

**THE EFFECT OF ORGANIZATIONAL  
COMMUNICATION ON EMPLOYEES'  
PERFORMANCE: THE CASE OF STAR SOAP AND  
DETERGENT INDUSTRIES PLC.**

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**FACTORS AFFECT CUSTOMER LOYALTY  
THE CASE OF OROMIA INTERNATIONAL BANK**

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## **Abstract**

*The main aim of this study is to investigate the factors that affect customer loyalty in the case of Oromia Bank. To achieve the objective descriptive and explanatory survey designs were used; the target population of the study was all customers of Oromia Bank, the sampling techniques is probability sampling specifically simple random sampling were used. The data collection tools are questioners and document analysis. The adviser and expert review confirmed the validity of the research instruments, while the tools' reliability was based on Cronbach's alpha. Data was analyzed through descriptive, inferential statistical, regression and correlations. The study's major findings show that trust, commitment, customer satisfaction, brand image, and customer service were factors affecting customer loyalty at Oromia Bank. Also, the study found there was a statistically significant and positive relationship between trust, customer satisfaction, brand image customer service, and customer loyalty at Oromia Bank. Finally, the study recommends that Bank be supposed to provide service at the time it promises to do, increase confidence in the service, promote honest customer, provide safe services, committed to providing service to customers according to the specifications and quality required, dedicated to offers personalized service to meet customers need, devoted to solve problems facing customers as soon as possible without any delay. Finally Bank management advised to prioritize ensuring service offered by the company matches with customer expectations, as customers are satisfied with the service the more and build a good brand image, they tend to become loyal customers.*

**Keywords:***Loyalty, satisfaction, Trust, service, commitment and brand image*

## Introduction

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. Loyalty is a complex concept, difficult to define clearly. In the colloquial meaning, it means attachment dedication commitment (Andrew&Yap, 2013). According to former studies, Customer retention can cost as much as 6 times more to win a new customer than it does to keep an existing one and depending on the particular industry, it is possible to increase profit by up to 60% after reducing potential migration by 5%. Hence, we can see that the increase and retention of loyal customers has become a key factor for long-term success of the companies. (Rosenberg, 2016).

Acquiring new customers can cost 5 to 10 times more than the costs involved in satisfying and retaining customers, the average company loses between 10 and 30 percent of its consumers each year, a 5 percent discounting the consumers defect rate can increase 2 profits by 25 to 85 percent, depending on the industry, the customer profit rate tends to increase over a life of the retained customer (Kotler, 2003). According to Gilmore (2013), in dynamic environment, organizations need to focus on retaining existing customers through effective marketing relationship. Such environments have enhanced customer awareness which leads to great transformation from traditional product-oriented strategy to customer-oriented strategy in accordance with the basic principle of relational marketing that focus on customer loyalty.

Customers use money in order to purchase products to meet their expectations. Therefore, companies should determine their pricing in relation to the quality of the product that attracts the customer and will serve to maintain a long-term affiliation (Khadka & Maharjan, 2017).

Concerning customer loyalty numerous studies have been done for instance: Danish (2015) studied the Factors affecting customer retention in Telecom sector in Pakistan, Further Lai, (2009)determinants of Customer Loyalty in Mobile Telecommunication Industry in Bangladesh; Global Journal of Management and Business Research (2017) conducts a study on How quality, value, image, and satisfaction create loyalty at a Chinese telecom; Ogbojafor (2014) Studied determinants of customer satisfaction and loyalty in the Nigerian Telecommunications Industry Recent developments in the Nigerian telecommunications industry indicate that the operators engage in several marketing activities to ensure that their subscribers are satisfied and brand

loyal(Oghojafor, et al. 2014). Advance Yisak (2016) the effect of service quality on customer satisfaction at Ethio-telecom; supplementary Daniel (2015) tries to identify what are the factors that makes customer of Ethio Telecom cellular phone users dissatisfied for a better understanding of the relationship that exists between customer and service delivery (Yisak, 2016).

There is a lack of comprehensive research specifically focusing on the factors influencing customer loyalty within the context of Oromia Bank. While there have been numerous studies conducted on customer loyalty in the banking sector in Ethiopia, they usually lack in-depth investigation into the specific factors affecting loyalty in this particular bank. As researcher searching ability no rigorous academic and empirical research has been conducted to understand the nature and depth of the problems, moreover, the theoretical discourses in the general literature and the national efforts made by the academicians, researchers and development partners they also emphasize on the effect of service quality on customer satisfaction and slight on bank sectors, giving little focus to the factors affecting customers loyalty, There for realizing this, the study intended to fill the gap by considering the variables like trust, commitment, customer satisfaction, brand image and customers service effect on customer loyalty the case of Oromia Bank. This study aimed to determine factors affect customer loyalty in the Oromia Bank.

