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EFFECT OF CUSTOMER SATISFACTION ON CUSTOMER LOYALTY IN YOGHURT COMPANIES

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ABSTRACT

The number of yoghurt companies in Nigeria is on the rise; however, the discernible level of service delivery failure suggests a prevalent ineffectiveness in customer relations. This study therefore became imperative due to the effect of this fluctuation on customer loyalty to yoghurt companies. To tackle this issue, marketers employ diverse tools and strategies aimed at retaining both current and potential customers. This quantitative study investigates the effect of customer satisfaction on customer loyalty in yoghurt companies. The research utilizes survey and cross-sectional research designs to collect data from respondents, employing a systematic sampling technique. Given the infinite population size, data was collected from a sample of 397 customers of these yoghurt companies. Regression was applied to analyze the data and test the hypothesized relationships. The findings reveal that customer satisfaction impact on customer loyalty. It was recommended that managers should foster customer satisfaction as this will ultimately lead to increased customer loyalty.

Keywords: customer satisfaction, customer loyalty, yoghurt companies

1.0 Introduction

The food and beverages industry is critical to every economy in the world, and Nigeria is no exception. In recent years, the performance and contribution of the players in this industry to the Nigerian economy has grown in value and relevance (Flanders Investment & Trade market Survey 2020). The World Trade Organisation ranks Nigeria as the largest food market in Africa, with significant investment in the local industry and a high level of imports. The food and beverages sector is estimated to contribute 22.5% of the manufacturing

industry value, and 4.6% of the country's GDP.

It was buttressed further by Ishau (2017) that food and beverages are among the sectors that have recorded tremendous growth and paved way for local investment over the years. In 2018, the -Central Bank of Nigeria (CBN) noted that Nigerians spend an average of 73% of their income on food and beverage products. In the last two years, more indigenous brands are coming up or expanding, to meet the needs of the Nigerian consumers who prefer local flavours. According to IMF and PwC estimates (2016), Nigeria has the potential to be the fastest growing large African economy, with a projected annual GDP growth rate of 4.2% within the period 2016-2050. This will push up the GDP rankings to become the 14th largest economy in the world by 2050. In terms of population, Nigeria will be the 3rd largest in the world by that time -larger than the United States of America. Spending on food in Nigeria was estimated at almost USD 44 billion in 2021, with an average amount spent per person per year around USD 220: low-income consumers dominate. Growth in spending on food and beverage will see a bump over 2030, as consumers re-prioritise their spending patterns toward food items due to the incessant increment in the cost of livelihood.

Yoghurt is one of the oldest dairy products in the world. Food historians believe that people have been consuming yoghurt for more than 5,400 years. Yoghurt has also proved to be a very popular food with health-conscious consumers. Yoghurt is a semi fluid fermented milk having a smooth texture and mildly sour flavour because of its lactic acid content. In simple terms, yoghurt is a form of curdled milk. (Mohammed & Aliyu 2020)

Understanding customer loyalty is not a new research question, but rather one that continues to gain interest among marketing and management scholars (Petzer & van Tonder, 2019). In the 1990s to early 2000s firms largely achieved customer loyalty through building customer relationships (Lien-Ti & Yu-Ching, 2001; Verhoef, 2013) but there are also limits to sustaining positive relationships just through commitment and relationships (Morgan & Hunt, 2019).

Customer loyalty marketing is playing an ever stronger role within corporate strategy. Today, almost every industry offers a variety of loyalty schemes aimed at differentiating themselves from

competitors. More and more companies are realizing the importance of retaining existing customers rather than focusing entirely on acquiring new ones (Tamu & Soni, 2018).

Customer satisfaction is the level of consumer feelings after comparing what they receive and what they expect (Hertati & Safkaur 2019). Customer satisfaction has a positive effect in shaping Customer loyalty. Satisfaction is a matter of concern to a company because customers who are not satisfied with a product can easily move to another brand because of the loss of trust in the brand. According to Kotler and Keller (2018), companies should systematically measure customer satisfaction and analyze its factors in order to retain them. A very satisfied customer fosters loyalty. Customer satisfaction can be identified through consumer satisfaction survey which includes complaints and feedback, shadow buyers, and analysis of switching consumers (Rahmawati & Sentana 2021). The study therefore examined the effect of customer satisfaction on customer loyalty in yoghurt companies.

