

Relationship Between Communication and Customer Loyalty in The Small and Medium Enterprises Sector

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Abstract

This paper examined the influence of communication on customer loyalty in SMEs in Tanzania. The study used relationship marketing theory and behaviourist theory to determine the influence of communication on customer loyalty in SMEs in Tanzania. Customers from bars, hair salons, and kiosks in Dodoma Urban City participated in the survey because these SMEs are important for the development of the economy of Tanzania. Convenience sampling was used to obtain the sample size of 288 respondents. The study data was obtained from customers using questionnaires. The questionnaires were self-administered to customers of bars, hair salons, and kiosks to gather data. Regression analysis was employed to test the study hypotheses. The findings showed that communication significantly influenced customer loyalty. The study therefore concludes that the application of communication improves customer loyalty in SMEs in Tanzania. The study recommends that SME owners should improve their communication skills to better communicate with their customers.

Keywords: Customer loyalty, Communication, SMEs

1.0 INTRODUCTION

Small and Medium-sized Enterprises (SMEs) are vital for the economic development of countries (Gamba, 2019). For example, in the United States of America, Germany and South Africa SMEs contribute 65%, 52% and 57% of the GDP respectively (Gamba, 2019). Although SMEs are important for economic development, research carried out by California Bank Trust (2018) on 2000 SMEs globally showed SMEs struggle to do business due to poor customer loyalty problems.

Customer loyalty has been proven to play an important role in the long-term success of SMEs (Handriana, 2016; Hoque, Awang & Salam, 2017). Customer

loyalty is important for maintaining the market share (Kyurova & Davidkova, 2020). In addition, loyalty is an important marketing tool that SMEs use to influence their customers (Kyurova&Davidkova, 2020). Furthermore, the task of SMEs is to make their customers loyal to achieve a sustainable competitive advantage (Kyurova & Davidkova, 2020). Thus, the adoption of communication is essential for improving customer loyalty in the SME sector.

Communication refers to the quantity, frequency, and quality of shared information (Palmatier, Dant & Grewal, 2006). Van Staden, Marx and Erasmus, (2002) defined communication as a two-way process whereby information is sent from one person through a channel to another person who in turn reacts by providing feedback. However, there has been a growing body of literature concerning the impact of communication on customer loyalty in countries like Pakistan, Vietnam, Ethiopia, Kuwait, Kenya, and Indonesia (Niko, Askarina, Khalafi, & Joyami, 2015; Putit & Abdullah, 2019; Andayani & Rosdiyatma, 2023). In addition, various recent studies in these countries on the impact of communication on customer loyalty have been carried out in different business sectors such as banking, telecommunication, and cosmetic sectors (Wende, 2019; Dimiyati, Muhaimin, Firdaus & Permana, 2020; Gupta, 2022). Further, attention has to be given to the SMEs sector so as to be able to draw the possible variables, which explain the link between communication and customer loyalty in SMEs and Tanzania.

Tanzania business sectors are facing customer loyalty problems from tough competition in the market, but very limited studies have tried to understand the relationship concept in the hotel subsector, telecommunication subsector, and higher education institutions (Ngalesoni, 2017; Macheneneet al., 2019; Matonya & Paul, 2023). Those that have attempted studies have not exactly done so in the SMEs sector. There are estimated to be more than 3 million SMEs in Tanzania, employing more than 5.2 million people, and contributing more than 33 percent of GDP (Gamba, 2019). As the Tanzania economy has been growing, the higher the competition is, hence the more power customers have in the buying process (Abraham, 2019). To be able to do business sustainably and grow, SMEs need to take their customers seriously. Thus, SMEs must formulate strategies that can develop customer loyalty by adopting communication as a marketing strategy.

Hence, it becomes important to examine the relationship between communication and customer loyalty in SMEs. The findings of this study could reveal whether communication is the sole significant factor in influencing customer loyalty, or whether customer loyalty is better explained by other factors.

The term customer loyalty is defined as a deep commitment to buy back the product or service regularly in the future, which leads to the act of buying the same brand despite situational factors that may influence consumer behaviour (De Mooiji, 2019). Alrubaiee and Al-Nazer (2010) defined customer loyalty as a constant and positive attitude towards an object, brand or business. According to Oliver (1999), customer loyalty is considered a component of cognitive, attitudinal, and behavioural factors. In other words, according to Oliver's perspective, loyal customers go through three stages: first cognitive loyalty, that is, the customer must confirm that his or her expectations about goods or services are met (Oliver, 1999). The second is attitudinal loyalty in which customers are satisfied with their purchasing decisions (Oliver, 1999). Finally, behavioural loyalty is where customers are committed deeply to buying (Oliver, 1999). This study has adopted the definition by De Mooiji (2019) as it is widely accepted by researchers such as Aldaihani and Ali (2019) and Zaid (2020).

