowledge that customers have about coca cola. It enables to select respondents or neutral people that provide relevant information. A formula propounded by Cochran (1963) was used to determine the size as follows;

$$n = \frac{N}{1 + Ne^2}$$

Where; n – is the sample size

N – Is the population size

e – Is the level of precision (95%; e = 0.05)

As the researcher tried to mention some figures related to the company in the introductory chapter as it is big beverage company in Ethiopia and currently the total number of key account customers in Addis Ababa has reached 5000. Therefore, the researcher uses the following standardized formula to get the right sample size with a 95% confidence interval and a 5% sampling error.

$$n = \frac{N}{1 + Ne^2}$$

5000 = 5000

1+5000(0.05)2

= <u>370.4</u>

The sample size is an important element in determining the statistical accuracy with which population values can be estimated. In general, increased sample size is associated with decreased sampling error. The larger the sample, the more likely the results are to represent the population. However, the relationship between sampling error and sample size is not as such simple or proportional. There are diminishing returns associated with adding elements to a sample. In summary, the cost of studying an entire population usually is prohibitive to both researchers and those being studied in terms of privacy, time, and money. Consequently, a subset or sample of a given population must be selected Patrick (2008). As cited in the works of Markkinointi (2008) in literatures a rough range of 200-2500 is suggested for a typical sample size (Malhotra & Birks 2000). Thus it is safe to say that a total of 370 respondents are good representative of the population. In any case the goal of sampling is to provide a practical and economic mechanism to enable exact extrapolation of a sample from a given population.

3.4 DATA SOURCE

As mentioned above the research primarily use questionnaire to seek the responses from important stakes. Closed–ended self-administered questionnaire was prepared based on the literatures reviewed and administered to customers. Secondary information is secured from books, journals, published/unpublished materials, from the corporation website and newsletters of the company. Finally, a careful inspection is done to distill important inputs for the study.

3.4.1 QUESTIONORY

The questionnaire involves both previously tested questions and items developed through a review of literature which consists of two sections. The first section incorporates closed-ended questions to gather demographic profile of customers and section B encompasses customer study related questions. Which are developed through a review of literature. It has 20- items there are preliminary questions that is related to customer's demography and to obtain their view about the customer relationship, trust, satisfaction, loyalty and compliant handling. All these items were used a 5-point Likert-scale, anchored on 1= "strongly agree", through 5="strongly disagree". These questions are properly constructed with the aim of making the result valid and reliable that could assess the true attitude of the respondents.

3.5 VALIDITY AND RELIABILITY

As Kothari (2004) says sound measurement must meet the tests of validity, reliability and practicality.

3.5.1 VALIDITY

Kothari (2004) says validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. In relation to the study three types of validity measures are discussed below. This includes as Geoffrey (2005) stated *Content validity* which refers to the relevance of the instrument or measurement strategy to the construct being measured. In this regard the study use a well know standardized measurement (SERVPERF) which is forward after lot of conceptual and empirical investigations and the study uses this research instruments as a means of data collection. *Construct validity* is the degree to which scores on a test can be accounted for by the explanatory constructs of a sound theory or whether the measures used in a study actually measure what they purport to measure (Patrick ,2008). The study largely depend on Uchenna (2005) exploratory phenomenological study and other contemporary researches output. *Internal validity* refers to the strength of the causal linkages

between and among independent and dependent variable (Patrick, 2008). In such regard randomization provides protection against the effect of extraneous factors. This indicates that we should design or plan the experiment in such a way that the variations caused by extraneous factors can all be combined under the general heading of chance (ibid). Besides, the study used non probability purposive sampling technique to select the sampling units. Thus it is safe to say that the study fulfills this condition as well.

3.5.2 RELIABILITY

It is another important test of sound measurement. A measuring instrument is reliable if it provides consistent results Kothari (2004). The two variants of reliability will be assured through standardizing the condition under which the instrument administered (stability aspect) and employing the same design of measurement for the whole sample (equivalence aspect). For this purpose Cronbach"s Alpha-values was applied to determine the reliability of the construct as a measurement instrument.

3.6. PRACTICALITY

Kothari (2004) noted from the operational point of view, the measuring instrument ought to be practical i.e., it should be economical, convenient and interpretable. With regards to the practicability of the instruments the researcher found that both instruments were efficient in attaining its goal as data collection procedures done without any trouble and doubt which proofs the instrument practicality as it is durable in light of cost-effectiveness and convenient for respondents (ibid). As there is seldom a perfect measure of a concept, the researcher should consider several alternatives for the purpose. The use of more than one indicator gives stability to the scores and it also improves their validity.