Statement of the Problem

The declining customer loyalty has been an issue in the yoghurt industry, even for companies that invest heavily in improving their service (Bowen, John & Shiang-Lih, 2015). Most of these firms have to close some of their branches due to poor patronage from their once loyal customers. If customers are disloyal, they are really saying that a product or service was not relevant enough for them to remain a customer. That particular product or service did not stand out from the competition because too little thought has been put into what role the brand should play in the customer's life. The customer simply made a rational decision, rather than having any emotional attachment (Danhade, 2017).

Paying attention to and increasing the level of customer satisfaction is very useful in the world of business competition because it will eventually lead to loyalty. Companies with a high level of customer satisfaction tend to be superior to their competitors. Not only improving, but the company must also be able to maintain the stability of customer satisfaction levels to remain high. The function of customer satisfaction is very important in running a service and product business. By paying attention to customer satisfaction, entrepreneurs and business owners can find out about complaints and feedback from customers who receive services or products. From complaints and suggestions, the company can improve the

quality of customer service and products offered to compete and outperform competitors and in the end have customers to their side (Afriapollo, 2021).

Loyalty marketing is of strategic importance to the yoghurt industry especially given the nature of customers that are characterized by price sensitivity, having many brands to choose from and daily bombardment of adverts towards such market offering. Despite all these only a few handful of studies have been made in the Nigerian food and beverages sector. Many studies on the relationship between customer satisfaction and customer loyalty have been conducted in developed countries, (e.g. Karpen, Nurhayati, and Simanjutak, 2021; Bove, 2015; Reza,Sumarwan and Hatoyo 2019; Palmatier, 2018). It can be argued that only a handful is known about this relationship in developing countries, particularly the manufacturing sector which has been largely ignored by the scholars. Little attention has been given here in Nigeria as reported by Ludwig, Barnes, and Gouthier, (2017). Thus, it is important that the fundamental marketing strategy or strategies should focus on retaining customers by enhancing customer loyalty through providing products that exceed customers' expectations which lead to satisfaction and possible loyalty.

Additionally, it has been noted that most empirical studies available in the area of Customer loyalty to firms have focused on other sectors apart from manufacturing. Examples are Rina & Eka (2021) ,Iwan & Ni Wayan (2020), Asghar (2011) Pribanus & Muhammad(2019), Djumarno, Santrianimatina & Said (2018), Albert (2015) to mention a few.

Therefore, conducting this study is generally an important contribution to knowledge and will assist the government especially at this moment when they are trying to empower local yoghurt producers source milk locally from fresh milk and reduce dependence on imported powdered milk for production.

Hypotheses of the Study

The study formulated the below hypotheses to address the research questions:

H_{01}: Customer satisfaction has no significant effect on customer loyalty in yoghurt companies.

Scope of the Study

This study delves into examining the effect of customer satisfaction on customer loyalty within yoghurt companies situated

in Kaduna State, Nigeria. The selection of Kaduna State is substantiated by its notable concentration of yoghurt factories in the state, as documented by Mohammed and Aliyu in 2020. Precisely, the study focused on four major companies (Habib yoghurt, SAJ Foods limited, Basako Soft drinks and Jamil Yoghurt). These companies, duly registered and listed under Foods and Beverages Companies in Nigeria, hold certifications from regulatory bodies such as NAFDAC, MAN, and the Standard Organisation of Nigeria (SON). With a track record of several years in operation, their products are widely distributed across almost all states of the country.

2.0 Literature Review and Theoretical Framework

This section placed the study in the context of past researches. It critically reviewed and conceptualized the research undertaken on the variables that affect the loyalty of customers.

Concept of Customer Loyalty

The definition of loyalty has been given in many relevant literatures; however, there is no unified view to its definition. Bruhn, and Schnebelen (2013) indicates that loyalty is best measured by continued buying behavior. According to Schäfer, (2013), loyalty is about earning people's enthusiastic commitment to a relationship that will improve their lives over a long term. Hence, customer loyalty is about earning customers' trust and improves the enterprise' benefits. Bujisci, and Bilgihan, (2014) claim that customer loyalty shows a customer's positive attitude for the repeating buying behavior on certain product or service. Customer loyalty refers to the influences of quality, price, service and many relevant factors, these factors can create intensity feelings on certain product or service so that the product or service become preference. Hutchinson, Milos and Parsa (2014) believes that customer loyalty means the repeating purchase behavior based on personal preference of certain product or service.