In addition, communication refers to the quantity, frequency, and quality of shared information (Palmatier, Dant & Grewal, 2006). Van Staden, Marx and Erasmus, (2002) defined communication as a two-way process whereby information is sent from one person through a channel to another person who in turn reacts by providing feedback. However, this study has adopted the definition by Van Staden et al. (2002) as it is widely accepted by researchers such as Husnain and Akhtar, (2015), and Wende (2019).

The relationship marketing process is usually described as one of establishing, developing and maintaining successful relational exchanges (Morgan & Hunt, 1994). The essence of these activities is to decrease exchange uncertainty and to create customer collaboration and commitment through gradual development and ongoing adjustment of mutual norms and shared routines (Wende, 2019). If customers are retained over several transactions, both buyers and sellers may profit from the experience gained through previous transactions (Dimiyati et al., 2020). The basic aim is to increase profits by attaining a rising proportion of specific customers' lifetime spending rather than to maximize profits from individual transactions (Dimiyati et al., 2020). Thus, the development of customer-supplier relationships may be described as a set of cumulative phases during which the trustworthiness of suppliers and buyers is tested and mutual norms governing exchange activities are developed (Dimiyati et al., 2020). Several relationship marketing scholars agree that communication is a fundamental aspect of relationship development (Wende, 2019). Communication is the quintessence of coordinating behaviour in any organizational setting, and marketing relationships are no exception (Dimiyati et al., 2020). Communication

is said to be the glue that holds together an inter-organizational channel of distribution (Dimiyati et al., 2020).

In marketing relationships, communication plays a central role in providing an understanding of the exchange of partners' intentions and capabilities, thus forming the groundwork for relationship development (Nam et al., 2017). Communication is a prerequisite for building trust among exchange partners (Nam et al., 2017). The quality and sharing of information influence the success of relationships (Nam et al., 2017). Moreover, communication informs the exchange actors when they develop their conception of the prospective partner's exchange intentions (Dimiyati et al., 2020). In marketing relationships, however, communication serves roles other than persuasion, viz. such roles as informing, listening and answering, which require interaction and two-way communication forms (Dimiyati et al., 2020).

The relationship marketing theory was the main theory guiding this work. The theory was developed by Hunt and Morgan in 1994. Theorists called it the trust-commitment theory of relationship marketing. According to this theory trust and commitment are important variables of any successful business relationship with customers (Morgan & Hunt, 1994). It is proposed that commitment and trust are key variables for a successful relationship because these variables promote cooperative behaviours between relationship partners and encourage them to maintain long-term relationships (Morgan & Hunt, 1994). The theory suggests that relationships characterized by trust and commitment allow partners to be more accepting of high-risk situations because each party will be inclined to engage in activities that are in the long-term best interest of both partners (Morgan & Hunt, 1994). Later studies by Ndubisi (2006 & 2007) extended the relationship marketing theory and documented four key variables that constituted relationship marketing theory which are trust, commitment, communication, and conflict handling. In this study, the variable communication was taken into consideration because this variable is considered to be an important variable of relationship marketing theory and is linked to customer loyalty (Olise & Omeje, 2022). Relationship marketing theory has been used and tested in various studies in the relationship marketing field (Gupta, 2022; Olise & Omeje, 2022). This theory has been the best in testing the influence of communication on customer loyalty in different business sectors such as banking, telecommunication, and cosmetics (Husnain & Akhtar, 2015; Andleeb, 2017; Zaid, 2020). The theory forms the theoretical basis of this study because it fits well and has also been used by other researchers to study the link between communication and customer loyalty (Gupta, 2022; Olise & Omeje, 2022). However, the relationship marketing theory's limitation is that, it does not consider other ways of building

relationship with customer loyalty. In other words, customers are different and understanding what influences consumers' behaviour is difficult because customers have different habits that originate from different cultures, lifestyles, attitudes and personalities. Thus, making customers loyal with only a few strategies does not guarantee that it would have a positive influence on consumer behaviour.

Customer loyalty theory used in this study was behaviourist theory. The Behaviourist Theory was developed by John Watson in 1913. As the name of this theory suggests, loyalty, in this case, is identified from observation of consumer behaviour (Gupta, 2022). However, this behaviour is only recognition of a series of repeated purchases by a given consumer (Gupta, 2022). Consumer loyalty is a result of consumer research and its process for evaluating attributes about a business venture, leading to conviction and personal belief, which pushes consumers to show repeated buying behaviour (Gupta, 2022). This theory's strength is that it considers that consumer loyalty depends on consumer behaviour. Its weakness is that it assumes consumer behaviour is determined only by the environment, and does not take into consideration consumer attitude.