3.7. DATA ANALYSIS PROCEDURES

The study used quantitative data for measuring both constructs whereby a large amount of data was collected. The data for the entire study was inputted into the Statistical Package for Social

Sciences (SPSS) to interpret the result. As a result, descriptive and inferential statistics were used to analyze data. Consequently the distribution of values and estimation of the population is possible and reliability analyses on the instruments were conducted to ensure that the items properly represent each dimension.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4. INTRODUCTION

In this chapter, the researcher presented the findings of the study, analysis and interpretation of the results. It contains summary of descriptive statics.

The purpose of this study was to assess factors influencing customer loyalty in purchase of coca cola products. A total number of 410 questionnaires were distributed and 370 were collected. Descriptive method was used in analyzing the data collected. The responses by the customers to items of the questionnaire were compiled into tables according to the main variables being examined. Descriptive analysis: for instance percentage and mean were used in examining variables such as customer relationship, trust, compliant handling, loyalty and satisfaction.

4.1. NON RESPONSE RATE

All the distributed questionnaires may not respond fully. In order to reduce the rate of non-return from respondents, the student researcher has distributed extra 40 questionnaire papers and finally collected 370 for analysis.

4.2. RESPONDANTS CHARACTERSTICS

A total of 410 questionnaires were administered and data were collected from key account coca cola retail customers in Addis Ababa. From the 410 questionnaires distributed 370 were collected and analyzed using the descriptive statistics (frequency statistics). The frequency and the percentage of the characteristics of respondents are summarized in the table below

4.2.1DEMOGRAPHIC CHARACTERSTICS OF RESPONDANTS

Age	Frequency	Percentage
18-25	85	23
26-35	128	34.6
36-45	106	28.6
46-55	51	13.8
Total	370	100

Table.4.1.2.Age of the respondents

The respondents in the study are in different age categories. To know the respondents' age and maturity level in the subject related to the study, the respondents were asked to indicate their age. Accordingly, the dominant age group is found in the age category of $26 - 35$ is 34.6% out of the total respondents followed by age category 36-45 which is 28.6 and 46-55 13.8% the fourth group constitutes respondents with the age group 18-25 23%. From this we can understand that most of the respondents are in a youth and middle ages.

Sex	Frequency	Percent
Male	171	46.2
Female	199	53.8
Total	370	100

Table.4.1.2.Gender of the respondents

As shown in table 4.1.2: respondents characteristics, among 370 respondents 46.2% (171) respondents are male, 53.8 (199) respondents are female. This shows that female respondents are greater in number than male respondents.

Usage/Experience	Frequency	Percent
1-3	1	0.3
4-6	37	10
7-9	119	32.2
10 and above	213	57.6
Total	370	100

Table.4.1.2.Experience of the respondents

Regarding years of being customer in EABSC the majority of customer respondents are 10 year and above 57.6% followed by those who are customer of 7-9 years constituting 32.2% and customers of 4-6 constitute 10%. The rest 0.3% are customer of 1-3. From this, it can be understand that majority of customer of more than ten years and also the second majority of the customers are customer of 7-9 years. Thus most of the respondents' response is supported by high experience with EABSC which helps this study to be stronger.

4.3. DESCRIPTIVE STASTICS FOR ANTECCEDENT VARIABLES

Variables	N	Mean	Std. Deviation	Variance
Trust	370	2.4590	.88696	.787
Relationship	370	2.2985	. 86032	.740
Compliant handling	370	4.0429	1.03272	1.067
Satisfaction	370	2.8004	.96001	.922
Loyalty	370	2.6045	.97645	.953
Valid N (listwise)	370			

Table.4.3.1. descriptive statistics for antecedent variables

From the table above we can see that compliant handling has the highest mean score that is above the neutral score 3. All the other variables have a mean score below the neutral score 3. It is possible to understand that most of the customers either agreed or strongly agreed to the compliant handling statements while most of them have either disagreed or strongly disagreed to all other statements. But in order to fully asses customers' perception with regard to relationship compliant handling, satisfaction, trust, and loyalty. It is essential to undertake a one sample t-test for the variables. A one sample t-test is used to test whether a sample mean significantly varies from a hypothesized value. In this case the hypothesized value is the neutral score of the five point Likert scale.

		Test Value=3			95% confidence interval of the difference	
	t	df	Sig.(2-tailed)	Mean difference	Lower	Upper
Relationship	-13.348	369	.000	-70149	-8050	-5980

Table.4.3.2.One-Sample t-Test for relationship

From the table above we can see that the mean score for relationship (2.2985) is significantly lower that the neutral score of 3. This implies that the difference between the mean score for relationship and the neutral score (.70149) is significant. So it is possible to conclude that the company's relationship with customers is poor in terms of relationship values.