Concept of Customer Satisfaction

As Xia and Monroe (2017) emphasized, "customer satisfaction is complicate to define." The concept of customer satisfaction was first introduced by Zhou Wu, and Zhang Xu (2012) where they indicated that customers' consumption behavior will not change to another product or service when their satisfaction is increasing. More specifically, satisfaction is the mentation of customers in order to judge if it is reasonable for the paid price

compared with the gained benefit. (Zhu Dholakia, Chen, & Algesheimer, 2012). Wetzel et al (2014) define customer satisfaction as a judgment for the difference between the quality of the product or service and customer's own expectation. According to this argument, customers will be satisfied if the quality of the product or service is above demands or expectation. On the other hand, if the quality of the product or service is below demands or expectation, customer will be dissatisfied. Customer satisfaction therefore is an expression of overall attitude created after the consumption behavior. It can reflect the dislike-ability or likability of the product or service.

Review of Related Studies

This section will review related empirical studies on customer satisfaction and customer loyalty.

Customer Satisfaction and Customer Loyalty

Lovelock & Wirtz (2011) argues that highly satisfied customers tend to be loyal supporters of the company and spread positive news. Dissatisfaction reverses the customer and becomes the deciding factor in switching behavior. Another explanation is also given by Mohsan, Nawaz, Khan, Shaukat and Aslam (2011), in Mohammad et al. (2018) that customer satisfaction influences brand loyalty. Also the results from the research of Ganiyu, (2017) indicate that customer satisfaction affects brand loyalty. Broadly speaking, customer satisfaction provides two main benefits for the company, namely in the form of loyalty and engage in positive word-of-mouth recommendation. Customer satisfaction and loyalty should be incorporated into the long-term goal of a business. Customer satisfaction is a key element for every organization wishing to increase customer loyalty and create a better business achievement (Masud, Haque, & Azam, 2018)

Djumarno, Anjani, and Djamaluddin, (2018) analyzed the effect of product quality and prices, as independent variables to customer satisfaction, as well as the impact of Customer satisfaction to customer loyalty of the Bali Ratih website in Jakarta. The sample used in this study are 125 respondents taken by simple random sampling technique. The tools of analysis was Structural Equation Modeling (SEM) by SPSS Amos program. The result Showed significant effect of product quality and prices to customer satisfaction. The result also showed a significant effect of customer satisfaction to customer loyalty.

The study of Erry, Ali and Angga (2017) investigated and analyzed in detail the influence of high quality products, service and trust to customer satisfaction and its impact on customer loyalty in PT ABC Tbk flexible packaging division. The primary data in this study was obtained or collected through questionnaires derived from direct respondents involved as consumer products totaling 39 subscriber companies scattered throughout Indonesia. Hypothesis testing in their study used partial least square analysis (PLS) with the help of software smart PLS 3. The results showed that Product Quality, Quality of Service and Trust does not have effect on Customer Satisfaction or Customer Loyalty but Customer Satisfaction Affect Customer Loyalty.

Also the study of Pribanus and Muhammad (2019) explored the effect of price fairness and product quality on satisfaction and loyalty. The research was conducted in the area of Bangkalan. The research question is that is there any influence between customer satisfactions to customer loyalty. This study used a survey and the target population of the study were customers who make the purchase more than twice of Madura Batik. Based on the results of the analysis, it was concluded that customer satisfaction is significant and has positive impact on customer loyalty.

Theoretical framework and Underpinning Theories

This study adopts Equity theory as the main underpinning theory. According to the Equity Theory (Adams 1963), satisfaction exists when consumers perceive their output/input ratio as being fair. Equity models are derived from the Equity Theory (Adams, 1963), and are based on the notion of input-output ratio, which plays a key role in satisfaction. According to this theory, parties to an exchange will feel equitably treated (thus, satisfied), if in their minds, the ratio of their outcomes to inputs is fair.

Research Model



The model in figure 2.1 represents the conceptual framework of the study. The independent variable is customer satisfaction predicting the dependent variable; customer loyalty.