There are several studies carried out to find out the link between communication and customer loyalty. For instance, Husnain and Akhtar (2015) carried out a research titled "Relationship Marketing Strategies Impacting Customer Loyalty in the Pakistan Banking Sector." The study applied Relationship Marketing Theory and Behaviourist Theory. The study aimed to examine the relationship marketing strategies impact on customer loyalty in the Pakistan banking sector. One of the variables examined was communication. The sample size was 100 customers, and data was collected using a survey questionnaire. The findings of this study revealed that there was a positive and significant correlation between communication and customer loyalty. The limitation of the study was that it was done with only 100 customers who might not be a true representation of all customers in Pakistan. The study was carried out in Pakistan context and banking sector. Therefore, further studies in other countries and other sectors are needed to find the influence of communication on customer loyalty in SMEs and Tanzania in particular in order to understand the theoretical and empirical factors that can influence customer loyalty in different environmental settings.

Likewise, Nam et al. (2017) carried out a study on the effect of relationship marketing strategies on customer loyalty in the Vietnam cosmetics sector. The study applied Relationship Marketing Theory and Behaviourist Theory. The purpose was to determine relationship marketing strategies impacting customer loyalty in Vietnam's cosmetics sector. One of the variables examined was

communication. The sample size was 318 customers, and data was collected using a survey questionnaire. Data was analyzed using multiple regression analysis. Results indicated that communication had an insignificant effect on customer loyalty. Therefore, further studies in other countries and other sectors are needed to find the influence of communication on customer loyalty in SMEs and Tanzania in particular in order to understand the theoretical and empirical factors that can influence customer loyalty in different environmental settings.

Similarly, Wende (2019) undertook a study on the influence of relationship marketing strategies on customer loyalty in the Tanzania telecommunication sector. The study applied Relationship Marketing Theory and Behaviourist Theory. The purpose of the study was to identify how relationship marketing strategies impact on customer loyalty in the Tanzania telecommunication sector. One of the variables examined was communication. The sample size was 200 customers. Data was analyzed using multiple regression analysis. Results revealed that communication had a positive and significant influence on customer loyalty. The study was carried out in Tanzania context and telecommunication sector. Therefore, further studies in other countries and other sectors are needed to find the influence of communication on customer loyalty in SMEs and Tanzania in particular in order to understand the theoretical and empirical factors that can influence customer loyalty in different environmental settings.

Furthermore, Aldaihani and Ali (2019) carried out a study on the impact of relationship marketing in building customer loyalty of Islamic banks in the state of Kuwait. Relationship Marketing Theory and Behaviourist Theory were used to guide this study. The aim was to determine how relationship marketing strategies impact on customer loyalty in Islamic banks in the state of Kuwait. One of the variables examined was communication. The sample size was 300 customers, and data were collected using a survey questionnaire. Data was analyzed using multiple regression analysis. Results indicated that communication had a positive and significant impact on customer loyalty. The limitation of the study was due to the fact that it was done only in Kuwait context and banking sector. Therefore, further studies in other countries and other sectors are needed to find the influence of trust on customer loyalty in SMEs and Tanzania in particular in order to understand the theoretical and empirical factors that can influence customer loyalty in different environmental settings.

Likewise, Dimyatiet et al. (2020) carried out a study on the application of customer relationship market towards customer loyalty at the Banyuwangi bank branch of East Java in Indonesia. The study applied Relationship Marketing Theory and Behaviourist Theory. The aim was to determine how relationship

marketing strategies influence on customer loyalty in the Indonesian banking sector. One of the variables examined was communication. The sample size was 125 customers, and data was collected using a survey questionnaire. Data was analyzed using multiple regression analysis. Results indicated that communication had a positive and significant impact on customer loyalty. The limitation of the study was due to the fact that it was done only with 125 customers who might not be a true representation of all customers in Indonesia. The study was carried out in Indonesia context and banking sector. Therefore, further studies in other countries and other sectors are needed to find the influence of communication on customer loyalty in SMEs and Tanzania in particular in order to understand the theoretical and empirical factors that can influence customer loyalty in different environmental settings.

