

# **ADDIS ABABA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF MANAGEMENT**

**The Role of Relationship Marketing in Enhancing Customer Services  
and Company's Growth: case of KK private Ltd. Com**

**A Thesis submitted to AAU partial fulfillment of the requirement of  
Executive Master's Degree in Business Administration.**

**Submitted to: Department of Management**

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**October, 2014**



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EMBA PROGRAM

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in Business Administration

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## **Statement of Original Authorization**

I undersign, declare that this research paper is my original work; the work enclosed in this research has not been previously submitted for any degree to higher education institutions. All the materials used for the research have been entirely acknowledged.

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## **ACKNOWLEDGMENTS**

I really want to thank individuals and organizations who help me kindly and sincerely to come with document in its present-final shape.

Currently, I express my heartfelt thanks to Dr. Getie Andualem whose immense contributions starts from guiding me to select right title and finally reviewing and shaping the final document.

I extend my sincere appreciation and gratitude to Dr. Zewdei shibere. He offers me in one of his class a clear, short cut guidance and technical support in terms of research methodology. His practical support was unquestionable.

Special thanks to my brother Asfaweson and my wife meaze, to share my family's burden and backup, you are all fantastic! Thank you to nolawit and samket, my lovely and pretty kids, for being tolerant of Dad while he pens this thesis.

Finally, I would also like to acknowledge the valuable contribution made by the management of KK private Ltd Co. namely, deputy general manager, Amdei Edelu, and commercial sector manager, melaku messele.

## **Abstract**

The growth and survival of any business organization depend on its customers. Customers are source of profit as well as the building block of maintaining market share of the company. The dominating feature of fierce competition in today's business and globalization required any companies to build long term relationship marketing with customers and to scale up customer loyalty. Therefore, currently relationship marketing has become vital instrument of business and existences.

Dimensions of relationship marketing including customer services are the vital pivot point for attracting and retaining customers'. Therefore, this study is aimed to explore the role of relationship marketing in enhancing customer services and maintaining company's sustainable growth in the case of kk private ltd. Com. A theoretical framework was used as a guideline to show the interdependency of level of customer loyalty ladder, customer services and sustainable growth .

Based on qualitative and quantitative method, descriptive research approach has been selected and carried out. Primary data was collected from internal sources by using semi-structured interview and pre- designed research questionnaire which have given to all whole seller of the company. Secondary data was collected from the company sales report, marketing research report, and strategic plan documents.

The population study are all whole seller who made a business with a company considered as sample size, there number is 60, of which 52 of them has responded to the questionaire. Relationship marketing ladder of customer of Seth Godin with some modification is the pivot point of research analyses. A descriptive statistics accompanied with tables and percentages were in used to analyze the data.

The finding of the study identified the current level customers' loyalty ladder and the customer service valued most by customers and additional service they will want to see in future. Similarly, the current relationships between customer and organization are assessed and its impact on sustainable growth of the KK private Ltd Com. is also indicated. Hence, the KK private Ltd Com has to work closely with current customer without any services discrimination and attract the new ones. Continuously improve the quality of customer service based on the research and try to establish a solid ground for long term customer relationships. Key words: Relationship Marketing, level of Customer Loyalty ladder and customer services.

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# 1. INTRODUCTION

## 1.1. Back ground of the study

Relationship Marketing is a philosophy of doing business, a planned direction that focuses on maintaining and improving current customers rather than on acquiring new customer. Firm's success depends upon getting customers but keeping customers is crucial. Retaining customer is challenging than acquiring customer.

Successful firms keep long term relationship with customers, Relationship marketing focused on Interaction with customers over a long time period. A Sale is not the end of marketing process but beginning of relationship with customer. Establishing relationship increases long term sales and reduce marketing cost. Firm must focus on both getting and keeping customers. Relationship marketing is a shift in Marketing Management from transaction or sales based marketing to relationship marketing. It refers to long term arrangement where both the buyer and seller have an interest in providing a more satisfying exchange. It is an approach with a customer to make more truthful and at an advantage of get in touch with by providing a more tailored purchase.

Relationship marketing creates stronger ties between buyer and seller, with a focus on loyalty, retention and long-term relationships, converting new customers to advocates. It is designed to develop strong connections with customers by providing them with information directly suited to their needs and interests and by promoting open communication. This approach often results in increased word-of-mouth activity, repeat business and a willingness on the customer's part to provide information to the organization (Torres and Kline, 2006).

Relationship marketers speak of the relationship ladder of customer loyalty. It groups types of customers according to their level of loyalty. The ladder's first rung consists of prospects; this is followed by customer, client, supporter, advocate, and partner. The relationship marketer's objective is to help customers get as high up the ladder as possible. This usually involves providing more personalized service and providing service quality that exceeds expectations at each step (Seth Godin, 1999)

Relationship marketing has ranked customer service as a high priority. Customer today buys more on the service that they receive rather than price. Many consumers will pay a higher price just to receive great customer service. There was never a more important time to project great customer service than today. Customer service is crucial to the growth of any business. It doesn't matter whether you are a product or a service oriented company. It doesn't matter if you are targeting consumers or businesses. If customer do not get the service that they desire they will go for ever.

## 1.2. Organization Profile

KK private ltd Company had been established in 1992 E.C. as trading association, later on it organized itself in modern form of organization, commenced its structured business in engaged in manufacturing and distribution of textile products. In late 2008s the concept of diversification came to light and established business unit which pursued on import and distribute heavy duty machineries, export coffee and sesame, and real estate development. The company has different sort of customers which has been dispersed geographically. The major customers are low income group of urban dwellers, weaving professionals and local sweater producers.

Dyed acrylic yarn is a mass market product used for production of garments, knitting, sweaters, scarves, socks, curtains and other homemade products. The product lines are 250gm and 100gm of different origin with multiple sorts of colors. The mass market is served through channel partners or whole sellers exist in Addis Ababa, regional-main town and remote corner of the country. The major supply sources of acrylic yarn are India, china, Korea and Malaysia.

Acrylic yarn business is the core business and main contributor of sales revenue of a company, which comprises of 90% of organization's customers and generated about 389 million annual revenue. It comprised 600 employee including foreigners. The acrylic dyeing plant is equipped with modern fully automated and computerized Obem and Galvani machineries. The theoretical capacity of the plant is 10,000MT which makes it the biggest dyeing plant in the country. In October 2010 KK private ltd company Has establish advisory board of management from different areas of expertise to handle strategic and police issues of the company to strength current business and sought future opportunities.

In this paper, the services put together as Customer services; credit facility, information support and seasonal discount are the central point of the relationship marketing of kk private ltd company in particular and the marketing practices of acrylic yarn industry in general will be discussed. The company has provided such sort of services to customer for almost three decades. The competitors have also provided such services not less than the company does. Some customers have made the business dealings with the company only; others make the business with both competitors and the company. Few of them have hardly ever an intention of business switch to competitors products, other do so.

The rough estimation of acrylic yarn market size is about 6,000-7,000 tons a year with the conservative estimation growth rate of 2 to 3% .The company has attainable capacity of 6,400 tons per year; the latest estimated market share of the company is about 70%. There is no clear data how large the production capacity of rivals. It is clearly discerned that KK has more than enough capacity relative to current estimated market size.

Hence, it has a significant competitive advantage to drive price down. However, the current capacity utilization rate is about 64%. As of 2011 company market research report, the Life cycle of acrylic yarn moved from late growth stage to maturity stage. The trends, the speed rate at which it approach to its maturity stage will be determined by life style consumers will follow and degree of availability of substitute products in industry general.

The acrylic market resembles oligopolistic market structure, dominated by two major rivals; namely KK and DH pvt ltd CO. The acrylic business in general and, contenders' competition seem weak in 1990s but actually opposed to the reality. In most case on slack season, the action of one of the market players had significantly affected the action of the other. One has very closely followed the action of other. When one has tried to increase its sales volume through under price and incentive mechanism, temporary price wars were broke out.

As fierce competition had cooled down, both rivals come to round table for negotiation of raise up prices. The action of rivals had discouraged the potential entrants, too. Negotiations and fierce competitions to each other were the dominating characteristics and the long lasting

business culture of the two rivals. Later, in 2010s, new entrants come into the market with huge capacity, heightening fierce competitions.

Currently, the competition seems to take solid ground on fostering relationship with customer through tailored services. Since KK was the pioneer of acrylic business, through its long lasting business practices, it had collected a significant number of customers over time, but it did not manage them very well. Now the target and systematic effort of rivals are to shift such customers to their premises.

### 1.3. Problem statement

Strategically, the company has distributed its product for large, dispersed market through wholesalers for a long period of time. It has focused on Business-to-business marketing and provided credit facility, seasonal discount and information support services under the category of 'customer services' randomly. Providing all sorts of such customer services to every customer at one time needs substantial resources and effected the normal operation of a company, especially working capital. based on subjective judgments and the assumption it was believed that the customer services which is backed by scarce resources has given to each customer based on the customer loyalty levels .As a result, customer services has tried to link with the degree of loyalty in order to serve each level of loyalty ladder effectively and retain customers relationship for long period of time.

Based on such notion and practices, A few customers have enjoyed with customer services the company offer randomly, other customers have not yet given such an opportunity. However, the needs and the priority of the whole sellers to ward such sort of services seem different. The preference and the choice of each customer is not yet identified and known. In contrary, the whole sellers seem unsatisfied with unstructured and random customer services the organization made available for them. As a result, the number of wholesalers' who made sales transaction with a company's has been decreasing from time to time. Moreover, the customers are not happy with action of the company. The company, itself has wondered how to use efficiently and effectively customer services package.

If the current customers' business relationships (marketing relationship) are not clearly defined and understandable and; there is no clear discerned behavioral and loyalty boundary

among customers, which may have a significant impact on relationship marketing dimension of customer services, then more must be known about the customer's level of loyalty.

The focus of this research is to investigate and identify the stage or the level of customers' loyalty of the company with some conceptual modification of loyalty model. Eventually, the peculiar services customers have preferred more from existing package and their future needs which must be backed by policies of the company on regular basis will be addressed to keep good relationship with existing customers. The following questions are discussed in addressing the problem.

