

**THE RELATIONSHIP BETWEEN CUSTOMER SATISFACTION AND CUSTOMER
LOYALTY IN THE JUICE INDUSTRY: THE CASE OF CERIO DEL MONTE KENYA
LIMITED**

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Abstract

Customer loyalty is a very complex process in most organizations and remains relevant amidst cut-throat competition that has become evidenced by the current turbulent business environment. However, the challenge is the fact that the interventions are so many and interrelated, making it difficult to identify their impact and effectiveness in isolation. The main objective of the study was to determine the relationship between customer satisfactions and customer loyalty in the juice industry the case of Del Monte Kenya Limited. The researcher used the descriptive research design. Convenient random sampling technique was used where sampled outlets were visited and questionnaires administered. Then the researcher analyzed data by use of qualitative and quantitative methods. Statistical methods by use of frequencies and percentages were used and data presented in tables and graphs. The results of this study provided an insight in the development of new products and maintaining customer loyalty among its brands. As regards the scope on customer loyalty, the expansive focus in demographics, the findings illustrated that customer loyalty was as well influenced by such dynamics as age, income, gender and educational level.

Key words:

Customer loyalty, Juice Industry, Customer satisfaction

1.0 Introduction

Customer loyalty in business, engineering and manufacturing has a pragmatic interpretation as the totality of feelings or attitudes that would incline a customer to consider the re-purchase of a service or brand or re-visit a particular company, shop or website. Customer loyalty has always been critical to business success and profitability. Customer loyalty is a perceptual, conditional and somewhat subjective attribute and may be understood differently by different people.

Numerous definitions and methodologies have been created to assist in managing the customer loyalty aspect of business operations. Engendering and enhancing customer loyalty is a core objective of loyalty marketing – a strategy employed by businesses in order to increase the loyalty of customers and other stakeholders in the drive to meet and exceed commercial objectives (Darrell *et al.*, 2003).

Customer loyalty has no specific meaning unless related to a specific function. In the manufacturing industry it is commonly stated that “customer loyalty drives productivity.” Improved productivity is a source of greater revenues, employment opportunities and technological advances. However, this has not been the case historically, and in the early 19th century it was recognized that it is not all the time that productivity will be driven by customer loyalty and thus there was more to customer loyalty than productivity.

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 (Darrell *et al.*, 2003). 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. Customer loyalty is one of the most important issues organizations face today. Creating loyal customers has become more important due to significant increase in competition and concentrated markets. Businesses are trying to attract and satisfy customers and to build long-term relationship through building loyalty among customers (Ndubisi, 1996). In the juice industry it is more important to determine factors affecting customer loyalty due to the stiff competition of their brands in the growing markets (Anderson *et al.*, 2010).

1.2 Statement of the problem

Customer loyalty studies are often considered key strategic type of research that should be done by any company to ensure a firm's competitive position. Many large companies closely track customer loyalty to catch potential issues before they spread. As competition in Kenya's juice sector becomes fierce, many companies are launching new products every month in a bid to attract customers from the Chief Executives to the small trader. In the recent past, many juice processing companies have been established. As players increase, things have changed and juice processing companies are providing what the customers want by taking a proactive approach innovating on their products to retain customers (Kibera, 1998). Having loyal customers has been identified as a strategic tool crucial to the economic success and survival of firms, a potential strategic weapon, a creative force, and new products are even capable of revitalizing the organization (Ndubisi, 2005).

The juice sector has traditionally been known for its tight multinational companies control and high entry barriers. In many developing countries like Kenya, however, the juice sector has changed from a fairly closed sector, with conservative operating companies to an extremely dynamic one. Inside these dynamically growing companies, customer retention is gradually acquiring status as a separate, identifiable activity. Due to the rapidly increasing level of competition there is a growing need for customer retention (Kibera, 1998).

Given the emerging rivalry with the multinationals, Del Monte market share as leader in the fruit juice manufacturing is to at stake. Customer loyalty is a very complex process in most organizations and remains relevant amidst cut-throat competition that has become evidenced by the current turbulent business environment. Moreover, as is widely recognized that customer loyalty is critical to the success for any organization (Shepher and Ahmed, 2000), managers and other decision makers must ensure that there is a link between customer retention and the overall organization performance.