In addition, Gupta (2022) carried out a study on customer loyalty in telecommunication sector in the South Asian telecommunication industry. Relationship Marketing Theory and Behaviourist Theory were used to guide this study. The aim was to determine how relationship marketing strategies impact on customer loyalty in Islamic banks in the South Asian telecommunication industry. One of the variables examined was communication. The sample size was 50 customers, and data was collected using a survey questionnaire. Data was analyzed using multiple regression analysis. Results indicated that communication had a positive and significant impact on customer loyalty. The limitation of the study was due to the fact that it was done only with 50 customers who might not be a true representation of all customers in South Asia. The study was carried out in South Asia context and telecommunication sector. Therefore, further studies in other countries and other sectors are needed to find the influence of trust on customer loyalty in SMEs and Tanzania in particular in order to understand the theoretical and empirical factors that can influence customer loyalty in different environmental settings.

Olise and Omeje (2022) carried out a study on the mediating effect of customer satisfaction on relationship marketing and customer loyalty among commercial banks' customers in Awka, Anambra State. The study applied Relationship Marketing Theory and Behaviourist Theory. The purpose was to determine relationship marketing strategies impacting customer loyalty through mediating effect of satisfaction in Awka metropolis. One of the variables examined was communication. The sample size was 691 customers, and data was collected using a survey questionnaire. Data was analyzed using multiple regression analysis. Results indicated that communication had a positive and significant effect on customer loyalty. The study was carried out in Indonesia context and banking sector. Therefore, further studies in other countries and other sectors are

needed to find the influence of communication on customer loyalty in SMEs and Tanzania in particular to understand the theoretical and empirical factors that can influence customer loyalty in different environmental settings.

Andayani and Rosdiyatma (2023) carried out a study on the influence of problem handling, commitment, trust, and communication on customer loyalty at Banda Raya Rural banks. The study applied Relationship Marketing Theory and Behaviourist Theory. The purpose was to determine relationship marketing strategies influencing customer loyalty at Banda Raya Rural banks. One of the variables examined was communication. The sample size was 110 customers, and data was collected using a survey questionnaire. Data was analyzed using multiple regression analysis. Results indicated that communication had a positive and significant effect on customer loyalty. The study was carried out in Indonesia and banking sector.

However, there has been a growing body of literature concerning the impact of communication on customer loyalty in countries like Pakistan, Vietnam, Ethiopia, Kuwait, Kenya, and Indonesia (Niko, Askarinia, Khalafi, & Joyami, 2015; Putit & Abdullah, 2019; Andayani & Rosdiyatma, 2023). In addition, various recent studies in these countries on the impact of communication on customer loyalty have been carried out in different business sectors such as banking, telecommunication, and cosmetics sectors (Wende, 2019; Dimiyati, Muhaimin, Firdaus & Permana, 2020; Gupta, 2022) leaving other SMEs businesses such as kiosks, bars, and hair salons untouched. Therefore, this study intends to close the existing knowledge gap by extending this study to SME businesses in the context of Tanzania. Therefore, the following hypothesis was formulated:

H₁: Communication has a positive and significant influence on SME customers' loyalty in Tanzania.

2.0 METHODOLOGY

This study employed mainly explanatory research design where the objective was to deduce causal effects among variables (Bhattacheree, 2012). The units of analysis were SME customers from bars, hair salons, and kiosks who were residents of the urban part of Dodoma City, where this study was carried out. This study focused on bars, hair salons, and kiosks. The researcher focused on these SMEs because according to scholars such as Palmatier et al. (2006), service firms make a suitable candidate for implementing communication strategy. Also, these SMEs have a major contribution to Tanzania's economy (TRA, 2020). Dodoma City was chosen as the location of the study because it has many SMEs, like bars, hair salons, and kiosks compared to other cities in Tanzania (TRA, 2020). The target population for this study were SME customers from bars, hair

salons, and kiosks who were residents of urban Dodoma city and who regularly visited these SMEs. The total targeted population was 1240 customers who visited bars, hair salons, and kiosks daily (TCCIA, 2019). The sample size was obtained using the formula provided by Yamane (1967), which is as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where n = required sample size, N = Population size of 1240, e = level of precision which is 0.05 for a confidence level of 95%. The questionnaires were issued to 300 customers using a convenience sampling method of which 288 were collected. Therefore, 100 respondents were selected from bars; 100 from hair salons, and 100 from kiosks. Primary data was collected using a questionnaire. The questionnaires were administered by the researcher and trained experienced enumerators.