- a) What is current relationship marketing exist between customers and organization?
- b) What is the current position of the relationship stage of customers' or ladder of customer loyalty?
- c) What are the most valued or preferred services by the customers?
- d) What type of service or services the organization will render to each group of customer in long term?
- e) What will be the significant impact of customers' relationship on sustainable growth of the organization?

## 1.4 –Objectives of the study

### 1.4.1 .General objective

The overall objective of the research is to examine the level/degree of loyalty of existing customers and assess the peculiar service they need and allot the service based on categories' or level of loyalty of ladder in planned and structured fashion in regular base to build long lasting relationship .

### 1.4.2. Specific objective

The specific object of the study is to be:

1. To examine the type of relationship that exists between customers and the organization.
2. To identify the degree/level of loyalty ladder of the customers.
3. To identify the most preferred services package by different customer
4. To explore the type of services needed by the customers in the future.
5. To examine the role of customers relationship on the future growth of the organization.

## 1.5. Significant of the study

This study expected to have the following outcomes:-

- 1 .it will help the company management to focus on the type of service most valued by the customers.
2. It will add knowledge on the existing stock of knowledge in the Ethiopian context.
3. It will serve as a spring board for other researchers to undertake a research on other companies in Ethiopia.

## 1.6. Scope of the study

This study is limited to an assessment of relationship marketing practices of KK private limited company operating in Ethiopia. It excludes other acrylic yarn producing companies operating in Ethiopia. In addressing the issue, related literature has been assessed and included. The practice of relationship marketing and the services the company hand over to the customers are clearly mentioned.

## 1.7. Limitation of the study-

Some of the customer who is considered in the sample did not participate in due course of the study. A few of them are regional customers which did not respond.

## 1.8. Organization of the paper

The paper is structured into five chapters. The first chapter deals with the introduction of the Topic and the second chapter deals with related literature review about relationship marketing and customer loyalty ladder .The third chapter presents research methodology, design, samples methods, sources of data, research instruments, data analysis methods, validity and reliability and ethical considerations. The fourth chapter deals with data presentation and analysis of both the questionnaires and management responses. The final, the fifth chapter presents the conclusion and recommendations of the research.

## **Chapter two**

### 2. Literature review

#### 2.1. Introduction

The interest in relationship marketing has grown steadily in business and academic circles in the last few decades (Sheth and Parvatiyar, 2000). However, different opinion and concept have been remained concerning its meaning and scope.

The definition for relationship marketing according to the chartered institute of marketing is "... the process of getting closer to the customer by developing a long-term relationship through careful attention to service needs and their quality delivery". Relationship marketing is the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost (Sheth and Parvatiyar 2000.)

As Morgan and hunt (1994, p. 22) noted that Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges. IN industrial marketing, relationship marketing is referred to as marketing oriented towards strong, lasting relationships with individual accounts (Jackson, 1985).

For the purpose of this paper, Relationship marketing is defined as the identification, establishment, maintenance, enhancement, modification and termination of relationships with customers / consumers to create value for customers and profit for organization by a series of ongoing exchanges that have both a history and a future.

All of company's' success today and sustainable growth will be based on the quality of relationship that formed with their customers. As brain Tracy noted that (2002, P.57) for most customers today, the relationship comes first. It is more important than the product or services itself.

Sometimes, relationship marketing and customer relationship are used interchangeably. A recent definition of customer relationship management from the Journal of Marketing, based on a synthesis of the literature, suggests that customer relationship management is a subcomponent of RM (Payne and Frow 2005, p. 168): term relationship marketing is broad where as customer relationship management is the managerially relevant application of relationship marketing across an organization focused on customers.

A number of terms have been used as substitutes for relationship marketing or to describe similar concepts (Buttle, 1996). These include direct marketing, database marketing, customer relationship management, data driven marketing, micromarketing, one-to-one marketing, loyalty based marketing, segment of one marketing, customer partnering, dialogue marketing and interactive marketing. All this suggests that Relationship Marketing is also an umbrella philosophy for relational approaches in marketing.

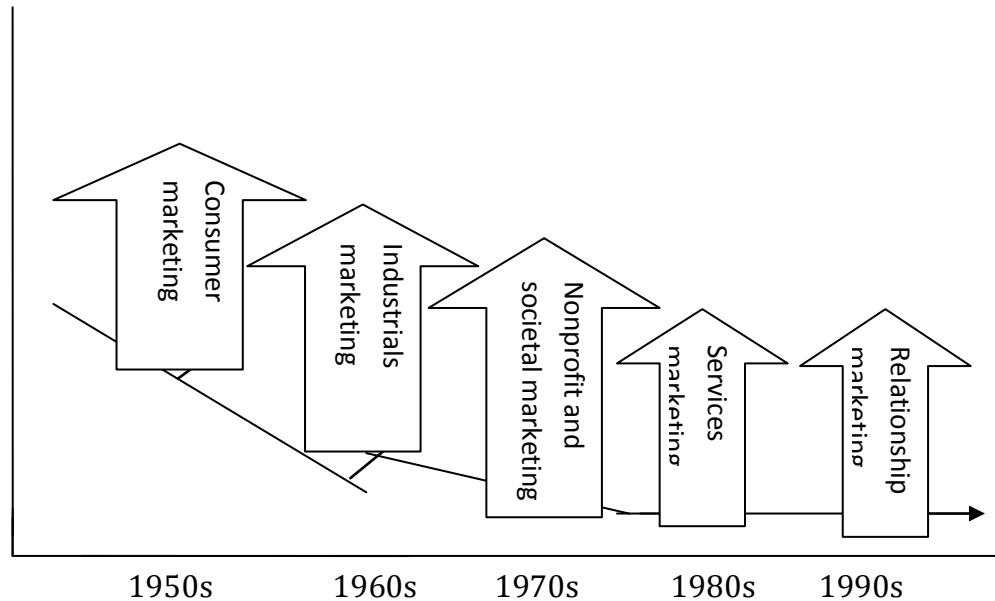
## 2.2 domain of relationship marketing

### 2.2.1 Evolution of relationship marketing

In the 1950, awareness of marketing was mostly focused on consumer goods. In1960s, greater than before attention also ongoing to be directed towards industrials markets.In1970s, significant academic attempt was positioned on the area of non-profit or societal marketing.In1980s, attention in progress to be directed at the service sector, where relationship marketing had got little remarkable attention . The term relationship marketing was surfaced and popularized as a separate academic domain of marketing in the 1990s becomes more comprehensible from a historical perspective.

### 2.2.2. The changing focus of relationship marketing

Consumer marketing ⇔ industrial marketing ⇔ non-profit and societal marketing ⇔ services marketing ⇒ relationship marketing.



Sources; - relationship marketing-martin christophor, Adrain Payne and Devid Ballantyne (2002).

Historically, much of marketing theory has been evolved and reshaped and coined itself. Relationship marketing started as a reaction against what was considered by some as an excessively transactional approach, characterized by an almost exclusive focus on the moment when the buyer and the salesman meet each other to operate an exchange (Levitt, 1983). As Levitt (1983 p.120-128) pointed out: “The relationship between a seller and a buyer seldom ends when a sale is made. Roughly at the same time, Berry (1983, p. 25-38) complained that “efforts to retain existing customers are minimal” and added: “this view of marketing is needlessly restrictive and potentially wasteful”. He then went on to define (possibly for the first time ever) relationship marketing as “attracting, maintaining and- in multi-service firms - building customer relationships” (1983.).

It seems that the expression relationship marketing was used for the first time by Berry, On the other hand, it also served to criticize the limitations of the 4 Ps model, introduced by Neil Borden (Borden, 1964, p. 2-7) until very recently generally accepted as the dominant paradigm

of marketing management (Berry and Gresham, 1986; Brownlie and Saren, 1992). As Researchers (Gronroos 1994, Sheth and Parvatiyar 2000) argued that RM represents a paradigm shift in marketing from its previous focus on transactions, in which firms use the 4P model to manage marketing-mix variables.

Market place has been evolving from different pressing directions of changing demographics, global politics, economics, and technology and so on the 4Ps are also losing reliability, they are more production than customer oriented. According to Gordon (1999,p.7-20), the marketing mix approach is too limited to provide a usable framework for assessing and developing customer relationships in many industries and should be replaced by the relationship marketing alternative model where the focus is on customers, relationships and interaction overtime, rather than markets and products.

The conventional marketing has been repeatedly challenged in articles and conference papers along the lines of 'Is marketing dead? It is against this background that the new wave of marketing thinking has become apparent, and the label 'relationship marketing' applied to describe the revised framework or paradigm.

### 2.2.3. Transactional VS Relationship Marketing

Marketing come about when people decide to satisfy needs and wants through exchange. Exchange (transaction) is the act of getting an object (product, service, idea ...) from someone by giving something in return. Marketing should create mutually beneficial relationships (good for both parties) to generate profitable transactions.

Relationship marketing is a strategy designed to foster customer loyalty, interaction and long-term engagement. It focuses more on customer retention than customer acquisition. Relationship marketing refers to everything you do to make your prospective and current customers aware of your products and services, position your business in their minds as the obvious choice, and help you to build lifelong, profitable relationships with them.

Whereas the traditional marketing approach is transactional, relationship marketing is relational, old-style marketing mostly focuses on sales transactions.

Within the transaction marketing approach, critics said, the main marketing effort was concentrated on the sale itself, ignoring what happened after its conclusion.

The new relationship marketing focuses on working hand-in-hand with your prospects and customers to co-create a more meaningful, personalized, and lasting experience.

### Transaction vs. Relationship Marketing

Transactional marketing	Relationship marketing
Focus on volume	Focus on profitable retention
Emphasizes product features	Emphasizes customer value
Short timescale	Longer-term timescales
Moderate customer contact	High customer contact
Little emphasis on customer service	High customer service emphasis
Primary concern with product quality	Concern with relationship quality

Sources- Martin Christopher, Adrian Payne, David Ballantyne (2002)

As the old model is increasingly viewed as inadequate to cope with today's business environment, marketing is entering a new era. In an environment characterized by global competition, overcapacity and the inevitable trend towards 'commoditization' of markets, the focus has to switch from volume growth to profit growth. The challenge that this changed environment poses to the organization is to identify how to build enduring relationships with profitable customers.

