

**FACTORS AFFECTING CUSTOMER LOYALTY IN BEER INDUSTRY IN KENYA:
A CASE OF EAST AFRICAN BREWERIES LIMITED**

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ABSTRACT

Customer satisfaction is an important issue for marketing managers, particularly those in services industries. In general, if the customers are satisfied with a provided goods or a particular service, the probability that they use the service again increases. Loyalty, as a concept, however, has its roots in the consumer behaviour literature whose primary focus is private sector organizations and businesses. The beer industry being very competitive and homogeneous, it may be very difficult to maintain a customer. This study adopted a descriptive approach. The researcher collected data from the customers as the primary respondents and from the company staff to enable comparison since staff opinions could be biased. The primary data was collected by use of a questionnaire which was used to record respondents' responses. Piloting was carried to test the validity and reliability of the instruments. The research was both quantitative and qualitative in nature. The study found that customer service quality offered by the Company was great, respondents were satisfied with EABL Company to a great extent, they were most likely to continue working/relating with EABL Company, product mix influenced their loyalty to EABL Company to a great extent and perceived price fairness influenced customer loyalty at EABL Company to a moderate extent. The study concluded that customer service quality offered by the Company was great; the process for getting their concerns resolved was fantastic, the customer service representatives were knowledgeable, customers were satisfied with EABL Company to a great extent and they were most likely to continue relating with EABL

Company, product mix influenced customer loyalty to EABL Company to a great extent, the product matched well to the changing environment, social status influenced customer loyalty at EABL Company to a moderate extent and perceived price fairness influenced customer loyalty at EABL Company to a moderate extent. The study recommends that for the organization to enhance its customer loyalty, it should enhance its customer service quality by making the process for getting customers' concerns resolved more fantastic. The company should ensure that there is a proper product mix to influence their customer loyalty, the product should match well to the changing environment, and the company should also offer innovative and flexible products that are able to meet most of its customers' needs, cheap and affordable products and more customized products than its competitors.

Key Words: *customer loyalty, customer satisfaction, beer industry, East African Breweries Limited*

Background information

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 (Cannon & Cannon, 2005). It can cost as much as 6 times more to win a new customer than it does to keep an existing one (Rosenberg & Czepiel, 1984). Depending on the particular industry, it is possible to increase profit by up to 60% after reducing potential migration by 5% (Reichheld, 1993). Hence the increase and retention of loyal customers has become a key factor for long-term success of the companies. The starting point of the paper was to test whether the list of most important factors affecting customer loyalty is dependent on the levels of loyalty of costumers. More specifically the study is going to estimate which specific factors in beer sector influence the loyalty rate of the various customers segmented by loyalty. The East African Breweries Limited (EABL) recognizes that communities have a wide range of unsatisfied needs and although it cannot tackle all the problems that they face, wish to make its contribution to their efforts. In terms of support, EABL's policy is to focus on areas that its business has the greatest impact and where efforts can have the greatest impact.

Statement of the Problem

Customer satisfaction is an important issue for marketing managers, particularly those in services industries (Bennett & Rundle-Thiele, 2004). In general, if the customers are satisfied with a provided goods or a particular service, the probability that they use the service again increases (East, 1997).

Loyalty, as a concept, however, has its roots in the consumer behaviour literature whose primary focus is private sector organisations and businesses. Much of the literature on customer loyalty has looked at brand loyalty (e.g. Dowling & Uncles, 1997), and there is a range of conceptualizations of loyalty from repeat purchase to a lifetime relationship as conveyed in recent beer advertisements (Ennew & McKechnie, 1998). Within marketing applications, Farr and Hollis (1997) explore the relationship between promotional strategies and loyalty.