Furthermore, internal consistency was measured using Cronbach alpha. Content validity was ensured when the survey was taken to the marketing experts. A survey was modified before it was used in the actual data collection tools. The construct validity was tested using the Exploratory Factor Analysis (EFA) and this was performed with the assistance of the Statistical Package for Social Science software (SPSS) version 26. The study instruments were assessed on its criterion validity and found the value of the correlations with the outcomes of the study by ensuring that the study had used the relevant literature with the studied phenomenon. Thus, the questionnaire had a certain degree of criterion validity. Factor analysis was used to validate the preconceived variables while multiple regression was used to test the hypotheses of this study.

3.0 FINDINGS AND DISCUSSION

The study was to find out the influence of communication on customer loyalty in SMEs in Tanzania. Thus, the study described some of the demographic characteristics of the respondents. The study used descriptive statistics, that is, frequencies and percentages to analyse the demographic characteristics of the respondents. This is important because previous studies on the marketing field conducted by Husnain and Akhtar, (2015), Andleeb (2017), Zaid (2020), and Gupta (2022) had shown that demographic characteristics of the respondents influence marketing strategies. Therefore, this study described the characteristics of the respondents under the study. The sample comprised of 288 customers who visited bars, hair salons, and kiosks. Table 1 presents the demographic structure of the sample.

Table 1: Demographic Profile

| Particulars | Criteria | No of respondents | Percentage |
|-------------|-----------------|-------------------|------------|
| Gender | Male | 186 | 64.58 |
| | Female | 102 | 35.42 |
| Age | 18-29 | 44 | 15.28 |
| | 30-39 | 126 | 43.75 |
| | 40-49 | 104 | 36.11 |
| | 50 and above | 14 | 4.86 |
| Education | Secondary level | 48 | 16.67 |
| | Diploma | 115 | 39.3 |
| | Undergraduate | 74 | 25.69 |
| | Master's degree | 51 | 17.11 |
| Visited SME | Bars | 96 | 33.33 |
| | Hair saloon | 94 | 32.64 |
| | Kiosk | 98 | 34.03 |

Source: Field Work (2023)

There were more male respondents in the sample (64.58%) than female respondents. The largest number of respondents (43.75%) belongs in the 30-39 age group, followed by number of respondents in the 40-49 age group (36.11%). The 18-29 age group accounts for the least number of respondents (15.28%). As to educational background, respondents with diplomas dominate the sample (39.3%), followed by respondents with undergraduate degrees (25.69%), and followed by respondents with secondary school qualifications (16.67%) and respondents with Master's degrees 17.11%. The finding from Table 1 represents the distribution of research respondents by SMEs visited. It shows that respondents who visited kiosks were 98 (34.03%), respondents who visited bars were 96 (33.33%), and respondents who visited hair salons were 94 (32.64%). The findings suggested that majority of the respondents were from kiosks.

In addition, in this study Cronbach's alpha was computed to examine the internal consistency or reliability of the instrument. It measures how well a set of variables or items measures a single, one-dimensional latent aspect of individuals. Cronbach's alpha was carried out in SPSS statistics version 26 using a reliability analysis procedure. The Cronbach's alpha values range from 0 to 1 and the values above 0.7 represent an acceptable level of internal reliability (Kothari & Garg, 2014). The Cronbach's alpha value for communication was 0.893 This indicated that there was a high level of internal consistency for the scale.

Furthermore, in testing the adequacy of the sample, Kaiser Mayer Olkin (KMO) and Bartlett's Test results were used in the statistical analysis. Kaiser Mayer Olkin (KMO) Test is a test for assessing how data are enough and suitable for Factor Analysis. It measures the adequacy of the sample by looking at each variable in the model. KMO ranges from 0 and 1. A KMO value should be close

to 0.5 and above for satisfactory analysis to continue. Bartlett’s test of sphericity tests the correlation of items. Hence, it is argued that values should be below 0.05 of the significant level, to indicate that Factor Analysis is suitable for the data. The KMO measure was 0.517. This was above the cut-off value of 0.5 and met the criteria. This value indicated that enough items are predicated by each factor. In addition, Bartlett’s test was significant at the 0.01 level, meaning that was correlated highly enough to provide a reasonable basis for factor analysis. Thus, the collected data was adequate for performing factor analysis and for determining the factor structure of the marketing construct.

Factor Analysis in this study was carried out using SPSS version 26 to see the value of the loading factor resulting from any indicators of the variables. All indicators were above the threshold value of 0.7 as shown in Table 2.