The emergence of a new era, the Relationship Era, its role is to foster sustainable relationships between brands and people. In the Relationship Era, the starting point is the brand. Brands that are clear on their purpose attract passionate supporters and create loyal customers. The winners in the Relationship Era will be those who build trust and sustainable relationships with people. In the new era, marketers are inviting people to join in, participate with, and become part of the brand. Customers become active partners rather than targets to be sold to. The Relationship Era, persuasion is less effective. Trust cannot be used as a tool. Instead, successful marketers are fostering trust as a fundamental, essential, and independent pillar of sustainable brand-customer relationships.

It's clear that digital has an intense impact on relationships between brands and people. It's more than another channel. In fact, digital channels have caused significant changes to the fundamental ways that consumers interact with brands, their expectations of brands, and ultimately the role of marketing in today's world.

E-Commerce and Building network marketing business using E-mail marketing is the main feature of relationship era. E-mail marketing is one of the fastest ways to leverage on the Internet, highly scalable, highly targeted and personal. E-mail marketing can be quite competitive Practice of a time.

### 2.3. Dimension of Relationship marketing

Gummerson (1987, p.10-20) identified relationship quality as one of four forms of quality encountered by customers. He stated that high relational quality contributes to customer perceived quality and thus enhances the chances for a long term relationship. Crosby's work highlighted that relationship quality had a significant influence on the customer's anticipation of future commitment (1990).

Relationship marketing is about targeting customers with the best long-term value (Rott 2000) and also about creating mutually beneficial relationships where both parties are gaining knowledge and understanding from the relationship and continuous learning and improvements are made which will increase the overall quality of any customer relationship.

Morgan and Hunt (1994, p. 22), noted in "The Commitment-Trust Theory of Relationship Marketing", put forward that presence of relationship commitment and trust is central to successful relationship marketing, not power. So, the following high spot areas are needed for solid and successful relationships: trust, commitment, conflict resolution and communications.

#### 2.3.1 Trust

In marketing literature there is a lack of clarity in the concept of trust, however, it can be described as "the willingness to rely on an exchange partner in whom one has confidence" (Moorman, Deshpande and Zaltman 1993). Morgan and Hunt (1994, p.20-38) argue that trust is the cornerstone of relationship commitment, without it commitment flounders. Research by Geyskens and Steenkamp (1995) showed that trust brings about a feeling of security, reduces uncertainty and creates a supportive environment. Trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty (Ndubisi, 2007). Hence, manufacturer should strive to win customers' trust through maintaining promises to customers, showing concern for the safekeeping of transactions, offer quality services, showing respect for customers through front-line staff, pleasing obligations, and performing to build customers confidence.

### 2.3.2. Commitment

Commitment is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase Frequency (Morgan and Hunt, 1994). As Rott (2000 ,p. 36) noted that Commitment is the ability to maintain a relationship and it consists of three different components; sacrifice of some value, willingness to act in certain ways, and efforts to secure consistency and continuity in the relationship.

### 2.3.3. Conflict resolution

Dwyer (1987, p. 11-27) defined conflict handling as the ability of each supplier's to minimize the negative consequences of manifest and potential conflicts. in dealing with conflict handling ,both parties has used different methods to achieve common objective through avoiding potential conflict and ready to discuss the means openly if it might happen. The best mechanism of conflict handling is planning in advanced and implementations; identifying area of potential conflicts, solving conflict earlier than they visible, avoiding potential conflict and blocking them. Now days, Conflict handling is the best builder of relationship and loyalty. So it must be managed wisely to the best interest of both parties.

### 2.3.4 Communication

Communication is defined as the extent to which the partners of exchange relationship engaged in the obvious and unrestricted share of in formations as they work towards overcoming the obstructions as well as achieving the goal of success (Anderson and wietz, 1992; Anderson and narus, 1990; Selnes 1998). Easy and open communication helps exchange partners to share unavoidable situations which go towards enhancing effective channel relationships (laBahn and harich, 1997).

Communication is a significant determinant for building trust and developing enduring commitment to a relationship. It has an impact on both trust and commitment in buyer-seller relationship. Communication is one of the important elements to measure the service quality. Relation marketing can be nurtured by providing timely and reliable information. Hence smooth communication has fostered relationship among customers and organization.

## 2.4. Customer loyalty

Oliver (1997) defined customer loyalty as a deeply held commitment to re-buy a preferred Product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to causes witching behavior. The major target and a solid ground of relationship marketing are to create customer loyalty. Good relationship marketing creates customer satisfaction.

Satisfaction is directly correlated with loyalty. Finally, satisfied customers remain loyal and talk kindly to others regarding the company and its products. A minor drop from complete satisfaction can make an immense drop in loyalty. Eventually, the aim of relationship marketing is not to create just customer satisfaction, but customer delight and customer loyalty. Companies are understood that losing a customer means losing the entire course of purchases that the customer would make over a lifetime. The companies gave closer attention to their customers and eventually do at most to retain them. As Kotler & Armstrong (2010) noted that the cost of attracting new customer may be five times the cost of keeping a current customer happy. Companies, build relationship view, create marketing programs which maintain customers come again, buying more and stay loyal. They should design special marketing program and reward system for customers who buy sizeable amounts and frequently.

## 2.5. Customer loyalty ladder

The relationship marketing ladder of customer loyalty point out that many company over emphasized the identification of prospects and focused try to convert them into customers, in the absent of giving due attention to repeat business. Similarly, the tradition marketing mix;-price, product, promotion, and place are used to turn prospects to customers, and put a huge amount of investments on finding new prospect.

Whereas, the basic aim of relationship marketing is to turn customers into client, and then to progressively move them through being strong supporter of company and its products, active and vocal advocator for the company and play as a referral sources and finally to being partners. According to Seth Godin (1999, p.119-145) Customer Loyalty Ladder are classified as Suspect, Prospect, customer Client, Supporter, Advocator and Partner.

### 2.5.1. Main indicators of loyalty ladder

Each phase of customer loyalty ladder has its own feature and clear manifestations .so the indicators and feature of level of ladders are mentioned as follows.

Level of Ladder of customer loyalty	Indicators' of loyalty
Suspect	Anyone who reads or hears an ad, looks at a brochure or encounters some other type of promotion is a suspect
Prospect	Someone who pays attention to your promotion
customer	Those who buy your product or service First time and repeatedly
Client	A customer who buys most of the product category from the company only
Supporter-	A client when he is satisfied With the offering & recommends it further. Positive Word of Mouth
Advocator	A customer who gives unpaid advertising for the products or services of a business and proactively works with the Company to improve its products and services
Partner	An advocate who becomes actively involved in the decision of the company

### 2.6. Customer services

Customer serves is one dimension of relationship marketing. Company customer services are a means and a mechanism that has played significant role in achieving this progression up the ladder of customer loyalty. In moving up on the ladder, it better to understand clearly the interest of customers and how we can offer additional services. To achieve the transition from customer to partners, additional services should have taken them beyond customer satisfaction to customer delight.

Finally, Relationship has aimed long term relation, one elements of relationship marketing is loyalty. Loyalty is further nurtured by quality of customer services. Loyalty is created beyond marketing effort and delightedness of customer with company. In real sense of terms, factors which foster directly or indirectly degree of loyalty in business are friendship circles, families' attachment, ethnicity similarities, and the class held in the society. Those factors must be clearly considered beyond marketing effort of any organizations.

## 2.7. Theoretical frame work

Customer services have been the central point of the relationship marketing of KK private Ltd Company. As of the sales manuals and management internal memos indicated that a company has been providing different services to customers for almost three decades but unplanned way and did not support by satisfactory polices and regulations.

The services which have been carried out were mentioned as follows.

1) Credit facility- the transactions of the company have made in cash base in one time when the market is favorable. It was embraced equally both cash and credit on other time; extremely inclined to credit when the market is worst. Whatever the circumstances come to the surface, the transaction of a company is not ahead of 20% cash and 80% of credit sales, with the stretched collection time of 30 days. The price of semi- processed acrylic yarn, which imported from abroad, has dramatically risen from time to time and needs more working capital. When credit was given across the board to all customers the working capital of the company has challenged.

2) Seasonal price discount-when the slack season come per year (October to December), the total invoice value is subjected to 7-8% seasonal discount in order to heat up the market demand.

3) Information support service -acrylic yarn supply and demand has been governed by international petroleum price since it is the byproducts of petroleum. Acrylic price is fall and raise; it has also a lot of close substitute of finished product which direct impact on the selling prices. Because of these factors local market demand of acrylic is critical affected. The company has paid a significant amount of money for foreign market research agent.

Having got timely standard pertinent international marketing information of grey acrylic yarn, the company distributed the information to dealer so as to point out the trends and make possible them to manage their stock movement properly.

Since speculative and hoarding is the major feature of the business and the groundwork of profit for most of wholesalers', such information has played significant role and considered as one of the marketing tools.

Having designated and distributed scarce resources of a company under the umbrella of customer services for all customers at one time need substantial resources and effected the normal operation of a company resource, especially working capital. A customer service which is the central point of company scarce resources has given to each customer based on subjective judgments without data based and the assumption of the customer loyalty levels.

It was believed that customer services has to be link with the degree of loyalty in order to serve each level effectively and retain customers relationship for long period of time. Without knowing the loyalty ladder of each customer it is difficult to give credit facility and other services. It is risk bearing transactions; it may not be collected on time and case legal expenditure and eventually spoil the relationship of the customers.