3.0 Research Methodology

This section is about the methodology that was used to test the effect of customer satisfaction on customer loyalty in Yoghurt companies. Research methodology is the specific techniques used to identify, select, process, and analyse information about a research topic. In every research, methodology section allows the reader to critically appraise a study's general validity and reliability.

Research Design

The purpose of this research is to identify and analyse the relationship between variables so it is an explanatory research type which used survey to gather information from a pool of respondents. The approach used in this research is a quantitative approach. Ahmad, Wasim, Irfan, Gogoi, Srivastava, and Farheen, (2019) describes quantitative research as a form of research that relies on the methods of natural sciences, which produces numerical data and hard facts. It aims at establishing cause and effect relationship between two variables by using mathematical, computational and statistical methods. Also, the study utilised a cross-sectional research method also called one-shot research, defined as observational studies that analyse data from a population at a single point in time (Wang & Cheng, 2020)

Population of the Study

The population of a study refers to an entire group of people or objects of interest that a researcher intends to investigate using its subset commonly known as sample (Sekaran & Bougie, 2016). The population of the study consist of customers of SAJ Foods Limited, Habib Yoghurt Ltd, Jamil Yoghurt and Basako Soft Drink Ltd that are located and operating in Kaduna State. The study therefore used customers of the selected yoghurt companies as respondents of the study. This is because they are in better position to provide the study with the needed, available, and accurate information concerning the variables of customer satisfaction and customer loyalty. These companies have dominated the yoghurt market for many years and have their coverage in almost all the states of the federation with large customer base. The population is infinite due to high number of the walk in customers of the selected yoghurt firms which cannot be accurately counted.

Sample Size and Sampling Technique

The objective of the research is to draw inference from a population in order to make generalization on the target

population. Therefore, sample is always drawn from the population. A group of some elements selected from the totality of the population is known as the sample (Hair et al., 2020). When selected sample is studied, something is known and said about the whole population (Bryman & Bell, 2019). It is believed that whatever that is revealed about the sample will be true about the population as a whole (Creswell & Creswell, 2018).Some researchers argue that excessive, inadequate, or inappropriate sample size can influence the quality and accuracy of research work, and therefore selecting sample size should be the main tasks for organisational researchers (Bartlett et al., 2001). The sample size for this study was arrived at using Daniel (1999)'s formula which is stated thus:

$$SS = \frac{Z^2 \times (p) \times (1 - p)}{C2}$$

SS = Sample Size, Z = Z-value A (e.g., 1.96 for a 95 percent confidence level)

P = Percentage of population picking a choice, expressed as decimal.

C = Confidence interval, expressed as decimal (e.g., .04 = +/- 4 percentage points)

Therefore, since the customer of these companies cannot be defined expressly, it is infinite. So using Daniel (1999)'s formula, we have:

$$SS = \frac{1.96^2 \times (0.5) \times (1 - 0.5)}{(0.05)^2}$$

$$= \frac{3.8416 \times 0.5 \times 0.5}{0.0025}$$

$$= \frac{0.9604}{0.0025}$$

So, the sample size of the study is = 384.16

The sample size of the study is 384 customers. As the rule of thumb suggests that the appropriate number of the sample size of most research should be between 30-500 objects (Hill, 1998), a sample size of 384 is justifiable, suitable and accurate. However, due to the constant nature of low response rate in survey studies, Groves (2006) support the notion that a researcher needs to take all necessary measures to mitigate the non-response rate as much as possible. In this regard, Israel (2013) support between 10-30 percent increment on the sample size. Hence, in this study, the sample size was increased by 10 percent. Therefore 10 percent (38) was added to the sample size to make it 422.

In selecting study participants, systematic sampling was used. In systematic sampling,

the study selected the sample from the population by selecting a random starting point and selecting sample members after a fixed and specifically defined sampling interval. Respondents were selected systematically from each of the company's sales depots located in the state.

This study employed systematic sampling method because in systematic sampling method the researcher has the privilege of obtaining basic data and trends regarding the study without complications and it is prompt as customers walk in to these depots to make purchases. Also the risk of data contamination and Fsampling bias is low compared to other sampling techniques. Systematic sampling equally helps minimize biased samples and poor survey results. The researcher allocated 105 questionnaires to 3 of the companies and 107 to the fourth. Five depots was used for each firm and a total of 21 questionnaires administered in each of the selected depot. Systematically after the first respondent, two customers are not given and the fourth is given in that order.