Table 2: Factor Analysis

| Construct | Indicators | Loadings |
|------------------|--|-----------------|
| Communication | SME owner provides me with timely information | 0.746 |
| | SME owner provides me with useful information | 0.809 |
| | SME owner provides me with credible information | 0.795 |
| | SME make and fulfill their promises | 0.761 |
| Customer loyalty | I consider this SME as the first choice among other businesses in the area | 0.879 |
| | This SME comes first to my mind when making a purchase decision | 0.834 |
| | I’m likely to continue visiting this SME only | 0.844 |
| | I will recommend this SME to my friends and family | 0.756 |
| | I intend not to switch to other SMEs | 0.744 |

Source: Field Work (2023)

The basic characteristic of the studied construct was described using descriptive statistics indicators. The average score for communication is shown in Table 3.

Table 3: Mean and Standard Deviation for Communication

| Questionnaire Statement | N | Mean | Std Dev. |
|---|------------|-------------|-----------------|
| SME owner provides me with timely information | 288 | 2.71 | 1.26 |
| SME owner provides me with useful information | 288 | 3.00 | 1.25 |
| SME owner provides me with credible information | 288 | 2.85 | 1.28 |
| SMEs make and fulfill their promises | 288 | 3.25 | 1.29 |
| Average | 288 | 3.08 | 0.94 |

Source: Field Work (2023)

Table 3 above shows that four items were used to construct the variable communication. Communication was much done by the SME owner making and fulfilling their promises having a mean score of 3.25 and standard deviation of

1.29. However, the lowest mean score was 2.71 with standard deviation of 1.26 which was observed on the SME owner provides customers with timely information. The variable communication had the average mean score of 3.08 and a standard deviation of 0.94. Most of the observed items are positively perceived by the respondents suggesting that the respondents consider communication as an important factor.

In addition, to determine whether the study variables meet the assumptions of the multiple regression model, several diagnostic tests were undertaken for the multiple regression model among them were the normality test, linearity test, multicollinearity test, and homoscedasticity of variance test.

First, normality test was observed by using the P-P plots, to determine if the data showed a fairly straight relationship. The assumption holds valid if the dots lie or are very close to the diagonal line, which infers that the residual was normally distributed. In other words, variables are considered to be normally distributed if residuals deviate from the diagonal or 45-degree line from the origin. Normality was tested using normal P-P plots. From the normal P-P plots represented in diagram 1, the variable was normally distributed.

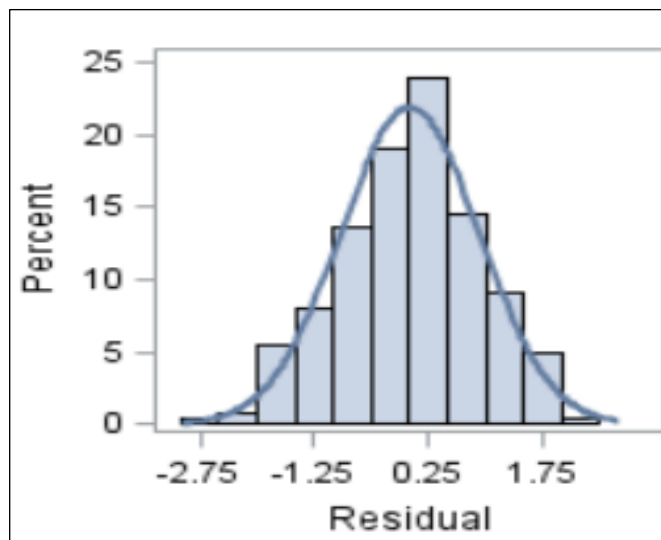


Figure 1: Normality test

Second, for linearity test there must be a linear relationship between the dependent variable and independent variables (Kothari & Garg, 2014). When the model is not linear, the data under regression analysis would not be able to reflect the mathematical representation of the studied data, thus the resulted model

would not reflect the relationship between the outcome variable and the predictor variables (Kothari & Garg, 2014). This would be tested using scatter plots, by plotting the dependent variables on the y-axis and the independent variable on the x-axis. Linearity would exist when the graph has a linear distribution of observations. The linearity test was conducted using scatter plots with individual predicted values as shown in diagram 2. The results show that the independent variable had a linear relationship with the dependent variable.

