THE EFFECT OF CUSTOMER RELATIONSHIP MARKETING ON CUSTOMER LOYALTY:

THE CASE OF RIES ENGINEERING-RENTAL(RESCO-RENTAL)

BY GIRMA DIBEKULU

A Thesis Submitted to Addis Ababa University School of Commerce in Partial Fulfillment of the Requirements of the Degree of Maters of Arts in Marketing Management

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BY

Girma Dibekulu

ID: GSD/0256/06

Advisor: Dr. Mesfin Workineh

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Approved by Board of Examiners:

________________________________	________________
Chairman, Department of Marketing Management	**Signature**
________________	________________
Name of the Advisor	**Signature**
________________________	___________________
Name of the Internal Examiner	**Signature**
__________________________	____________________
Name of the External Examiner	**Signature**

DECLARATION

Here I, Girma Dibekulu, the student researcher, make a declaration that this research work title "**THE EFFECT OF CUSTOMER RELATIONSHIP MARKETING ON CUSTOMER LOYALTY: THE CASE OF RIES ENGINEERING-RENTAL (RESCO-RENTAL)"** is my original and genuine work and has not been presented neither in Addis Ababa university nor elsewhere across the globe. Accordingly, all sources of materials that have been utilized in the research work have been duly acknowledged

GIRMA DIBEKULU AREGA (the student researcher) **I.D** No. GSD/0256/06

Signature………………………………….

Date……………………………………….

STATEMENT OF CERTIFICATION

This is to certify that GIRMA DIBEKULU AREGA has carried out this thesis work title “**THE EFFECT OF CUSTOMER RELATIONSHIP MARKETING ON CUSTOMER LOYALTY: THE CASE OF RIES ENGINEERING-RENTAL (RESCO-RENTAL)”**

The work is original in nature and is suitable for submission for the award of the Master of Art Degree in Marketing Management.

Signature: ___________________________

Name of the Advisor: Mesfin Workineh(PhD)

Date: ____________________

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List of Acronyms and Abbreviations

ANOVA- Analysis of variance

B2B- Business to Business

CH- Conflict Handling

CL- Customer Loyalty

COMIT- Commitment

CONFHAN- Conflict handling

CUSRELMAR- Customer relationship marketing

Cusloy- Customer Loyalty

EMPT- Empathy

RESCO- Ries Engineering share company

RM- Relationship Marketing

SPSS- Statistical Package for the Social Sciences

TRU- Trust

VIF- Variance inflation factor

Abstract

The main purpose of this study was to examine the effect of relationship marketing dimensions (trust, commitment, empathy and conflict handling) on customer loyalty in Ries Engineering-Rental. The study used a quantitative approach, and an explanatory research design was also employed. By considering the scope of the study all 60 B2B customers of Resco-Rental located in Addis Ababa were considered to take part in the study. A census study was conducted by taking 300 people including production managers, project managers, and general managers as a target respondent: 300 is the total available number of respondents in those, 60 B2B customers of Resco-rental. The study employed a questionnaire adopted from previous studies and relevant literature as a data gathering instrument. The researcher has gathered data from 270 respondents, which are about 90 % of the total 300 questioners that were distributed to respondents. The data analysis was conducted through statistical techniques such as descriptive statistics, bivariate correlations and multiple linear regressions by using SPSS software-version 20.00.

The results of data analysis show that, the four variables namely, commitment, empathy. conflict handling and trust aggregately explained or affected 43.7% of variance on customer loyalty in descending order but the rest 56.3% is explained by other factors. Moreover, they are significantly related and contribute differentially to customer loyalty. Commitment is the most important predictor of customer loyalty followed by empathy, conflict handling and trust. This shows that, the company has to be committed enough to have customer loyalty and also need to focus it on its core services so as to gain its customers' trust.

It is reasonable to conclude, on this evidence, that customer loyalty can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating commitment to service, treating customers as they want to be treated, and handling conflicts effectively and efficiently. This study may be affected by a limitation because it couldn't involve other companies in the rental industry; however, the model allows the study to be a base for future researches.

***Key words**: Customer Relationship Marketing, Customer Loyalty, Trust, Commitment, Empathy, Conflict Handling.*

CHAPTER ONE

INTRODUCTION

1.1. BACKGROUND OF THE STUDY

Relationship Marketing (RM) has emerged as one of the dominant mantras in business strategy circles (Palmatier et al, 2006a), with relational exchanges as the basic unit. At a macro level, organizational and environmental factors like strategic network competition (Hunt, Arnett, and Madhavaram, 2006), technological advances, Total Quality Management (TQM) programs, growth of service economy and organizational development programs (Sheth and Parcatiyar, 1995) have been instrumental for development of RM, whereas at the micro level customers engage in relational exchanges when they believe benefits exceed costs (Hunt, Arnett, and Madhavaram, 2006).

The survival of organizations depends on its customers. Customers are the source of profits to be earned by a profit making organization and the primary reason for being in the operation for not-for-profit organizations. Thus, customers are the backbone and lifeline of organizations. Often it is said that without customers there is no businesses.

Relationship marketing gives a company new opportunities to gain a competitive edge by moving customers up a loyalty hierarchy from new customers to regular purchasers, then to loyal supporters of the firm's goods and services, and finally to advocates who not only buy its products or services but also recommend them to others (Smith, 2003).