Del Monte's ability to survive in turbulent market depends on the customer retention capability and loyalty. Whereas there are numerous factors that affect customer loyalty, it is not clear how each of these affect this industry, so as to access how customer retention plays a role in enhancing organization's market share through customer acquisition, satisfaction and retention which Del Monte is a representative case. What strengths in customer loyalty does Del Monte employ to ensure it retains leadership in fruit juice manufacturing industry?

1.3 Objectives

The general objective was to evaluate the relationship between customer satisfaction and customer loyalty in the juice industry focusing primarily on Del Monte Kenya Limited.

1.3.1 Specific Objective

To determine the relationship between customer satisfaction and customer loyalty in the juice industry.

1.4 Research Question

What is the relationship between customer satisfaction and customer loyalty in the juice industry?

1.5 Significance the Study

Whereas there are numerous empirical and theoretic expositions on customer loyalty, the literature is not clear on how the various customer loyalty factors affect the juice industry. Although significant empirical effort has focused on the service and manufacturing industries, none has focused on the juice industry particularly in Kenya. This study fills this empirical gap.

2.0 Literature Review

The chapter contains literature material to appreciate what other researchers have contributed towards this field and access what possibly need be researched and to understand what other writers have written on the factors affecting customer loyalty. Many studies have been made by different authors on customer satisfaction, price, competition, packaging, and quality which seems to be critical issue yet looked as if of less important. The literature provided background information necessary for this article.

2.1 Theoretical and Conceptual Framework

The need for customer loyalty in business has been recognized by many scholars. Customer loyalty is one of the most frequently discussed subjects in the marketing and service literature (Darrell *et al.*, 2003). There is a plethora of definitions of loyalty and/or customer loyalty in the extant literature. Customer loyalty is customer repeating purchase intention to some specific products or services in the future (Darrell *et al.*, 2003). It is making customers feel committed: When the benefits are meaningful to them, they will stay on (Baker *et al.*, 2007). Loyalty is used to describe the willingness of a customer to continue patronizing a firm's goods and services over a long period of time and on a repeated and preferably exclusive basis, and voluntarily recommending the firm's products to friends and associates (Ndubisi, 2005). Customer loyalty is the result of an organization's creating a benefit for customers so that they will maintain and increasingly repeat business with the organization (Anderson and Jacobsen, 2000).

Customer satisfaction, a business term, is a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business and is part of the four perspectives of a Balanced Scorecard- Recent management philosophy has shown an increasing realization of the importance of customer focus and customer

satisfaction in any business. These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good (Ndubisi, 2005).

Customer satisfaction is the most important factor that affects customer loyalty (Anderson *et al.*, 2000). It is an important theoretical as well as practical issue for most marketers and consumer researchers (Anderson *et al.*, 2000). If customer is satisfied he/she buys the product again and again. It is one of the very important factors that affect customers. Satisfaction is an element which fulfills the need of the customer associated with that product: e.g. Lux soap is positioned as beauty care product thus can only satisfy the customer if it enhances fairness of the skin of a user. Unsatisfied customers tend to convey their negative impression to other consumers.

Consequently customer dissatisfaction leads to decrease in loyalty. This implies that customer satisfaction and customer loyalty are highly related (Anderson *et al.*, 2000). Trustworthiness determines reliability of the product to meet customer expectations; thus becomes important antecedent of customer loyalty (Reichheld *et al.*, 2000). Trustworthiness is the degree of confidence the customer has in exchange options (Anderson *et al.*, 2000). Trustworthiness means the ability of the product to deliver the core benefits to the customer. Customer attracts towards the product due to their trustworthiness on its features. For example Neutrogena soap is for acne treatment and hand n shoulder shampoo is for dandruff; customers can only be loyal to these products if they will deliver these benefits to their users. Nature of relationship between customer and the product determines customer loyalty. It has been identified that good customer relationship leads to customer loyalty (Anderson *et al.*, 2000). Thus good relationship bond between the customer and the product can guarantee customer loyalty for the product.