		Test Value=3			95% confidence interval of the difference	
	t	df	Sig.(2-tailed)	Mean difference	Lower	Upper
Trust	-9.986	369	.000	-.54104	-.6477	-.4344

Table.4.3.3.One-Sample t-Test for trust

Concerning trust, which is the extent to which customers believe and trust the company, it is possible to understand from the table that customers' perception is significantly negative. The

mean score for trust (2.4590) is significantly (sig=0.000) lower than the neutral score 3. This implies that Customers does not trust the promises of the company.

		Test Value=3			95% confidence interval of the difference	
	t	df	Sig.(2-tailed)	Mean difference	Lower	Upper
Compliant handling	16.532	369	.000	1.04291	.9187	1.1671

Table.4.3.4.One-Sample t-Test for compliant handling

As far as compliant handling is concerned customers perceive compliant handling of EABSC as highly negative as it can be seen from the table above the mean score for compliant handling (4.0429) is significantly higher than the neutral score of 3. There are numerous factors that could have contributed to this figure. For instance the company does not give quick response to compliant raised by customers and EABSC employees are not willing to receive complaints. These facts results in negative feeling.

		Test Value=3			95% confidence interval of the difference	
	t	df	Sig.(2-tailed)	Mean difference	Lower	Upper
Satisfaction	-3.404	369	.001	-.19963	-.3151	-.0842

Table.4.3.5. A one sample t-test for satisfaction

As we can see from the table above customers do perceive EABSC's service as less satisfied with significance level of 0.001. The mean score for in satisfaction (2.8084) is significantly lower than the neutral score implying that EABSC customers are less satisfied. This shows that the service is not as good as most wanted by customers.

		Test Value=3			95% confidence interval of the difference	
	t	df	Sig.(2-tailed)	Mean difference	Lower	Upper
Loyalty	-6.631	368	.000	-.39552	-.5130	-.2781

Table4.3.6. A one sample t-test for loyalty.

The mean score for loyalty (2.6045) is well below the middle score which stands for the neutral response i.e. 3. The customers' perception is low because of the poor ability of the service to fit the personal interest of the customers as well as their activities.

Overall customers' loyalty towards EABSC is negative implying that the overall activities are not liked by customers. As it is distinguished from previous one sample t-test tables' customers' perception of variables are less than the neutral score.

CHAPTER FIVE

5. CONCLUSION AND SUGGESTIONS

This chapter synthesizes the findings of the research. It reviews the research objectives, and summarizes the research findings and concludes with recommendation.

5.1. SUMARRY OF KEY FINDINGS

The researcher distributed four hundred ten questionnaires for sampled respondents and collected three hundred seventy and used as a valid base for the data analysis. Based on an objective analysis of data and discussion of results and with respect to the basic questions, the student researcher refined the following major findings for this study:

❖ The findings associated with the descriptive analysis of respondent characteristics and background of Coca cola product usage as a retailor indicated that the majority of the respondents were female (53.8%%), aged in the range of 26-35 years (34.6%), most finished college (34.6%), Regarding background of product usage as a retailor the majority of the customers have experience of 10 years and above (57.6%)

❖ The descriptive statistics for the independent variables shown that most customers the disagreement level is high because of the frequently happened problems and the company is not willing to fix the problems quickly. Which account 55.1% of the total i.e. most respondent, 55.1% (204) disagree with the statement; EABSC gives quick response to compliant raised by customers. Furthermore, customers are not happy about their relationship with the company, which accounts 62.7% of the total. This shows there is high level of dissatisfaction regards to communication. It means people are facing information problems more often and their level of loyalty also decrease because of the frequently occurrence of information problems customers are lacking trust.

❖ Customers have a comparable negative attitude on the issues like implementation of promises, genuineness of information they get from the EABSC.

❖ From the major finding its obvious EABSC has more than an average score in the relationship, compliant handling and trust dimensions which had an effect on the loyalty of the customers. Though the student researcher observed most customers rely on their relationship with company representatives which affects customer's loyalty to the company.

❖ Generally what the researcher understood from the results of the questionnaire is that the relationship and trust have a significant role on loyalty of customers in EABSC.

❖ Lastly, the framework has shown that trust, customer relationship, compliant handling and satisfaction significantly influenced loyalty of customers toward purchasing coca cola products.

❖ To summarize, the finding of the research indicate that there is relatively strong empirical evidence for the hypotheses stated. The result shows that customer relationship, trust, compliant handling and satisfaction are of great importance in usage of coca cola products.

5.2. CONCLUSION

Based on the major findings of this research; the student researcher has come up with the following conclusions about EABSC's practice on customer loyalty activities. The below shown conclusions will also be used as a base for the possible solution and recommendations.

❖ Trust, has significant effect on loyalty leading to positive impact on information sharing and increased purchase intentions.

❖ Increased customer loyalty is often improved through long-term relationships.