Locally, various Scholars had reviewed the concept of customer loyalty in different contexts Muturi (2004) researched on factors that determine customer loyalty to a mobile phone service provider the case of mobile phone users in Nairobi and found out that the major factor is service quality, price indifference and perceived value, Tanui (2007) conducted a survey of customer loyalty programs applied by petrol stations in Nairobi and found that the main factors that contributed to customer loyalty to their products were attractiveness of the brand personality and perceived quality while Kamau (2008) studied the factors that determine customer loyalty the case of the port of Mombasa and found out that Customer Satisfaction, perceived quality and brand loyalty were the main determinant. To the best of the researcher's knowledge, no such study had been done in Kenya in the beer industry and specifically at EABL. This was despite the fact that the company was experiencing high competition from other companies. The aim of this study was to explore the factors that determine customer loyalty at the EABL. The beer industry being very competitive and homogeneous, it could be very difficult to maintain a customer. In this regard, an extra effort was necessary to be able to have a suitable customer base.

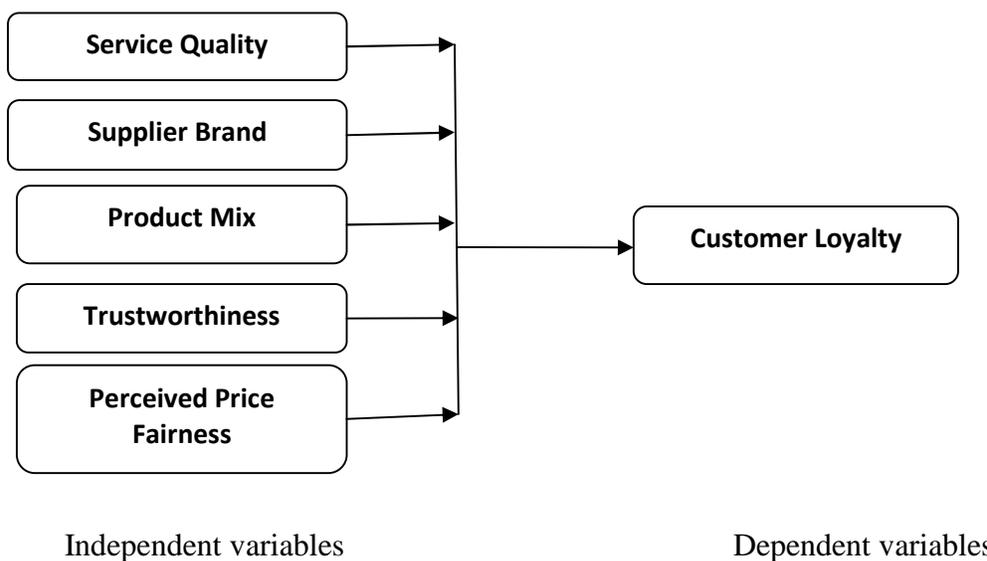
Specific Objectives

The following were the specific objectives of the study:

- i. To elucidate the effect of service quality on customer loyalty
- ii. To establish the effect of supplier brand on customer loyalty
- iii. To determine the effect of product mix on customer loyalty
- iv. To assess the effect of trustworthiness on customer loyalty
- v. To investigate the effect of perceived price fairness on customer loyalty

Conceptual Framework

A conceptual framework is a research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate this. A conceptual framework is used in research to outline possible courses of action or to present a preferred approach to an idea or thought.



Research Methodology

This study adopted a descriptive approach. According to Cooper and Schindler (2003) descriptive studies are more formalized and typically structured with clearly stated hypotheses or investigative questions. It serves a variety of research objective such as descriptions of phenomenon or characteristics associated with a subject population, estimates of proportions of a

population that have these characteristics and discovery of associations among different variables. This study adopted a descriptive design since it has a variety of research objective or characteristics associated with a subject population.

Target Population

This study was carried at the EABL. The head office now has 1680 employees so as to keep up with this fast growing industry. The researcher collected data from the customers as the primary respondents and from the company staff to enable comparison since staff opinions could be biased. The reason for using the customers as the target population was that customers possess the required information on customer loyalty and hence was the center of the study.

Target Population

	Population	Percentage
Customers	300	18%
Managers	380	23%
Supervisors	420	25%
Clerical Staff	580	35%
	1680	100%

Regression Analysis

In addition, the researcher conducted a multiple regression analysis so as to determine the factors affecting customer loyalty at EABL. The researcher applied the statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study.