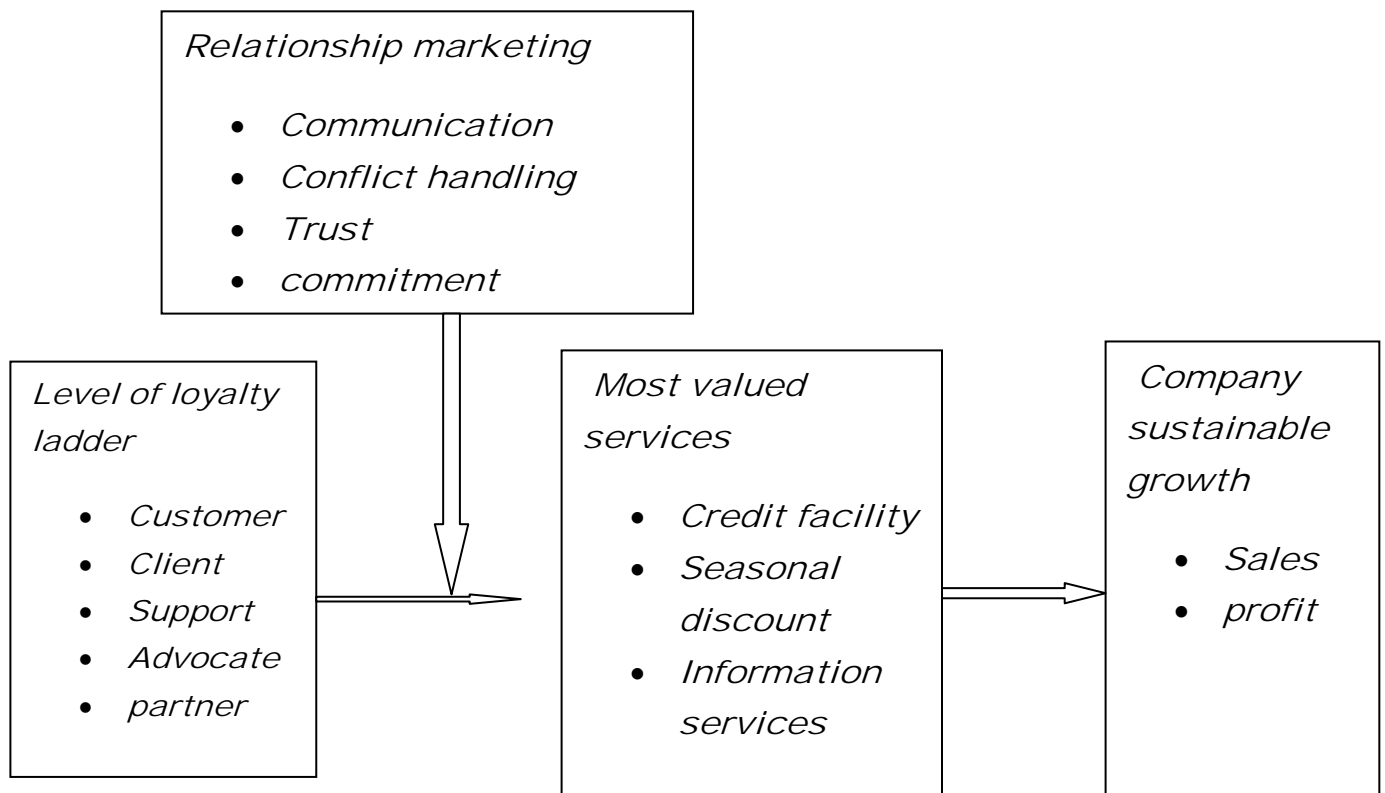
Even though, Time has proofed the reputation and personality of customers, Loyalty is the most important things to give services like credit The marketing relationship of both parties must clearly known, the company must know-based on data and facts who is who before distributing its scarce resources (customer services).

Unknown customer loyalty ladder make difficulty to give peculiar customer service to all customers, those customer services, are vital company resources, as well as, scarce in their nature. So to make available such scarce resources across the board to all customers is impossible, so there must be priority.

The level of customer loyalty ladder shall be first investigated as independent variable based on secondary data, interview held with concerned body, customers believed and mind set. Similarly the services each customer want to acquire most and prioritized is assessed and predicted as dependent variables based on the respond of each customers under the frame of level of loyalty ladder.

As moderating variables, the influence of relationship marketing has widely assessed too. Based on literature review, the concepts under line are interwoven as the following diagram.

Figure .2.7. Conceptual framework



A conceptual framework has developed based on the above mentioned concepts. The concepts are inter related and influenced each other. These relationships are also often illustrated by boxes and arrows diagrams.

## **Chapter three**

### **3. Research methodology**

#### **3.1 Introduction**

This chapter focuses to give reason of the methodology used in this study. The research design analytical path of any research should have specific methodology direction based on the

and objective and frame work. When designing research project, some general decision about the research methods has been made by researcher. These are the most commonly used methods: interviews, questionnaires, documents and databases. Looking for new ideas and for unknown kinds of answers better to adopt an open approach where as to quantify the research material and compare the views and experiences of dealers, it is better to use closed approach.

The research approach is often either quantitative or qualitative. Quantitative data implies 'hard' data, like information on profits gained and order size, and is often presented as numbers that will determine the quantity or extent of some phenomena. Both approaches have their strength and weakness and neither one of the approaches can be held better than the other. The best research method to use for a study depends on that study's research purpose and the accompanying research questions (Yin, 1994).

The research method chosen for the purpose of this study is the qualitative method and quantitative method. Descriptive statistics methods are the domain feature of this research. Analysis refers to putting the data in order by summarizing, précising it and putting into categories.

#### **3.2 Research design**

The study has used both quantitative and qualitative methods. As far as qualitative method is concerned more of qualitative information in use to answer the pre- designed research questions for the study.

Quantitative information such as the trends of sales, quantity sold, and profit of the company was collected by using semi-structured interview held with management to know the impact of relationship marketing on sustainable growth of the company under consideration. The related data with questionnaire were collected and analyzed in appropriate manner. The studies merely describe the opinion and action of respondents that is descriptive in nature.

### 3.3. Target population and sample design

The population of the study are called whole sellers, 60 in number, who have active business relationship with the company and taken from data base. To find and contact, it is important to have a list of existing customers of the company.

Sampling technique has selected the whole population as the sample size includes all regional dealers and A.A dealers. So the required sample size is as equally as population as well as kk private ltd Co. management members. The census of wholesalers is taken as a sample.

### 3.4 .Sources and type of data

In order to effectively conduct the proposed research, both primary and secondary data have been used.

- Primary sources- questionnaires were primarily designed to get first hand information from the company whole sellers. In the some fashion, interviews were held with top management and middle management, especially, with market research and sales people of kk private ltd company.
- Secondary sources - sales report, market research report, strategic plan documents, journals, internal memo, circular papers, sales manuals, credit policy manuals and webs' are the sources of secondary data.

### 3.5. Research instrument

A structured questionnaire with an open-ended and closed ended questionnaire was used to collect the data. Self-administered questionnaires and interviews are the convenient methods and cost effective approach for such study. Besides, Relationship

marketing ladder of customer loyalty modal of Seth Godin is the focal points of the research and analysis, so with some slighted modification of indicators, is in used.

### 3.6. Data analysis methods

Having completed the collection of data through questionnaire and interview, the analysis procedure has been carried out. Each responded questions are tallied and organize. Tools such as tables and percentage are used. A descriptive statistics was used to analyze the data.

### 3.7. Reliability and validity

#### 3.7.1. Reliability

A measurement that yields consistent results over time is said to be reliable. One methods of reliability is a test-retest measure of reliability that can be obtained by administering the same instrument to the same group of people at two different points in time. the research questionnaires as pilot survey distributed for five dealers at one time, the response of each question were scrutinized, after a month the some questionnaires, with some order arrangement has been given to the some dealers , the pilot survey result shows that respondents respond result were the some to the previous result. It is replicable.

Besides, people can be highly subjective as people base responses on perception. However I feel my questions did not lead people and the answers I got were consistent. Respondents were assured of their anonymity. Heneman (1974) has shown that subjects are more likely to give unbiased responses when anonymity is assured. So one can inferred the measurement is consistence and reliable. The special attention has to be given to minimize the bias and subjective error during the data collection and data analysis. Results from the interviews are also compared with those informal discussions so as to verify the reliability of the data.

### 3.7.2. Validity

Validity refers to the accuracy or truthfulness of a measurement. Are we measuring what we think we are? "Validity itself is a simple concept, but the determination of the validity of a measure is elusive" (Spector, 1981, p. 14). There are four distinct types of validity (internal validity, external validity, construct validity, and statistical conclusion validity).

Non- sample respondent are organized in the company from different department and given the questionnaire in order to complete and ask any question the survey indicates a defective item. Modifications have done based on the first respondent suggestion, Then again begin the process with a new respondent, and continued until there are no questions. It was continued and done with five respondents' chain. Each question is scrutinized and modified toward my satisfaction.

Constructive validity deals with establishing of correct operational measures for the concepts being studied; the marketing relationship, under investigation is directly linked with theoretical aspect of it. Internal validity is to establish a casual relation, whereby certain conditions are shown to lead to other conditions; external validity establishes the domain to which a study's findings can be generalized.

Since the internal validity is for explanatory or casual studies only, and not for descriptive or exploratory studies, it will not be considered here because this study is descriptive in nature. External validity deals with problem of whether a study's findings are generalizable beyond the immediate descriptive. Descriptive study is criticized as a poor base for generalization. Anyhow, the research carried out in kk plc can be generalized to other similar textile industry who distributed their products through whole sellers.

Validity concerns the issue whether or not the findings can be shown to be valid for the problem that is being investigated. Data collected must be relevant to the problem and the purpose of the thesis. Irrelevant data and unnecessary information leads to low validity.

In order to increase validity, I used many different types of data collection. Irrelevant answers during interviews were ignored.

Questions were kept simple in terms of data. Secondary data always came from reliable and trusted sources, so is highly reliable. These factors make me feel that the content is relevant to the purpose of the thesis.

The data utilized in this descriptive study is obtained from a combination of primary and secondary data sources. Secondary data include company's internal sources such as sales data and marketing research reports. Adopting multiple sources of evidence can increase the construct Validity and reliability of the study. I believe the thesis is both valid and reliable.

### 3.8. Ethical issues

Initially, the main purpose of the research has given clearly to the customer. Based on the customer's permission and free will only the questionnaires are going to hand over to them. To keep the secrecy of the information provided by the respondents, the respondents are instructed that writing their names on the questionnaire is strictly forbidden. Be informed and assured of that their responses would be used only for academic purpose and kept confidential.