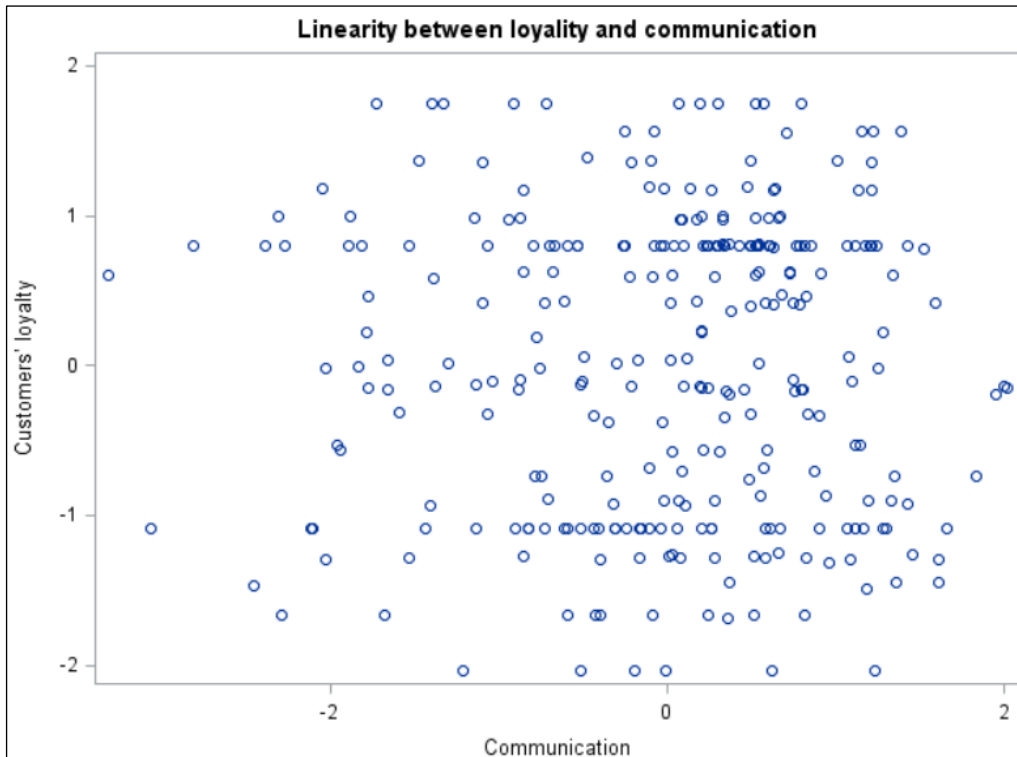


Figure 2: Linearity test

Third, multicollinearity test is the situation in which the independent variables are not correlated. When they are correlated, it makes it difficult for the independent variables to be the real predictor of the dependent variable (Kothari & Garg, 2014). VIF values higher than 10 indicate that multicollinearity is a problem. The problem of multicollinearity was tested using VIF and the level of tolerance. The absence of multicollinearity was when the value of VIF was less than 5 and was considered to be more accurate. There was an absence of multicollinearity as both the VIF and the level of tolerance had values below 5 above 0.2 respectively for the independent variable as shown in Table 4.

Table 4: Multicollinearity Test

| Assumptions of linear regression | | |
|----------------------------------|-----------|-------|
| Variable | Tolerance | VIF |
| Communication | 0.430 | 2.340 |

Source: Field Work (2023)

Finally, homoscedasticity of variance test is when there is no constant of residual/error terms in the model, these results in the heteroscedasticity problem (Kothari & Garg, 2014). This could affect the results of the confidence interval, thus influence the poor performance of the regression model (Kothari & Garg, 2014). This was observed by using the plots of standardized values predicted by the model against the standardized residuals observed. The assumption would be met if the plot had a random array of plots i.e. (absence of funnel shape). Homoscedasticity of variance was supported as the plots of standardized values predicted by the model against the standardized residuals observed had a random array of plots, and did not have a funnel shape as shown in diagram 3.

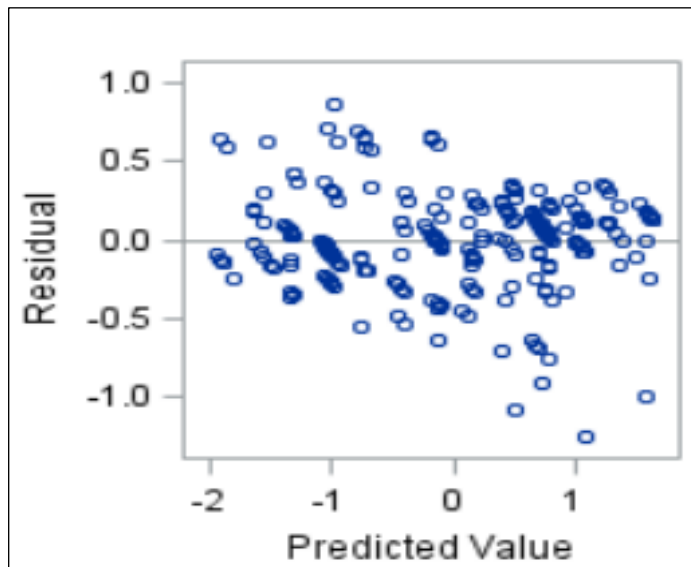


Figure 3: Homoscedasticity of Variance Test

Multiple regression analysis was used to examine the relationship between communication and customer loyalty. Table 5 and Table 6 show the result. To predict the goodness of fit of the regression equation, the multiple correlation coefficient (R), coefficient of determination (R^2), were examined.