### **Objectives of the study**

#### **General objective of the study**

- ❖ The study's main objective is to investigate the critical determinants of customer loyalty in the Oromia Bank Finfine branches.

#### **Research hypotheses**

H1:there is a significant relationship between trustand customer loyalty in the Oromia Bank.

H2:there is a significant relationship between commitment and customer loyalty Oromia Bank.

H3:there is a significant relationship between satisfaction and customer loyalty Oromia Bank.

H4:there is a significant relationship between brand image and customer loyalty Oromia Bank.

H5:there is a significant relationship between customer service and customer loyalty Oromia

#### **Materials and methods**

The study used descriptive and explanatory research design, the descriptive method is of special importance for this particular study to assess several factors and portray how they affect the customer loyalty. The purpose of explanatory research is to increase the understanding of a

researcher on a certain subject and to examine the relationship between independent variables and dependent variables and to determine the effects of each factor on customer loyalty. The target population of the research was customers of the Oromia Bank Finfine branch who have bank accounts, to select sample respondents from the entire population, probability sampling specifically simple random sampling technique was used meanwhile it ensures the presence of the important subgroup within the sample, helped to generalize data gained from sample respondents, and avoided errors that could arise from sampling.

Sample size should be optimal in which it accomplishes the requirement of efficiency, representativeness, reliability, and flexibility (Kothari, 2004). The number depends on the accuracy needed, the population size, population heterogeneity, and the resources available. Consequently, the sample size must be determined by using a statistical formulas, different authors use different formulas to determine the sample size of the study, the sample size of the study were 323 respondents. The study used primary and secondary sources of data, primary data was collected by using questionnaires, and secondary sources of data were books, publications and the internet which involves; looking into already done materials, and document analyses from numerous published and unpublished documents.

The validity of instruments was pre-tested by potential experts and advisors. The reliability of the instrument was measured using Cronbach's alpha test. The internal consistency reliability results in the study were 0.91 that is confidential under excellent classes. Analysis of data was completed in order to answer the research questions of the study. Data collected was sorted, classified and coded then tabularized for comfort of examination. The data was summarized and categorized according to mutual themes to analyze the data, different kinds of statistical approaches including descriptive statistics and inferential statistics (correlation and multiple linear regression), were used. Furthermore, descriptive is applied for percentage, standard deviation, and mean value were calculated using SPSS version (23).

### **Model specification**

According to Gujarati (1995); "Multiple linear regression method is used to study the relation between the independent variables and dependent variable. He defines a regression function as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + u_i$$

Where Y is growth of customer loyalty,  $B_n$  is the coefficient of independent variables,  $X_1 = \text{Image}$ ,  $X_2 = \text{Commitment}$ ,  $X_3 = \text{Customer service}$ ,  $X_4 = \text{satisfaction}$  and  $X_5 = \text{Trust}$ .  $U_i$  is error term.

## Results and Discussions

Questionnaires were organized and disseminated to the respondents and from these, 15 respondents did not return back the questionnaire. Due to this reason, 308 (95.35%) of the distributed questioners are collected. According to Mugenda and Mugenda (2003), a response rate of 70% and over is excellent. The find of the background of respondents indicated that the majority of the respondents are female with a total of 56.5% while the remaining 43.5% were male. Concerning to marital status of the respondents 67.3% were married, with mention to age most of them in the age range of 31-40 years at 29.2% and the majority of the respondent sample group were diploma holders which representing 39.3% from the total participant, in addition, majority of respondents have a source of income is with the range of 2,000 –4,999 (30.5%).

## Descriptive Statistics

Table 1: Image and commitment factors effect on customer Loyalty.

No	Image Factors	No	Mean	Stand. Deviation
1	The bank is widely known among customers	308	3.76	1.02
2	The bank offers fast and reliable service	308	3.58	1.06
3	The bank has a good reputation	308	3.37	1.43
4	Bank is well-liked by society.	308	3.09	1.20
<b>Commitment factor</b>				
1.	Bank offers personalized services to meet customers' needs.	308	4.20	1.19
2.	The bank is flexible when its services are changed.	308	3.55	1.09
3.	The bank respects customer needs.	308	3.12	1.29
4.	The bank contacts customers to verify that they are satisfied.	308	2.94	1.28

Source; own survey 2024

Permitting to the findings in table 1 The bank is widely known among customers, the bank offers fast and reliable service, the bank has a good reputation and Bank is well-liked by society at the

grand mean score of 3.76, 3.58, 3.37 and 3.09 respectively. This implies that the image factors influence the customer loyalty to a great extent. This finding is supported by the finding of Nguyen & Leblanc (2001) that shows that positive business image promotes customer trust, satisfaction, and loyalty.