## **Chapter four**

### **4. Data presentation, analysis and discussion**

#### **4.1. Data presentation and analysis on questionnaires**

##### 4.1.1. Introduction

After collecting the data, descriptive statistics were utilized and the findings of the study are organized and presented. The researcher has collected data through self administered questionnaire and semi-structured interview. Throughout the course of the survey an entire of 60 questionnaires was distributed to customers. An entire 52 disseminated questionnaires were filled and returned back. Eight whole sellers could be not filled and returned the questionnaires. Therefore, the study was made based on 52 filled out questionnaires.

##### 4.1.2. Demographic profile of respondents

###### 4.1.2.1 Gender

Table.4.1. gender profile and respondents

no	Gender of whole sellers	frequency	percentage
1	male	51	98.1
2	female	1	1.9
total		52	100

Source: own survey 2014

As far gender is concerned, 98.1% of the respondents are male, 1.9% of respondents are female. Hence most of the dealers are males.

4.1.2.2. Age

Table.4.2. Age profile and respondents

No	Age of whole sellers	frequency	percentage
1	Below 20	-	0
2	20-40 years	12	23.1
3	41-59 years	23	44.2
4	60 years and above	17	32.7
Total		52	100

Source: own survey 2014

The respondents are from different age groups, the largest number of respondents 44.2% are between 41-59 ages, the second large respondents 32.7% are above 60 years old. The remaining respondents, 23.1% are between 20-40 years old.

4.1.2.3. Education profile of respondent

Table 4.3.education profile and respondents

No	Education level whole sellers	frequency	percentage
1	Elementary	31	59.6
2	High school drop	15	28.9
3	Secondary school	5	9.6
4	Diploma	1	1.9
total		52	100

Source: own survey 2014

Education profile of respondents is shown in table 3.3. Most of respondents 59.6% have achieved primary education, 28.9% respondents are high school drops, 9.6% respondents have achieved secondary school, and the remaining 1.9% respondents are diploma holders.

#### 4.1.3. Type of relationships exists between customers and organization

##### 4.1.3.1. Time in a business with organization

Of the total customers, 9.6% of the respondents were in a business with the company more than 20 years, 17.3% of the respondents are in a business with the company for 15-20 years, 30.7% of respondents were in a business with the company for 5-10 years, 15.3% of the respondents were in a business for 1-5 years with the company and the remaining 1.9% were in a business for less than a year.

Table. 4.4. Time in business with the company

No	Time in business with	frequency	percentage	Cumulative
1	More than 20 years	5	9.6	9.6
2	16 -20 years	9	17.3	26.9
3	11-15 years	16	30.8	57.7
4	6-10 years	13	25.0	82.7
5	1-5 years	8	15.4	98.1
6	Less than one year	1	1.9	100
	total	52	100	

Source: own survey 2014

Most of the customers, 57.7% were in a business relation with a company for almost more than 10 years, whereas few of them,40.4% were in business relation between 1 year and 10 years. Within less than a year time, the customers who made business relation with a company were 1.9%. Hence the majority of customers have known very well the products and company.

#### 4.1.3.2. Marketing mix activities vs customer services

In order to assess and know the reflection of customers both in existing marketing mix activities and customer services of the company, related question were designed and distributed.

Table 4.5. Satisfaction level on 4ps’ marketing mix activities and customer services.

no	type of services	“SATISFIED” , respondents	%	“UNSATISFIED” respondents	%	total
		frequency		frequency		
1	price, quality and availability of product (Marketing mix)	42	80.8	10	19.2	52
2	Customer services package	20	38.5	32	61.5	52

Source: own survey 2014

The survey shows that 80.8% Of respondents were satisfied with marketing mix, 19.2% were not satisfied. Whereas 61.5% of respondents were not satisfied on current customer services, only about 38.5% respondents were satisfied with current customer services.

Therefore, the current marketing mix is more or less satisfactory where as customer service is inadequate, it needs more attention.

Based on realist question, open ended questionnaires were given to unsatisfied respondents of existing customers services, based on that the following pertinent information were forwarded. Even though the business relation between customers and the company lied down on long journey, it got evidence that company discriminated its customers; treat one person or group worse than others or better than others. The company had no clear criteria’s for the services it had rendered .it could not seen its customer in common eyes. There was not regularity of services.

#### 4.1.3.3. Means of communication and its treatment with a company

Open ended questionnaires were given to whole sellers how they saw means of communication and its treatment in due course with a company. The suggestions and opinions of the whole sells are summarized.

Most of the customers frequently communicate with sales supervisors and sales division head, less frequently with marketing manager for the case of needs more attention. Sometimes communication is held with the general manager and the owner of the company.

Once a year, when the organization has organized a 'customer's day', all the customer could get the chance of meeting with all company managers including the production people to discuss on marketing , production and logistics issues.

Any communication held with the respective company people based on their responsibility and assigned decision power, the case are not get its final decision at one point at a time; it has transferred from one manager to other managers. At the time of decision, responses are very late on the issue of pricing and product quality.

As far as of quality of communication is concerned, communication held with sales division head, marketing managers, general manager and owner carried out with full of respect and dignity. However communication held with front line salesmen, sales supervisors and logistic people are less formal and sometimes emotional behaviors are manifested.

#### 4.1.3.4 Complain handling and conflict resolution

Open ended questionnaires were given to whole sellers how to handle Complain and resolve conflict with the company. The opinions of the whole sellers are organized as the following.

Complain has delivered for the company in written form or orally. Simple complains are get timely solutions where as complex issues have time consuming until it got the last decisions. Even some complex issues have never got a solution within reasonable time.

As far as conflict handling is concerned, the customers have tried to deliver their promise on time in order to reduce the potential sources of conflict. Some time the decision made related to the competitors reaction by the company, without informing the customers, is the potential source of conflicted ,especially ,decision made related to reducing selling price of the products without considering the stocks on hand of customers. There is a conflict resolution mechanism and culture in the organization but there is a tendency of inclining to the advantage of the company.

Some time communication barriers related conflict has occurred between customers and front line sales men, however, marketing manager of the company has tried to solve the issues on the premises of customers with the concerned sales man by taking into account the moral of the sale man and the dignity of the customers.

#### 4.1.4. Degree of customer loyalty

##### 4.1.4.1. Level of customer loyalty

The questionnaires which embodied with distinct feature of each level (degree) of loyalty ladder were distributed and the respondents were required to give responds as how to feel and position their loyalty towards actual practiced marketing relationship of the company.

Hence, 38.5% of respondents positioned themselves as customer, 32.7% respondents positioned themselves as clients, 15.4% respondents positioned themselves as supporter, 9.6% respondents positioned themselves as advocator, and 3.8% respondents positioned themselves as partner.

Table 4.6. Level (degree) of customer loyalty

no	Feature of loyalty ladder	frequency	percentage	Cumulative
1	I heard about the company products but I did not give an attention to it.(suspect)	0	0	0
2	I heard hearty about the company products; sometime in future I may try to purchase it (prospect)	0	0	0
3	I have known very well about the products; however I have bought the products from all competitors including kk. I am not the sole buyer of one competitor. (Customer)	20	38.5	38.5
4	I have bought the company’s products and others many times; I have ordered frequently, the larger size of my shelf and stocks have been allotted to kk than competitors. (Client)	17	32.7	71.2
5	I bought the company product regularly and recommend about the company product to others and make mouth advertisement. I bought only kk products. (Supporter)	8	15.4	86.6
6	I favor the company products, promote it, I recommend to the company the way sales volume has to increased. I bought only kk products.(advocate)	5	9.6	96.2
7	I am very close to organization; participate on marketing decision especially on selling price, promotion and sales forecast as well as on strategic issues like product development. The company gives due attention forward my opinion and says. I do not want to see the competitors’ products at my premises (partner)	2	3.8	100
	Total	52	100	

Source: own survey 2014

Most respondents' have identified and accounted 38.5% and 32.7% on loyalty ladder of customer and client respectively. The respondents on the loyalty ladder of supporter, advocator and partner were accounted 15.4%, 9.6% and 3.8% respectively. In contrary, none of the customers were not in the position of suspect and prospect.

#### 4.1.4.2. Sales transaction related to level loyalty ladder

The questioners were distributed to each respondent regarding the value purchased on average per month. The respondents who made purchase more than 1.3 million per month were 3.8% thus respondents were positioned themselves as partner on loyalty ladder. Respondent who have made purchase per month between 900,000 birr and 1.3 million birr were accounted 21.2%, of which 5(9.62%) of them were advocator, 6 (11.54%) of them were supporter. those who made purchase per month between 500,000 and 900,000 were accounted 36.5% of which 2 (3.8%) of them were supporter, 17(32.6%) were client.

Respondents who made purchase between 100,000 birr and 500,000birr were accounted 32.7%. Some of (17) them were customer, respondents who were made purchase less than 100.000 birr were accounted 5.8%, a few of them (3) were also customer. Most respondents (37 out of 52 respondents in number) were significant contribution towards the organization monthly sales, those were clients and customers.

For the purpose of simplicity, the summary of the respondents are classified value of transaction are mentioned in the following the table.

Table 4.7. Average purchased made by respondents

no	Value of transaction	frequency	percentage	Cumulative
1	1,300,001- 1,700,000 birr	2	3.8	3.8
2	900,001-1,300,000 birr	11	21.2	25.0
3	500,001-900,000 birr	19	36.5	61.5
4	100,000—500,000 birr	17	32.7	94.2
5	Less than 100,000 birr	3	5.8	100
	Total	52	100	

Source: own survey 2014

#### 4.1.5. Service package valued by customers.

##### 4.1.5.1. Access to customer services Package

To assess whether the respondents have an access or not, toward most recent customer services, three types of services were designed which dominated the customer services package of a company. Namely; - Credit sales services, Information support service and Seasonal price discount.