❖ Complaint handling is very significant to the customer. A complaint should be viewed as an opportunity to mend any sores in the relationship. The manner in which the company handles the situation dictates the fate of the customer's future. A poorly handled confrontation may result in unexpected impact on company image by word-of-mouth.

❖ Neglecting of long-term relationships will corrupt the whole operation chain as the relationships between the company and the retailors in a sustainable manner.

❖ Customer expectations are commonly based on relative competitive alternatives of suppliers. A competitor's actions, claims and promises can directly influence customer expectations.

❖ The proposed factors (Trust, Relationship, Satisfaction and compliant handling) should be considered when predicting customer loyalty. Ignoring them will most likely lead to customer defection.

❖ In conclusion, the research finding shows that there are major gaps in the way EABSC treats customers and handle complaints, which would suggest if the company does not consider this gaps, it would put the company in a difficult position to be competitive.

5.3. RECOMMENDATION

In light of the findings obtained from the data analysis, the following recommendations are made:

❖ It's good to keep in mind that a pleased client does not always equal a loyal client. They may be satisfied and be repeatedly purchasing, yet still be buying primarily from competitors or be thinking of changing provider. Therefore, EABSC should always asses customer satisfaction.

❖ EABSC can improve its trustworthiness through communicating timely information to its customers; reliability of the company could be developed by keeping its promises. In addition, EABSC can gain the customers confidence by giving a quick response on complaints raised.

❖ In the company there is a considerable compliant handling, but still gives quick response to compliant raised by customers is not strong, therefore the EABSC should reassess this gap.

❖ Customer expectations are commonly based on relative competitive alternatives of suppliers. A competitor's actions, claims and promises can directly influence customer expectations. Therefore, EABSC should keep promises to meet customer expectations. By applying this company could decrease switching.

❖ Increased customer loyalty is often improved through long-term relationships. For this to happen, EABSC must minimize customer defection. The idea is that the better the relationship with customers, the longer the commitment and the relationship. These long relationships deepen and encourage customer loyalty. Therefore, in order to pursue customer loyalty, it is important to be responsive to customer concerns by keeping open dialogues with them. Consequently, efficiently handling complaints, analysis of customer

satisfaction data and by developing of long-term strategic relationships the company could meet constantly changing customer expectations.

❖ Trust and compliant handling are very essential aspects. Therefore, student researcher highly recommends EABSC to make cooperative effort on such issues.

❖ Analyzing the root causes of complaints and Understanding why customers are switching the product provides that company with the essential information needed to fill the gap and it is important to increase customer satisfaction and thereby create customer loyalty.

❖ Focusing attention on internal marketing and particularly front-line employees (company representatives) to ensure that they are offering product and service quality that consistently meets the requirements of the customers.

❖ The globe is dynamic and business activities and tactics are ever changing. So the company needs to do further research and add values for customers in order to increase its loyal customers.

❖ Finally, EABSC should aggressively implement to the advocate the mentioned factors that influence customer loyalty.

5.4. LIMITATION OF THE STUDY

This research is limited by the fact that a small sample of participants will be selected using purposive sampling technique and will not represent the attitude of the entire population. This limitation makes the study difficult to generalize and apply the result to the entire population. Additionally unwillingness of customers in providing the necessary data and negligence of some respondents to respond to the questionnaire frankly and timely were also the limitation of this study.

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Appendix

NO		Relationship item				
		SA	A	NO	SD	D
1.	EABSC fulfills its obligation to customers.					
2.	EABSC show high professionalism in its service.					
3.	My relationship with EABSC meets my expectation.					
4.	EABSC is exerting enough effort on retaining customers.					
NO		Trust item				
		SA	A	NO	SD	D
1.	EABSC provides timely information.					
2.	EABSC provides trustworthy information.					
3.	EABSC promises are reliable.					
4.	I have confidence in overall EABSC activities.					
5.	EABSC representatives have been honest in dealing with customers.					
NO		Compliant handling item				
		SA	A	NO	SD	D
1.	EABSC avoids issues for potential conflicts.					
2.	EABSC employees are willing to receive complaints.					
3.	EABSC gives quick response to compliant					

NO	raised by customers.					
NO		Satisfaction item				
		SA	A	NO	SD	D
1.	EABSC makes adjustments to suit my needs.					
2.	I feel happy with EABSC as my service provider.					
3.	I likely to continue using EABSC products as long as the need is there.					
4.	I have positive attitude towards coca cola products.					
NO		Loyalty item				
		SA	A	NO	SD	D
1.	I am very likely to switch to another product, if I am not satisfied.					
2.	I likely refer Coca cola products to my friends and family.					
3.	I am not open to sales pitches from competitors.					
4.	I give feedback about how to improve their service.					