Method of Data Collection and analysis

The study employed the use of primary tool to generate the relevant data used for this research. Primary data was collected through close ended questionnaire. Data were analysed using regression analysis.

4.0 Data Presentation and Analysis

The empirical result was analyzed using regression analysis.

4.1 Response rate

The data were collected from walk in customers of these Yoghurt companies in their various depots. In order to generate huge response rate, the researcher employed the use of research assistants in the data collection process.

Detail	Copies/rate
Questionnaire distributed	422
Questionnaire returned	408
Questionnaire not returned (difference)	14
Questionnaire returned but defective	6
Usable questionnaire	402
Response rate	0.967
Valid response rate	95.3%

From Table 4.1, the copies of questionnaire issued to the respondents were 422 representing 100%. However, only 408 copies were returned representing 96.7%. Out of these 6 copies were found to be defective. Therefore, the usable copies of the questionnaire for analysis were 402 representing 95.3%.

Test of Hypotheses

Regressions analysis was conducted for dependent and independent variables in order to carry out test for hypotheses formulated for this study. Simple linear Regressions were used to examine the effect of Customer satisfaction on customer loyalty.

Hypothesis

H_{01}: Customer satisfaction has no significant impact on customer loyalty in yoghurt companies.

Table 4.2: Simple Linear Regression Result (Anova) between Customer satisfaction and customer loyalty in yoghurt companies

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.145	1	3.174	34.573	.000[b]
	Residual	12.274	147	.086		
	Total	16.465	125			
a. Dependent Variable: Customer loyalty in yoghurt companies						
b. Predictors: (Constant), Customer satisfaction						

Table 4.2 above shows that the result contains the F statistic of the regression between Customer satisfaction and customer loyalty in yoghurt companies gives a coefficient of 34.573with significant p-value of 0.00 which depicts the fitness between the model and the data.

Table 4.3: Simple Linear Regression Result (Model summary) of Customer satisfaction on Customer loyalty in yoghurt companies

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.436[a]	.246	.232	.16985
a. Predictors: (Constant), Customer satisfaction				

From the table 4.3 above, the coefficient of correlation (r) is 0.436 which is indicating moderate correlation between the variables. The coefficient of determination r^2, stood at 0.246 indicating that Customer satisfaction can explain 23.2% of the variations in Customer loyalty in yoghurt companies. However, the significance of this is revealed in the t-values and its relative p-values.

Table 4.4: **Simple Linear Regression Result (Coefficients) of Customer satisfaction on Customer loyalty in yoghurt companies**

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.334	.236		20.324	.000
	Customer satisfaction	.354	.132	.352	4.633	.000
a. Dependent Variable: Customer loyalty in yoghurt companies						

Table 4.4 above shows that Customer satisfaction positively and significantly predicts Customer loyalty in yoghurt companies. Beta value of 0.354, and P value of 0.00 which is less than 5% level of significance. Therefore, we reject the null hypothesis (H_{01}) which stated that Customer satisfaction has no significant impact on customer loyalty in yoghurt companies.

Summary of Findings

In summary of findings, the study tabulates the direct relationship and its effect on the dependent variable. Below is the summary of findings

Table 4.5 Summary of findings

S/NO	Hypothesis Statement	Decision
H_{01}	Customer satisfaction does not significantly affect customer loyalty	Rejected

5.0 Conclusion and Recommendations

Conclusion

In conclusion Customer satisfaction was identified as a significant catalyst for customer loyalty. Satisfied customers tend to exhibit loyalty by making consistent purchases and recommending products to others. The aftereffect of customer satisfaction positively stimulates customer patronage, emphasizing its crucial role in fostering brand loyalty.

Recommendations

In light of our research findings, the study recommended that Yoghurt companies should foster customer loyalty by building strong, lasting relationships. They can focus on maintaining a reasonable price point while continually enhancing product quality to create contented customers. Establishing and nurturing these relationships contributes to long-term customer loyalty as customers get more satisfied with their offerings.

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