As far as a Credit sales service is concerned, 44.2% of respondents had an access to it, whereas 55.8% of respondents did not get it. Similarly, 36.5 % of the respondents had an access to Seasonal price discount, the rest 63.5% respondents did not get it; 40.4% respondents had an access to Information support service, 59.6% respondents did not get it

By and large, on the average 40.3% of customers have access to three of the service package, where as 59.6% customers were marginalized? This state of affairs point out the degree of current customer service and the nucleus part of relationship marketing is very weak and unsatisfactory. The following table reflects the respondents' status.

Table 4.8. Availability of service packages to respondent

no	type of services	“Yes”	“No”	yes%	No %	total
1	Credit sales services	23	29	44.2	55.8	52
2	Seasonal price discount	19	33	36.5	63.5	52
3	Information support service	21	31	40.4	59.6	52

Source: own survey 2014

##### 4.1.5.2. Service preferred or valued by customer

Alternative services were provided to choices the one which preferred more to respondents; Credit sales services, Information support service and Seasonal price discount. Accordingly, 26.9% of respondents preferred information support, 48.1% respondents preferred credit facility, 25% respondents preferred seasonal discount. The summary is indicated in the next table.

Table 4.9. Preferred Top Priority service and their respective respondents.

no	Value of transaction	frequency	percentage	Cumulative
1	Credit sales services	14	26.9	26.9
2	Information support service	25	48.1	75
3	Seasonal price discount	13	25.0	100

Source: own survey 2014

Of a total of 26.9 % (14) respondents were partners, supporters and advocators, accounts 3.8%(2), 9.6%(5) and 11.5%(6) respectively. In the same way, of a total of 48.1% (25) respondents were advocator, clients and customers, accounts 1.9 %( 1), 38.5% (20) and 16% (4) respectively. Of a total of 25% respondents are clients.

Hence, partner, supporter and most advocator preferred credit facilities. Most clients were preferred information support services. In the some fashion, customers preferred seasonal discounts.

#### 4.1.6. Service needs of the customers in the future.

Besides, current services which have been given to the customer, supplementary customers services were indicated during the survey. 25% responds were suggested transport services or allowance,28.9% respondents were suggested Shortage and defect compensation schemes,9.6% respondents were required sales man field support services,36.5 % respondents were suggested both transport services or allowance, and Shortage and defect compensation schemes. So these three customer services as a package are considered as the most important services to the majority of respondents.

Table 4.10. Future oriented services

Type of services	frequency	percent	cumulative
Transport services or allowance.	13	25.0	25
Shortage and defect compensation schemes	15	28.9	53.9
sales man field support services	5	9.6	63.5
transport services or allowance, and Shortage and defect compensation schemes,	19	36.5	100
Total	52	100	

Source: own survey 2014

#### 4.1.7. The impact of existing customer relationship on organization sustainable growth.

##### 4.1.7.1. Impact and outcome of marketing relationships

In respond to the question that what is the impact and outcome of current relationship marketing on sales volume, profit earned and retention or lost of number of the customers and sustainable growth of the company. The manager reply that the relationship of the company and most of our customers had commenced long dated back, we deal with them based on mutual benefit and trust.

As far as Sales volume is concerned the sales volume of the company were in the better position for a decade but since 2009, it decreased and remains the same amount from year to year. The main reasons of such decline were due to high selling price which hiking up 179% for the last five years and some of dealers shift their business to other venture.

Similarly, the recent, last 6 years' profit of the company were steadily raised up, since the insufficient availability of foreign currency, the supply of the acrylic yarn were lagged behind demand ,eventually, the selling price cause to raise drastically. The company has the culture of piling up stock. When international petroleum products rose up, the pile up stock itself were significant sources of profit.

With regards to Number of the customers, some dealers had stayed in such business for the reason of staying in the business for long period of time. They preferred to stay in the business they accustomed with. They had taken into account as guarantee their long time experience and exposure in the business. The company has a good attachments and relationship with such dealers' .however, the company lost forever the business when they passed away. The predecessor of them, the new generation doesn't want to continue the business as they do it.

On the other hand, currently, those dealers who have entered to such business, having stayed for sometimes, they shift to other business, since the prevailed fierce competition in the sector cause the profit margin generated from acrylic yarn are as thin as a paper relative to other merchandise .Due to the facts mentioned above the number of dealers who has been working with the company are declining.

As far as sustainable growth of a company is concerned, the profit of the company has increased from time to time where as the quantity demand of the product seem remain constant. Hence, the growth of such profit is not alone guarantee for company growth, but the quantity sold is matter most. It is the foundation of profit and help to increase market share and the driving force of sustainable growth .The following company data can clearly depict the above mentioned statements.

Years	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014
Qty (bales)	30,121	23,978	22,945	23,700	24,800	24,950
Value ('000')	174,288	220,597	275,340	331,800	345,747	389,220
Profit('000')	34,855	46,325	56,753	68,564	72,606	81,740
Lost dealers	5	2	3	4	3	2

Source: internal sales and financial reports

Hence, other factors remain as it is, the stagnant quantity sold and the pattern and flow of lost whole sellers are a negative impact on sustainable growth of the company .things has to be improved to win the interest of the customers.

## 4.2. Response of management to the interview questions

### 4.2.1. Type of relationships existing between customer and Organization

#### 4.2.1.1 Current Status of relationship marketing

In respond towards how progressive relationship marketing activities are evaluated in the company, the managers responded that the company has been in the business for almost 22 years as trading and manufacturing. However, it has strived to push up sales volume and profit-by manipulating supply and demand in effect increasing selling price without considering additional services like credit facility, information support and any discount. Truly speaking, it was in seller market, the company has targeted transaction approach only. The four marketing mix were not full grounded in the marketing activities of the company for a few years. Later, step by step, the traditional marketing mix had properly practiced in marketing department of a company.

Currently, conventional marketing practiced has performed very well, some infant practices of relationship marketing has gone in right direction. Because of long time business contact with customers, most of the customers have frequently made a business with company. Some are still loyal to the company and its products.

Nevertheless, the degree of loyalty is different from one customer to other and still the company has not yet a yardstick and data based evidence except judgmental view. In general, the awareness of relationship marketing to retain and attract customers is the dominating consideration of the company.

#### 4.2.1. 2. Competitive edged of the company

In respond to the question what was the strongest arm and competitive edged of the company, the manager, respond and emphasized that due to product quality, the company product has dominated the market and the end user. It was a Product quality which put the company product on its position. However, competitors knew the preference of end users and come up with the solutions. Currently, quality is not important variable of competition. What the company has to do more is on customer services, the competitors has come with strong customer services.

#### 4.2.1.3. Utilization of customers' data base

In respond to question whether there is customer data base and used it for specific needs of customer or not. the management respond that the company have data base management which indicate, full address, contact person, the quantity purchased in each year and any best practices of each customers, however, we are not yet in a position to prepared tailored made services in line with the needs of each customers.

#### 4.2.1.4. Means of communication and customers treatment

In respond to the question related to communications, whether communications with customers are made with respect, trust and dignity or not. The marketing manager responds that the owner of the company has decided on major marketing issues, and the sales men are directly involved on selling matters. When the issues are series both owner and sales men informed them through telephone. The company informs common issues with media as remainder through advertisement. The rest, transactional matters are informed by sales men. The sales man more or less learned the behaviors of their customers; accordingly communication has carried out with respect, trust, dignity and honor.

The marketing manager and the marketing research experts have an opportunity of making face to face discussion and regular communication on the dynamism of supply and demand of a product.

#### 4.2.1.5. Complain handling and conflict resolution

As far as complain handling and conflict resolution is concerned, the general manager point out that the customers of the company can submit their complaint in written through mail and hand delivery or orally to marketing manager. After having investigated the case, marketing manager can take a necessary action. If the cases are in the domain of his discreet, he has responded immediately to customer, if not, he consults or hands over the case to general manager. The general manager, after collecting evidence from different sources including from customers premises, he passed the last decision on the matter. Sometimes, such process is time taking, hence due attention has given to shorten a time. With regard to conflict, it is natural and inevitable in business relation as much as possible we think about and suppressed potential

sources of conflict before it come to light and manifested wrongly from company sides. If it persisted by chance, the cases are sought carefully from both the dealers and company sides. Finally, customers have given an opportunity to sit and discussed any case with concern management teams and resolve the case amicable on time. If the case could not get solution at first phase, repetitive effort has made until it got its dead end.

#### 4.2.2. Degree of customer loyalty

##### 4.2.2.1 Relationship marketing and customer’s loyalty levels

One of the questions raised in the interview with the management of KK was; does relationship marketing has an impact on building customers loyal. In respond to this issue the managers’ reply was ‘yes’ indeed. No organization without customers. The survival of organization depends on its customers. Customers are the source of profits. To move long distance ahead with the customers’ fair relationship is critical.

As you created conducive business relation with customers, they turn round their face and heart to you. However, not all customers come into being loyal even you treat them very well. It is better to select profitable customer and prepared a solid ground where loyalty could growth and grape. By and large, it has believed that good relationship nurture loyalty. As far as the loyalty level of customers, in year 2013/2014 customers’ data base depicts the following:

No	Classification level of loyalty ladder	No. of whole sellers 2013/2014
1	Those who only bought and distributed kk brands and involved highly in decision making of organization especially on marketing ,selling and production issues	2
2	Those who only bought and distributed kk brands and involved moderately in decision making of organization especially on marketing and selling issues	5
3	Those who only bought and distributed kk brands and involved sometime in decision making of organization especially on promotion issues	8
4	Those who bought most products from kk most of the time and small amount from competitors sometimes.	19
5	Those who bought and distributed both kk brands and competitors.	26
	Total	60

Source: internal customer data base.

Purposely, to match the opinion of dealers and the data base of the company, year 2013/2014 data has taken in to account.

#### 4.2.3. Service package valued by customers.

##### 4. 2.3.1 current customer services level.

With regard to current level of customer services the management responds that Credit facility, seasonal discount and international marketing information support services are termed customer services in company.