Conceptual Framework



2.3 Critique of the Existing Literature Relevant to the Study

Customer satisfaction, a business term, is a measure of how products and services supplied by a company meet or surpass customer expectation. The researchers in the study did not indicate the effects of the customer satisfaction on the customer loyalty in relation to the manufacturing industry. This research study will seek to analyze the effects of the customer satisfaction on the customer loyalty in the juice industry..

3.0 Research Methodology

A descriptive study design was used to collect quantitative and qualitative data. . The reason for using this design is because it deals with the aggregate of all responses using descriptive statistics such as, percentages, frequency distribution through self-administered questionnaires.

Convenient random sampling technique was used where sampled outlets were visited and questionnaires administered because it saved on time, resources and also due to the fact that the research took place in some convenient places. The total population of Del Monte customers includes all consumers of Del Monte juice products derived from the retail and wholesale outlets. The study made the assumption that because of the large size of the population of the customers, the proportion of satisfied customers (p) is equal to that of the dissatisfied ones ($1-p$). Using normal distribution, a confidence interval of 95% and an error of 6.73%, the sample size was obtained as follows:

$$= \frac{(1 -)}{(0.0673)} = \frac{1.96 * 0.5(1 - 0.5)}{(0.0673)} = 212$$

In this study, the primary data collection method utilized was questionnaires. Questionnaires are one of the most efficient ways to collect data (Cooper and Schindler, 2006). The questionnaires were designed based on the research questions having open-ended and closed-ended questions. With the open-ended questions, the respondent provided their own independent answers to the questions. For the closed-ended questions, a five-point Likert-type scale and YES/ NO options were used. The closed-ended questions provide a greater uniformity of responses and are more easily processed than open ended ones (Kotler, 2000). Data was analyzed using statistical methods by use of frequencies and percentages.

4.0 Results and Discussions

4.1 Influence of Customer Satisfaction on Customer Loyalty

On attractiveness of the products features, 11.0% strongly disagreed, 14.8% disagreed that the products features were attractive, 12.3% of the respondents were not sure, 30.3% agreed that indeed the product features were attractive and 31% strongly agreed.

On Del Monte products meeting customers' needs from the table, 4.5% strongly disagreed, 15.5% disagreed that the products met their needs, 7.7% of the respondents were not sure, 52.9% agreed that the products met their needs and 19.4% strongly agreed.

With respect to whether the customer could refer another person to consume Del Monte products, 3.2% of the respondents strongly disagreed, 11.0% disagreed that they could refer anyone else to consume the products, 6.5% were not sure, 53.5% agreed that they could refer others and 25.8% strongly agreed.

On whether Del Monte's customer services influenced them to buy the products, 7.1% strongly disagreed, 21.3% disagreed, 4.5% were not sure, 49.0% agreed and 18.1% strongly agreed that Del Monte's customer services influenced them to buy the products as illustrated on Table 4.1

From the findings it indicates that the majority of respondents agreed that the features of the products were attractive and this shows they were satisfied. This implies that Del Monte has managed to hold onto customers partly because of the features they have infused in the products and their delivery and majority of respondents rated products meeting their needs highly. Most of the respondents agreed also that customer services influenced their purchase of the products.

To establish the general satisfaction levels of customers, the results in Table 4.2 were computed as shown in table 4.2.

As shown in table 4.2, at least half 50% of the respondents were satisfied with Del Monte products while 23.2% of them were very satisfied. 7.1% of the respondents were neutral. On the other hand, 14.2% were dissatisfied with the products while 5.8% were very dissatisfied. This indicates that customers at Del Monte were mostly satisfied with the products and were therefore likely to stay loyal to the organization and the various brands offered to them.

The study sought to establish the relationship between customer satisfaction and customer loyalty at Del Monte. To address this objective, a cross-tabulation was done between customer satisfaction levels across customer loyalty which was measured by the length of consumption and switching to another brand. Table 4.3 shows the length of consumption across customer satisfaction levels.

As shown in Table 4.3, customer satisfaction levels have an effect on customer loyalty based on the length of consumption. The table shows that the longer the period the Del Monte customers used its products, the more satisfied they were. This is a strong indicator that customer satisfaction levels have an effect on their loyalty. The more satisfied customers are with the products, the more loyal they are to the organization by buying its products over long periods of time.