The additional factor is commitment factors; bank offers personalized services to meet customers' needs, the bank is flexible when its services are changed, the bank respects customer needs and the bank contacts customers to verify that they are satisfied at grand mean score of 4.20, 3.55, 3.12 and 2.94 correspondingly. It indicates that commitment factors affect the customer loyalty. The finding is confirmed with the finding of Morgan and Hunt (1994) established the Commitment-Trust Theory, which claims that commitment and trust are crucial mediation variables in the establishment of trustworthy relationships.

**Table 2: Customer Service, Satisfaction and Trust factors on customer loyalty**

No	Customer Service Factor	No	Mean	Stand. Devotion
1	My complaints are resolved on time.	308	3.65	1.37
2	The bank provides the immediate solution.	308	3.45	1.48
3	My complaints are taken seriously	308	3.51	1.48
4	Bank services work perfectly without system interruption	308	3.71	1.27
<b>Trust Factor</b>				
1.	The bank promises are reliable	308	2.89	1.04
2.	The bank fulfills its obligation to customers	308	2.91	1.17
3.	The bank has confidence in who delivers the services	308	3.33	1.18
4.	The bank has an accurate record of the customer	308	3.48	1.09
<b>Satisfaction Factor</b>				
1.	I am satisfied with the way service is provided	308	2.89	.97
2.	I am satisfied with the way workers treat customers.	308	3.12	1.02
3.	I am satisfied with the service charge of bank	308	3.32	1.05
4.	I am satisfied with the time I spend waiting for a service.	308	3.61	1.27

Source: Own survey 2024



As per Table 2, the customer service factor my complaints are resolved on time, the bank provides the immediate solution, my complaints are taken seriously and bank services work perfectly without system interruption at the grand mean score of 3.65, 3.45, 3.51 and 3.71 respectively. This indicates that customer service factors affect customer loyalty.

Further factor is Trust Factor those are The bank promises are reliable, The bank fulfills its obligation to customers, The bank has confidence in who delivers the services and The bank has an accurate record of the customer at the mean score of 2.89, 2.91, 3.33 and 3.48 correspondingly. From the finding of the study it's safe to conclude trust factors affect customer loyalty in the study area.

Finally satisfaction factor I am satisfied with the way service is provided, I am satisfied with the way workers treat customers, I am satisfied with the service charge of bank and I am satisfied with the time I spend waiting for a service. At grand mean score of 2.89, 3.12, 3.32 and 3.61. This finding is support by the finding of Reichheld and Sasser (1990), a rise in customer satisfaction increases customer loyalty and profitability significantly.

### Correlation analysis

In this part of the analysis bivariate Pearson correlation coefficient has been used to examine the relationship between the dependent and independent variable. According to Wajahat (2010), before the start of regression analysis, it is important to check the correlation test between dependent and independent variables. The Pearson correlation scale ranges from -1 to 1, any value greater than zero indicates a positive direct relationship between the two variables, which implies that every increase in the independent variable will lead to an increase in the dependent variable, while any value less than zero indicate a negative indirect relationship between two variables, this means that every increase in the independent variable will lead to the decrease on the dependent variable.

**Table 3: Correlations analysis of variable**

		Correlations					
		Customer Loyalty	Image	Commitment	Customer service	satisfaction	Trust
Customer Loyalty	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	308					

Image	Pearson Correlation	.575**	1				
	Sig. (2-tailed)	.000					
	N	308	308				
Commitment	Pearson Correlation	.583**	.665**	1			
	Sig. (2-tailed)	.000	.000				
	N	308	308	308			
Customer service	Pearson Correlation	.565**	.324**	.211**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	308	308	308	308		
satisfaction	Pearson Correlation	.526**	.222**	.385**	.561**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	308	308	308	308	308	
Trust	Pearson Correlation	.547**	.347**	.342**	.634**	.447**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	308	308	308	308	308	308
**. Correlation is significant at the 0.01 level (2-tailed).							
Source: own survey 2024							

Correlation is an effect size and so we can in words describe the strength of the correlation using the guide that suggests for the absolute value of r: from the above Table 3 result, it can be perceived that the commitment factor is the most correlated variable with the customer loyalty (with the R-value of 0.583) and it was followed by image factor (with the R-value of 0.575), Customer service factor (with the R-value of 0.565), trust factor (with the R-value of 0.547) and finally satisfaction factor (with the R-value of 0.526) respectively. From this analysis, it can be noted that commitment, image, customer service, trust factor and satisfaction factors have a significant and positive relationship with the customer loyalty. Therefore, they have a positively correlated and strong association with each other.

### **Coefficient of Determination**

Through correlation analysis, it is identified that there is a significant relationship and positive relationship between the independent and dependent variables. To what extent the variance in the customer loyalty will be explained by the commitment, image, customer service, trust factor and satisfaction factors are discussed here.