Coefficient of Determination (R^2)

Coefficient of Determination

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.888	0.629	0.355	0.717

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Customer Loyalty) that is explained by all the five independent variables (service quality, supplier brand, product mix, trustworthiness, and perceived price fairness). The correlation and the coefficient of determination of the dependent variables when all independent variables are combined can also be measured and tested as in the table below. From the findings 62.9% of customer loyalty is attributed to combination of the five independent factors (service quality, supplier brand, product mix, trustworthiness, and perceived price fairness) investigated in this study. A further 37.1% of customer loyalty is attributed to other factors not investigated in this study.

Multiple Regression Analysis

	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	3.444	.412		3.588	.001
Service quality	.415	.225	.199	.217	.002
Supplier brand	.197	.124	.115	.878	.383
Product mix	.200	.112	.089	.321	.681
Trustworthiness	.327	.170	.123	.533	.122
Perceived price fairness	.299	.129	.100	.733	.0067

Customer Loyalty

The researcher conducted a multiple regression analysis so as to determine the relationship between the customer loyalty and the five attributes investigated in this study.

The regression equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \alpha$) was:

$$Y = 3.444 + 0.415X_1 + 0.197X_2 + 0.200X_3 + 0.327X_4 + 0.299X_5 + \alpha$$

Whereby Y = Customer Loyalty

X₁ = Service quality

X₂ = Supplier brand

X₃ = Product mix

X₄ = Trustworthiness

X_5 = Perceived price fairness

According to the regression equation established, taking all factors (service quality, supplier brand, product mix, trustworthiness, and perceived price fairness) constant at zero, the customer loyalty at EABL as a result of these independent factors will be 3.444. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in service quality will lead to a 0.120 increase in customer loyalty at EABL; a unit increase in trustworthiness will lead to a 0.095 increase in customer loyalty at EABL; a unit increase in perceived price fairness will lead to a 0.087 increase in customer loyalty at EABL, a unit increase in product mix will lead to a 0.058 increase in customer loyalty at EABL while a unit increase in supplier brand will lead to a 0.057 increase in customer loyalty at EABL. This therefore implies that all the five variables have a positive relationship with service quality contributing more to customer loyalty at EABL, while supplier brand contributes the least to customer loyalty at EABL.

Conclusions

The study concludes that customer service quality offered by the Company is great, the process for getting their concerns resolved is fantastic, the customer service representatives are knowledgeable, the customer service representative handle customer request quickly, the customer service representative do a great job and the customer service representatives are courteous.

It can also be concluded that the customers are satisfied with EABL to a great extent and they are most likely to continue relating with EABL and further they are most likely to recommend EABL to a friend/associate. The customers feel proud to be EABL customers, EABL always delivers on what they promise, EABL is the perfect company for people, EABL always treated people fairly, EABL is a name one can always trust, that if a problem arises, one can always count on EABL to reach a fair and satisfactory resolution and that EABL always treats people with respect.

The study further concludes that product mix influence customer loyalty to EABL to a great extent, the product match well to the changing environment, EABL offers innovative and flexible products, the products are able to meet most of customers' needs, EABL offers cheap

and affordable products, EABL offers more customized products than its competitors, EABL has a wide range of products to suit different cadre of people and EABL offers high quality state of the art technology oriented products.

The study also deduces that social status influences customer loyalty at EABL to a moderate extent. The product range at EABL is more aligned with the personality traits and that person product choice could also be affected by social experiences. The people tend to classify themselves into different social categories when accessing products at EABL and those consumer-brand relationships are more a matter of perceived goal compatibility.

On perceived price fairness, the study concludes that perceived price fairness influence customer loyalty at EABL to a moderate extent. Majority of the customers do not consider price in forming their judgments about the quality of service, they also perceived negative price result in inequity which has an adverse effect on the customer loyalty as well as on behavioral intentions and perceived positive price inequity have an influence on customer satisfaction, while perceived fairness of price affect customer loyalty indirectly via customer satisfaction.

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