As revealed by Anderson *et al.* (2000), if customer is satisfied he/she buys the product again and again. It is one of the very important factors that affect customers. Satisfaction is an element which fulfills the need of the customer associated with that product: e.g. Lux soap is positioned as beauty care product thus can only satisfy the customer if it enhances fairness of the skin of a user. Unsatisfied customers tend to convey their negative impression to other consumers. Consequently customer dissatisfaction leads to decrease in loyalty. This implies that customer satisfaction and customer loyalty are highly related (Anderson *et al.*, 2000).

A cross-tabulation was done between customer satisfaction levels across customer loyalty which was measured by the customer switching to another brand. Table 4.4 shows the customers' tendencies to switch to another brand across satisfaction levels.

As shown in Table 4.4, customer satisfaction had an effect on customers' tendencies to switch to another brand. The table reveals that satisfied customers switched to another brand less frequently than those who were dissatisfied. This therefore means that customer satisfaction had an effect on customer loyalty with regards to switching to another brand. This finding is in line with a previous study conducted by Anderson *et al.*, (2000) which established that there exists a direct connection

between satisfaction and loyalty: satisfied customers become loyal and dissatisfied customers move to another.

Similar to these findings, a study conducted by Kibera, (1998) established that long-time, satisfied customers are likely to provide free, word of mouth advertising referrals. Long-time customers are likely to purchase additional products or services. It therefore emerges that satisfied customers will be loyal customers.

5.0 Conclusion and Recommendations

5.1 Conclusion

Customer satisfaction was concluded to be very critical to manage increment in sales volume of the organization and influence on customer loyalty. The study concluded that it's through good employee satisfaction that the products of the manufacturing company can get the favor of the market and increase the productivity, as most customers are more informed and they are looking for the value in the products that leads to their satisfaction and hence loyalty to purchase the same brands. Just like in other sectors, the study concluded that indeed customer satisfaction played an important role in customer loyalty.

5.2 Recommendations

The study recommends that organization should carry out a good market research to ensure they understand the customer needs and know if they are well satisfied. The study recommends that organization should follow on each sold products to know the level of customer satisfaction of the products sold. Del Monte Kenya Limited and other juice companies should come up with a system to ensure they know the new customer preferences in the market thus making and molding the products according to the customer preferences. The customer needs and rights should be known to the organisation into details to ensure loyalty.

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APPENDIX: Tables

Table 4.1 Influence of Customer Satisfaction on Customer Loyalty

INDICATOR	SD	%	D	%	NS	%	A	%	SA	%	Total	%
	(F)		(F)		(F)		(F)		(F)		(F)	
Attractiveness	18	11.6	23	14.8	19	12.3	47	30.3	48	31.0	155	100
Fulfillment	7	4.5	24	15.5	12	7.7	82	52.9	30	19.4	155	100
Reference	5	3.2	17	11.0	10	6.5	83	53.5	40	25.8	155	100
Switching	5	3.2	13	8.4	6	3.9	95	61.3	36	23.2	155	100
Service	11	7.1	33	21.3	7	4.5	78	49.0	28	18.1	155	100

Note: SD- Strongly Disagree; D-Disagree; NS-Not Sure; A-Agree; SA-Strongly Agree; F-Frequency

Table 4.2: Overall satisfaction levels of customers with Del Monte products

Response	Frequency	Percentage
Very dissatisfied	9	5.8
Dissatisfied	22	14.2
Neutral	11	7.1
Satisfied	77	50.0
Very satisfied	36	23.2
Total	155	100.0

Table 4.3: Length of consumption across customer satisfaction levels

Length of consumption	Customer satisfaction levels					Very satisfied	Total
	Very Dissatisfied	Dissatisfied	Neutral	Satisfied			
Less than 1 year	0	1	1	12	2	16	
1 – 5 years	2	3	5	15	12	37	
5 – 10 years	3	3	8	20	13	47	
Above 10 years	4	4	8	30	9	55	
Total	9	11	22	77	36	155	

Table 4.4: Switching to another brand across customer satisfaction levels

Switching to another brand	Customer satisfaction levels					Very satisfied	Total
	Very Dissatisfied	Dissatisfied	Neutral	Satisfied			
Yes	1	3	5	21	10	40	
No	8	8	17	56	26	115	
Total	9	11	22	77	36	155	