Table 5: Determine Coefficient

| \ | R ² | Adjusted R ² | Standard Error |
|-------|----------------|-------------------------|----------------|
| 0.823 | 0.678 | 0.663 | 0.5807 |

Source: Field Work (2023)

The regression model achieved a satisfactory level of goodness of fit in predicting the variance of the level of customer loyalty in relation to communication. From the findings it is evident that communication was important in explaining customer loyalty. In other words, Table 5 clearly indicates the model is good given that R² value was found to be 0.678 which not only indicates that the model is good, but also explains that the explanatory variable contributes 68% in the variability of the variable to be explained.

Table 6: Regression Analysis

| Variable | Unadjusted estimates | | Adjusted estimates | |
|---------------|----------------------|---------------|---------------------|--------------|
| | Coefficient (95%CL) | T (p-value) | Coefficient (95%CL) | T (p-value) |
| Communication | 0.469 (0.357, 0.581) | 8.26 (<.0001) | 0.214(0.052,0.376) | 2.60(0.0099) |

Source: Field Work (2023)

Table 6 above shows that communication had a significant positive association with customers' loyalty ($\beta=0.469$, $p<0.0001$); that means every unit increase in communication resulted into an average increase of 0.469 for customers' loyalty. However, for adjusted analysis communication remained a positive explanatory, the variable coefficient slightly decreased, and it was statistically significant ($\beta=0.214$, $p<0.0099$). It means that for every unit increase in communication resulted into an average increase of 0.214 for customers' loyalty. In other words, according to Table 6, communication does influence customer loyalty. This indicates that the communication of the SMEs is likely to increase customer loyalty. Thus the hypothesis is accepted.

The demographic profile of the respondents revealed that 64.58 percent of the respondents were male, and 35.42 percent of the respondents were female. In addition, the majority (43.75%) of the respondents were aged between 30-39. Furthermore, the majority (39.3%) of the respondents had diplomas. The findings also suggested that majority of the respondents were from kiosks. The results of descriptive statistics showed that communication had an average mean score of 3.08 and a standard deviation of 0.94. Most of the observed items are positively perceived by the respondents suggesting that the respondents consider communication as an important factor. In addition, the results of the regression analysis ($\beta=0.469$, $p<0.0001$) showed that there was a significant relationship

between communication and customer loyalty. Therefore, the hypothesis was accepted. The findings did relate to previous studies conducted by other scholars such as; Husnain and Akhtar (2015), Wende (2019), Aldaihani and Ali (2019), Dimyatiet al. (2020), Gupta (2020), Olise and Omeje (2022), Adayani and Rosdiyatma (2023). The findings conformed to relationship marketing theory which insisted that communication influenced customer loyalty. Therefore, it is fair to conclude that SMEs' customers tend to be loyal if SMEs were reliable and efficient in communicating with their customers.

4.0 CONCLUSION AND RECOMMENDATION

Attracting and retaining customers is not an easy task in the present competitive market. Businesses need to develop different kinds of marketing strategies to develop a positive relationship with customers. The current study focused on examining the impact of communication on customer loyalty in SMEs in Tanzania. The findings revealed that there is a significant relationship between customer communication and customer loyalty. Hence, an expected revelation was that SME customers did place importance on communication. Considering the findings of this study, policies intended to promote customer loyalty among SMEs should focus on communication. Furthermore, this study highlights that SMEs in Dodoma City should focus their loyalty strategies on communication as a driver of loyalty. In addition, SME owners should improve their communication skills to better communicate with their customers.

The current study recommends several areas where future research can be conducted. Other scholars may research communication in other sectors such as the retail sector and wholesale sector. Future research is needed to examine the relationship building processes of SMEs operating in different service sectors other than the ones studied. Furthermore, it would be useful to examine the construct proposed in the research model from a longitudinal perspective to determine its influence on customer loyalty at different points in time. This would lead to further insights into the way SMEs in the service sector in Tanzania build and enhance customer relationships. Empirically, the study implies the importance of conducting a region-specific study because it was able to highlight the dynamics of customer loyalty in different geographical contexts.

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