**Table 4: Coefficient of determination result**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.792a	.627	.621	.28949

According to table 4, the independent variables that were studied explain 62.1% of the customer loyalty as presented by the Adjusted R Square. It implies that independent variables contribute to about 62.1% to the customer loyalty while the other factors not studied in this research contribute 27.9 % to the customer loyalty hence there is an essential to extra study the further factors.

### Multiple Regression Analysis

Multiple regressions is most commonly used to predict values of a criterion variable based on linear associations with predictor variables, analysis was done to determine several factors that affect customer loyalty.

**Table 5: Multiple Regression Analysis**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	1.026	.120		8.567	.000
	Image	.082	.041	.109	1.996	.047
	Commitment	.168	.038	.230	4.430	.000
	Customer service	.168	.025	.299	6.615	.000
	satisfaction	.132	.035	.174	3.780	.000
	Trust	.211	.035	.281	5.988	.000
Dependent variable: customer loyalty.						

Permitting to table 5, commitment, image, customer service, trust factor, and satisfaction factors constant at zero, customer loyalty comprehended would be 1.026. The findings studied also show that taking all other independent variables at zero. A unit increase in image factor at beta value .082, which implies that a 1% increase in image factor unit will cause an 8.2% increase in customer loyalty. Commitment factor at the beta value of .168, which implies that a 1% increase in commitment factor unit will cause a 16.8% increase in customer loyalty. Customer service factor at the beta value of .168, which implies that a 1% increase in Customer service factor unit will cause a 16.8% increase in customer loyalty. Satisfaction factor at the beta value of .132, which implies that a 1% increase in satisfaction factor unit will cause a 13.2% increase in customer loyalty. To conclude trust factors at a beta value of .211 which infers that a 1% increase in trust factors unit will cause a 22.1% increase in customer loyalty; the statically significance

level of this variable is 0.000; this is at 95 percent confidence interval.as SPSS generated table above equation

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + u_i$$

$$Y = 1.026 + .082 + .168 + .168 + .132 + .211$$

### Summary of hypothesis

Hypothesis	Findings
H1:there is a significant relationship between trust and customer loyalty	0.211P<0.05 Accepted
H2:there is a significant relationship between commitment and customer loyalty	0.168P<0.05 Accepted
H3:there is a significant relationship between satisfaction and customer loyalty	0.132P<0.05 Accepted
H4:there is a significant relationship between brand image and customer loyalty	0.082P<0.05 Accepted
H5:there is a significant relationship between customer service and customer loyalty	0.168P<0.05 Accepted

### Conclusion

The study has attempted to identify the factors affecting customer loyalty at OromiaBank, the correlation analysis result shows the relationship between commitment, trust, customer satisfaction, image, customer service,and customer loyalty was strong and positive. The conclusion of regression analysis observed that commitment, trust, customer satisfaction, image, and customer servicevariables have a significant positive effect on customer loyalty. The study concluded that trust has a significant effect on customer loyalty leading to a positive impact on information sharing and increased purchase intentions. The study revealed that creating trust in the customer mind set is important for Bank to increase its customer loyalty and trust prompts brand loyalty and commitment because trust creates exchange relationships that are highly valued.

Commitment has positive and insignificant influence in determining customer loyalty at Bank this implies that commitment is important determinant customer loyalty the strength of marketing relationships and useful construct for measuring the likelihood of customer loyalty

and predicting future purchase frequency and increased customer loyalty is often improved through long-term relationships.

Customer satisfaction has positive and significant relationship between customer loyalties its reveal that increasing customer satisfaction makes customer loyal. Customer satisfaction is the result of purchase expectation and post purchase experience comparison with incurred cost. Brand Image has a positive and significant influence in determining customer loyalty at Oromia Bank this implies that loyalty is determined by the strength of the relationship between relative attitude and repeat patronage and that has both attitudinal and behavioral elements. Finally, customer service has a positive and significant influence on customer loyalty.

The primary indispensable factor that influences customer loyalty is trust. Therefore, the management of Oromia Bank advised to center of attention on trust. Oromia Bank is supposed to provide its service at the time it promises to do so, increase confidence in the Bank service, promote honest customer, provide safe services, and the Bank policies and practiced activities worthy of mutual trust and respect toward customers.

Based on the result of this study commitment is an insignificant factor that influences customer loyalty to Bank, which that means from the study customers appreciate the commitment of Oromia Bank beyond this, the management in Bank should work on the commitment of customers. The other essential factor that influences customer loyalty is customer satisfaction. Therefore, management in Bank advised to focus on customer satisfaction. Management should ensure service offered by Bank must matches or exceeds customer expectation, as customers are satisfied with the service the more, they tend to become loyal customer.

Increased customer loyalty is often improved through long-term relationships. The idea is that the better the relationship with customers, the longer the satisfaction 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. The other recommendation is loyal customers is the main source of income for Bank. Today Bank has series issue on foreign currency so Oromia Bank managers should retain importers to overcome this series issue

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