A) Credit facility- the transactions of the company have made in cash base when the market is favorable; it was embraced both cash and credit; inclined totally to credit. The maximum credit sales are limited to 20% cash and 80%, credit sales time is stretched to 30 days. if credit was given across the board to all customers the working capital of the company has challenged.

b) Seasonal price discount-during the slack season of each year (October to December), the total invoice value is subjected to 7-8% off seasonal discount in order to encourage consumption and the market demand.

c) Information support service -acrylic yarn supply and demand has been governed by international petroleum price since it is the byproducts of petroleum. Independent market research agents follow the case and prepared trends analysis and other pertinent data. The company has paid considerable amount of money for foreign market research agent. The company has distributed the tailored made information to dealer so as to point out the trends and make possible them to manage their stock movement properly. Since speculative and hoarding is the major feature of the business and the foundation of profit for most of wholesalers', such information has played significant role and considered as one of the marketing tools

The company has feared regarding credit facilities; some customers might fail to pay their credit on time. Similarly, Information support might abuse in some remote market area; Seasonal Price discount open the door for whole sellers to fight each others to enlarge their market share and increase the number of customers in respective premises.

#### 4.2.3.2 Existing policies and procedures of customer services.

The management of kk responds whether there are defined policies and procedures to customer services or not. The manager responds that Not at all, as of the market conditions worst and as tough request of customers appealed, some sort of policies has temporarily developed and in used for short period of time, when things have improved such policies is deactivated.

#### 4.2.4. Services needs of customers in the future

##### 4.2.4.1 Introduce additional customer services

In response to launching new customer services in near the future, the management responds that the marketing research unit has collected information regularly and identified the needs and wants of customers other than existing services. Based on marketing research proposal, rigorous discussion will be made at different level of management. However instead of carried out the current services on hand in different form and dimension, yet further attention is not given for the new proposed one.

#### 4.2.5. The impact of customer relationship on organizational Sustainable growth

##### 3.2.5.1. Weak side of relationship marketing of a company.

In respond to the weakness of the company to maintain good relationship marketing with customers in line with providing services to satisfied customers. The management point out that at time when the needs of credit facility raise, the company gives a credit across the board after 30 days of maturity period. Thus interrupt working capital of the company which is backed by bank loan and bears interest, hence, the company discontinued again the facility it has provided for customers.

With regards to information support services, the contract made with foreign market research agent lack consistence to support the customers with information in order to follows the supply and price trends of acrylic yarn. More over information support service are a means and an instrument of speculative for most of dealers.

Seasonal price discount at the time of slack season served a few selected customers but not all customers. An information support service is not given regularly and uniformly to all customers.

At one time, when sales are going to be weak, an intention of providing the services is far above the ground. In contrary, when the sales are at pick and normal, the service is eroded and moved to the extreme point of ignorance. The company has no in a position to provide all sorts of customer services to all of its customers. Rather such services have been given to some customer as per their request for short period of time. When the sales have gone down and the pressure of rivals has been pressing, all type of services has been given. When demand pushed up sales, all services are quitted. It has not offered permanently. Such irregularity does not ease the customers.

By and large, poor customer services push and hand over customers to competitors who have operated in some industry. Eventually, the company may loss its market share and sales volume. These entire factors have a negative impact on sustainable growth of a company.

### 4.3. Triangulation

- Similarity and difference in number of whole sellers response to questionnaires and company whole sellers' data base are highlighted as follows:-

The number of partners, supporters and advocators on company data base and dealers responded based on questionnaires are the some whereas the numbers customer and clients are difference. Here the figure in data base shows the whole population as 60 in number. Whereas on the questionnaires part the whole sellers who filled the questionnaires and returns back are 52 in number, eight of them did not respond and not to be part of the survey. The following table illustrates the above mentioned figures and ideas.

No	Classification level of loyalty ladder with its indicators.	No. of whole sellers based on database 2013/2014	No. of whole sellers who filled the questionnaires	difference
1	Those who only bought and distributed kk brands and involved highly in decision making of organization especially on marketing ,selling and production issues	2	2	0
2	Those who only bought and distributed kk brands and involved moderately in decision making of organization especially on marketing and selling issues	5	5	0
3	Those who only bought and distributed kk brands and involved sometime in decision making of organization especially on promotion issues	8	8	0
4	Those who bought most products from kk most of the time and small amount from competitors sometimes.	19	17	(2)
5	Those who bought and distributed both kk brands and competitors.	26	20	(6)
	total	60	52	(8)

Source;-internal customer data based and respond of customers on table 4.6

- Similarity and difference of whole sellers respond and management interview respond in line with on complain handling and conflict resolution.

As of the response of the management, complain has forwarded in the form of written and oral then solution are given according to the decision power of each individual based on organization hierarchy move up word to the top. Sometimes, such process is time taking, hence due attention has given to shorten a time.

As of the response of the whole sellers, Complain has delivered for the company in written form or orally. Simple complains are get timely solutions where as complex issues have time consuming until it got the last decisions. Even some complex issues have never got a solution within reasonable time.

At the end, we can draw a conclusion that even if some complains are time consuming in due course of investigation, there is also a case which left unanswers to whole sellers at all.

As of the respond of the management related to conflict resolution, sources of conflicts are suppressed, If it persisted by chance, the cases are sought carefully. Customers have also given an opportunity to sit and discussed any case with concern management teams and resolve the case amicable on time. If the case could not get solution at first phase, repetitive effort has made until it got its dead end.

As of the response of the whole sellers related to conflict resolution, sometimes, the company itself is the source potential conflict on some issues. Even though there is a conflict resolution mechanism and culture in the organization but there is a tendency of inclining to the advantage of the company.

- Similarity and difference whole sellers' response and management interview response related to means of communication and fair customers treatment.

As of the response of management, the company owner, the marketing manager and sales men, according to the weight of the marketing issues and assigned responsibility, communicate directly with the customers including the mean telephone. Accordingly communication has carried out fully with respect, trust, dignity and honor.

As of the response of whole sellers, communication has been conducting frequently with sales supervisors and sales division head, less frequently with marketing manager, general manager and the owner of the company.

As far as of quality of communication is concerned, communication held with sales division head, marketing managers, general manager and owner carried out with full of respect and dignity. However communication held with front line salesmen, sales supervisors and logistic people are less formal and sometimes emotional behaviors are manifested

## **Chapter five**

### **5. Conclusion and recommendation**

#### **5.1 Introductions**

The researcher has tried to see and discuss the relationship marketing and level of customer loyalty ladder of kk plc in general. Besides, the researcher presented and analyzed the data collected from whole sellers of the company. Furthermore, the responses of the management of the company were organized and further digested based on the feedback collected through a means of interview made with respective managers. In this chapter conclusion, recommend and future area of study will be briefly highlighted

#### **5.2 conclusions**

##### **1. Current Relationship marketing**

##### **1.1. Transactional marketing has dominated feature, however; relationship**

##### **Marketing has got slight improvement**

Even though conventional marketing approach has been practiced for three decade, the management of the company has first-class awareness working closely with customers; it is believed that customers are sources of profit and a solid ground of sustainable growth. Even though it did not managed and nurtured very well systematical with all, the business relationship with some customers has been grounded more than 20 years. Efforts have been made to strengthen two way communications and design customer data base and manipulation some sorts of information in use. However, at this stage, relationship marketing lacks utilizing of information technology to enable a much closer fit to achieve the needs customer and the organization's offer.

Compliant handling mechanism has carried out through hierarchy of management according to the weight of the issue on hand; the company has created significant groundwork and culture of discussion with customers to resolve conflict on a timely and friendly way based on face to face communication either on the premise of customer or at corporate level .

## 1.2. The management has not yet developed confidence on customers.

Even though the company has made significant deals and transactions on number of years, the company has not yet developed confidence and trust toward some dealers. It has feared that some deals might fail to pay their credit, information which has been assessed and analyzed by foreign market research agent might be abused in some area in due course of utilization and seasonal price discount might open the door to fight each other for an intention of enlarge their market share and increase the number of customers.

## 1.3 Lack of customer handling and attracting the new one.

Dealers who have been in acrylic yarn business for a long period of time, do not easily shift their business to other line of business, however, those dealers who have entered later in acrylic yarn business are susceptible to shift a business to other business area. The company business seems lean back to those who had stayed in a business for a long period of time. In contrast, those who have lately entered to acrylic business suddenly change their business, so the company could not retain them. Similarly, ground work for suspects and prospects is not done very well, it needs further attention.

## 2. Level of customer loyalty ladder

### 2.1. Fluid position of customer

The dealers position themselves on loyalty ladder as supporter, advocator and partner accounted 28.8% have a tendency to be very loyal (buy only KK products and make mouth advertisement), those position themselves as client accounted 32.7% tend to be moderately loyal (most shelf size allotted to KK) and those position themselves as customer accounted 38.5% tend to be less loyal (buy from different sources and competitors).

### 2.2. Non-existence of suspect and prospect.

Most of the customers of the company have stayed in a business with a company more than ten years; they have known the products and the company very well. There were no dealers who position themselves as suspect and prospect.

This shows that the organization could not retain and give due attention to bring new dealers to prospective position of whole seller (customer) loyalty ladder

### 2.3. Advocators and supports are the source of maximum sales transaction.

The whole sellers (dealers) who made purchase more than 1.3 million per month are two partners, generated min. 2.6 million and max. 3.4 million Per month. The whole sellers (dealers) who made purchase between 900,001 birr and 1.3 million birr per month are 5 advocators and 6 supporters, generated min. 2.2 million and max. 3.3 million. The whole sellers (dealers) who made purchase between 500,001 and 900,000 birr per month are 2 supporters and 17 clients, generated min. 9.5 million and max. 17.1 million. The whole sellers (dealers) who made purchase between 100,001 and 500,000 birr per month are 17 customers, generated min. 1.7 million and max. 8.5 million. At last, the whole sellers (dealers) who made purchase less than 100,000 birr are 3 customers, generated max. 300,000. Therefore, we emphasized that most sales revenues are come or generated from both clients and customers.

### 2.4. Level of ladder of large number of customer

Because of large numbers representation, most sales revenue has generated from client and customer, they are also take a seat on the boarder and susceptible to any changes. Their purchase decision is as fluid as water, knocked all the competitors' doors to get best deals and relations

## 3. Current level of Customer services

### 3.1. Satisfaction level of marketing mix VS customer services

The current marketing mix activities (4p's marketing) are more or less satisfactory where as customer services are sufficiently available for majority of customers. Customer service is the area the company work more on it for improvements.

### 3.2. Degree of satisfaction on customer service

Three-fifth of the customers is not satisfied with credit facilities, information support and seasonal discount. It is believed by some customers that the company has favored some customers very well and treats others unfairly.

The management of the company has feared of that all the customers did not rational consumed all the services the organization offered. Credit facility, seasonal discount and international marketing information support services which are termed as customer services in company, carried out as a means of pushing demand up when it come downward and left the cap when the demand has gone on right direction. It is not used beyond such boundaries, so, such services have not had a permanent nature.

### 3.3. Thought different on services

There is remarkable thought and perception gap between the company and whole sellers on customer services available and requirements. From management sides all services given were seen as means of solving temporarily market problems and short life time in nature. It is rather tactic, not strategies which foster relationship marketing. The management have not yet given due attention for new services development and implementation, as well as defining clear policies and procedures of the services on hand.

Since company feared that all the customer did not committed their obligation equally, the eyes of the company looked one customer differently from others. On contrary, the whole sellers(dealers) need to see clear, defined procedures of customers services which currently put into effect and new additional customers services which facilitated their business regularly such as transport services or allowance, Shortage and defect compensation schemes and field services sales man support, as well as to be served indiscriminately.

### 4. the most valued services by customers

The customer services need assessment of the whole sellers (dealers) shows that 48.1% of them preferred credit facility, 26.9% of them preferred information support, and 25% of them preferred seasonal discount. Hence, the partners, supporters and most advocators purchase large volume per month and have a tendency to be very loyal and preferred credit facilities. Almost all clients preferred information support services. In the same manner, those who position themselves as customers preferred seasonal discounts.

### 5.3. Recommendation

Based on the finding of the study the following suggestions are recommended.

1. Developing a strategy to attract new customers
  - When those dealers who have good attachment and relationship with company have passed away due to natural phenomena, their predecessor, the new generation should not want to continue the business with company. So the Company should have developed new schemes and strategies to recruit potential candidates and build up their capacity among retails to bring to the position of whole sellers. It has developed succession plan of whole sellers.
2. Developing customers loyalty strategy
  - One of the most valuable assets of the company is its customers. The company has to design appropriate service packages to each level of loyalty ladder. It must close to the needs of wholesalers timely and regularly assessed and check it through market survey eventually, implement and satisfied their services needs as soon as possible without considering the action of rivals.
  - Though, the product life cycle of the product is on maturity stage, the market size of the company has wide and needs large number and capable of distributors, the company must closely work with its dealers for the sake of its existence and sustainable growth.
  - the company(KK) has more or less stayed with its customers on average more than ten years .it should have to consider that;
    - ❖ Established customers most likely inclined to buy more.
    - ❖ Established customers place frequent, consistent orders and, eventually Moderate marketing efforts and less cost to serve.
    - ❖ Established and satisfied customers are time and again willing to pay premium prices for a company which is known and trusted.
    - ❖ Established and satisfied customers refer now and again new customers to company at almost no cost.
    - ❖ Established customers make difficult and for market entry or gain market share for Competitors.

### 3. Building trust

- Closely discussed in details with dealers to avoid fears of declining commitments, based on discussion input generated and fair legal frame work and develop trust to ward some dealers. Set clear procedures; define regulations and policies which are known by all dealers in line with credit service and limit, information support, and seasonal discount which have been backed by financial guarantee bond and other similar means. As well as the territory and boundaries allotted to each dealers. Trust each other is very critical issue in business. Each party must be trust each other in due course of business relations. So the company must take initial initiations and play its part diligently.

### 4. Design appropriate service package to each level of loyalty ladder

- Give due attention to push up significant numbers of less loyal customer to clients and moderate loyal of clients to supporters on loyalty ladder through assessed and identified needs of dealers. Further strength the position of very loyal of supporter, advocator and partner on loyalty ladder through the means of tailored made and their peculiar needs of serves. The existence and sustainable growth of the company has been determined by maintaining such dealer's level of loyalty ladder and implementing underline services. So available such three sort of services sufficiently without interrupting based on level of classified boundary and identified needs of customer loyalty ladder.
- Make available such three sorts of services sufficiently without interrupting based on level of classified boundary and identified needs of customer loyalty ladder. As soon as possible inform to the company dealers where the position of each dealer tends to stand on loyalty ladder ship and the peculiarity services has known through the course of research. Finally, what the company is going to offer and render according to the result of the research.

5. Allocate revolving fund

- Allocate internal revolving fund for the purpose of credit services for large volume purchaser of advocators, supporters and partners in order to delight their needs and maintain their position of loyalty ladder

6. Entering into the contract agreement with market research agent.

- Make strong contractual agreement and relationship marketing with foreign market research agent or alternatively, organized in house as one part of current marketing division and develop the capacity of such department to the required level, if possible, in order to reduce dependency, have in mind accessibility, timely, quality of information and cost.

7. Developing a strategy to regain lost customers.

- Strictly deals with lost customer, bring back profitable lost customer by so ever means and cost. Develop tailored program which is going to manage before whole sellers making exit decisions. In general, navigate and managed those factors hinder the sustainable growth of the company

8. design/introducing/ addition customer service packages through research.

- Customer service is critically important in cementing relationships. Under the relationship marketing paradigm, customer services and marketing are merged and given a sharper focus, hence give due attention to new type and scale up quality customer services to maximum level
- The existence, profitability, sustainable growth of any business organizations are determined by its relationship with customers. So develop solid ground relationship with whole sellers through continues research of the needs of them.

Hence, KK private Ltd Company should be scale up and foster its relation marketing as well as maintains customer loyalty ladder to get such benefit which contributed much more for bottom line of financial statement, and in due course give guarantee for its sustainable growth.

### 5.3. Further area of Research

The conceptual content of each level of ladders are somewhat seems unique as per the model, however, in context of our country business environment, it content must modified and embodied additional contents. So someone have to touch it.

Development of a comprehensive and integrated model of customer relationship marketing model in Ethiopian context can be taken as a future area of research by interested researchers.

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Appendix -1

**A Survey of marketing relationship expectation to be filled by wholesalers of kk private LTD.CO.**

Dear esteemed customers:

The questionnaires are prepared by executive of Business Administration (EMBA) graduate student for the purpose of writing thesis.

Your candid response is vital input to my thesis. I declare beyond doubt that your Privacy for responding to wards this questionnaire is absolutely kept back in secret. I kindly request to answer all the questions; put (✓) in appropriate box that best suits your view and interest and fill the blank space with your opinions. Writing name and address is not necessary. Thank you very much for usual support and assistance.

1. Gender  Female  Male

2. Age

- Below 20 years
- 20-40years
- 41-59 years
- 60 years and above

3. Level of Education

- Elementary
- High school drop
- Secondary
- Diploma

4. For how long you have been working on acrylic yarn business with kk?

- More than 20 years
- 16 -20 years
- 11-15 years
- 6-10 years
- 1-5 years

Less than one year.

5. How much purchase do you make every month?

1,300,001-1,700,000 birr

900,001-1,300,000 birr

500,001-900,000 birr

100,000-500,000 birr

Less than 100,000 birr

6. Where are your current position and the degree of your loyalty to organization (kk plc) on year 2013/2014?

I heard about the company products but I did not give an attention to it. (st)

I heard hearty about the company products; sometime in future I may try to purchase it(pt)

I have known very well about the products; however I have bought the products from All Competitors include kk. I am not the sole buyer of one competitor. (Cr)

I have bought the company's products and others many times; I have ordered Frequently, the larger size of my shelf and stocks has been allotted to kk than Competitors. (Ct)

I bought the company product regularly and recommend about the company product to Others and make mouth advertisement. I bought only kk products. (Sr)

I favor the company products, promote it, I recommend to the company the way sales Volume has to increase. I bought only kk products.(at)

I am very close to organization ,participate on marketing decision especially on selling Price, promotion and sales forecast and strategic issues like product development. A Company gives due attention Forward my opinion and says. I do not want to see the Competitors' products at my premises (pr)

7. Do you access to the following services?

	YES	NO
Credit sales services	<input type="checkbox"/>	<input type="checkbox"/>
Seasonal price discount	<input type="checkbox"/>	<input type="checkbox"/>
Information support service	<input type="checkbox"/>	<input type="checkbox"/>

8. Which service do you prefer more from available choices?

- Credit sales services
- Seasonal price discount
- Information support service

9. Indicate other services that you would like to have beyond services on NO.7 if any;-

1. -----
2. -----
3. -----

10. What is your reflection on the following marketing issues?

	Satisfied	unsatisfied
➤ Selling price, quality and availability of product (Marketing mix) --	<input type="checkbox"/>	<input type="checkbox"/>
➤ Customer services package-----	<input type="checkbox"/>	<input type="checkbox"/>

11. If you choice “unsatisfied” customer service packages on No.10. put your Comments, and how it could be improved;-----  
-----

12. How do you see the following issues, give your comment and opinions?

- How do you communication with accompany and is there fair treatment in due course of your communication? -----  
-----
- How do you handle Complain and resolve conflict with the company? -----  
-----  
-----

**APPENDIX -2**

**Interview to be held with management and marketing people of kk private Ltd.COM.**

1. How do you see and evaluate the relationship marketing activities of your company?
2. Does relationship marketing have an impact on customer's loyal? How do you rate Customer loyalty level?
3. How do you rate current customer services in general?
4. Are there a clearly defined policies and procedures of customer services?
5. According to your opinion, what is the impact of current relationship marketing on sales volume, profit, retains or lost customers and sustainable growth of the company?
6. Do you say any things regarding weakness of your company related to maintaining good Relationship with customers, providing service and improve customer satisfaction and Loyalty?
7. Do you have additional customer services come to life in near future?
8. On your opinions, what marketing factors is the strongest arm and your competitive edged? What should be significantly improved to maintain customer loyalty?
9. Do you have customers data base and designed the specific needs of each customers?
10. How do you communicate with your customers? Do you listen; treat customers with respect, trust and dignity?
11. How do you treat compliant and resolve conflict?