By converting indifferent customers into loyal ones, companies generate repeat sales. The cost of maintaining existing customers is far below the cost of finding new ones, and these loyal customers are profitable ones. According to the findings of Lacey and Morgan (2009); customers with stronger levels of commitment are indeed more willing to contribute as customer advocates. They also pointed out that relationship marketing represents a dramatic change in buyer-seller interactions from the previous transaction-based marketing that focused on a single transaction.

Effective relationship marketing heavily relies on developing strategic partnerships with customers (Boone &Kurtz, 2005). Studies of the impact of RM on customer loyalty outcomes lean to approach the way customers encounter a problem with regard to the products provided by the manufacturing industry. A small group of studies treat that customer loyalty is a function of trust, commitment and conflict handling. The evidence is almost uniformly consistent in indicating that customers are loyal when the industry relationship marketing is good. A relative handful study of Ndubisi (2006) has specifically examined that relationship marketing such as trust; commitment and conflict handling have a direct effect on customer loyalty. This study shows the effect of relationship marketing including other underpinning such as empathy on customer loyalty in the case of Ries engineering rental.

1.1.1. BACKGROUND OF THE RENTAL INDUSTRY

Construction machinery rental business is a recent phenomenon in the Ethiopian economy. They came into existence after the downfall of the Dergue regime. In the time of the Dergue, they were not allowed, and not only rental companies but also there were no other private sectors because it was a socialist economy. After the downfall of the Dergue, private construction companies were allowed to operate and the demand of heavy earth moving machineries started to rise in an increasing order.

In an early stage of this change, construction companies didn't have any option to acquire such machineries that are mandatory for their constriction works except purchasing them with a huge capital investment. This high capital requirement has limited the capacity of construction companies by tided-up their capital which in turn creates the demand of the rental services. Due to these facts, few rental companies have been emerged to exist, and now they have some growing market share in the Ethiopian economy and are some of the major players in the economy. The number of machinery rental companies is also growing from time to time and currently new machinery rental companies are joining the market.

1.1.2. BACKGROUND OF THE COMPANY

Ries engineering sh.co was set up in 1965 E.C as a sole agent of caterpillar, which is the world's largest manufacturer of earth moving construction machineries, so as to import and supply those machines in Ethiopia. After 30 years of operation, in 1995 E.C the company developed its machinery rental department and gave the rental service to customers. The company taken up leadership positions in machinery rental business in the emerging competitive environment of the sector. The company is a pioneer in envisioning and evolving rental business and gives fast and reliable maintenance and repair services to its rented machines through sending its professional technicians to the project sites of the lessee.

In 2014 G, C the company started to apply customer relationship Marketing practices after the management of the company recognized the declination of market share in their rental business due to their myopic perception. Hence, in order to maintain existing standards and implement new and better systems to satisfy customers and make them more loyal to its rental service, it is crucial to assess the impacts of customer relationship practices of Ries engineering-rental on customer's loyalty and make appropriate changes if there is a gap between services delivered by the company and the expectations of customers.

Generally, Since CRM includes all activities directed towards the establishment, development and maintenance of exchange relationships. This research study will attempt to assess the effect of the implementation of relationship marketing of Ries engineering- Rental on customer's loyalty in terms of four dimensions developed by Ndubisi (2006). The dimensions proposed in the study are trust, commitment, conflict handling, and empathy.

1.2 STATEMENT OF THE PROBLEM

CRM is one of the most growing trends in construction machinery rental industry of Ethiopia these days and high investments have been spent on its technologies in order to keep the customers satisfied. In today's competitive markets, an aggressive competition between rental companies is seen more than in the past. The applications of customer-centric strategies and programs of customer relationship management (CRM) help rental companies to build long-term relationships with customers and result in increasing their income. Therefore, in the machinery rental sector, CRM is of strategic significance because of the effects it has on customer satisfaction and retention which is the final goal in any successful businesses (Blery& Michalakopoulos, 2006). Neglect in customer relationship has led to a lot of organization having a reducing figure in the count of customers in their customer data base.

As a member of Ries Engineering-Rental, the researcher has an opportunity to discuss with the officials of the company’s rental department including: the rental director, rental manager, and fleet supervisor about different issues around the rental business. By doing so, the researcher recognized that such managers have a thinking that, existing customers of the company are loyal, but they don’t know what makes them loyal, and how loyal they are.

Moreover, within the rapid expanding literature of relationship marketing, business–to–business marketing and customer relationship marketing, there is relatively little attention paid to the value of the organization can get from such business strategies.

There are also few studies in the area of CRM and its effect on loyalty, that were concerned with many service industries and most related research like for instance (Majid et al., 2012), (Leverin & Liljander, 2006), and (Helen Mamo,2014) have focused on the banking and financial industry. But, since every relationship marketing means different things in different industries including banking and rental industries, the results of those studies focused only on the banking industry for instance, may not be useful for rental companies. Therefore, there is a need to examine these different variables of relationship marketing as well as their level of contribution to customers’ loyalty in the context of Ries-Engineering-Rental.

In addition, within the best knowledge of the researcher, there are no researches published on RM practice and its effect in loyalty in the context of machinery rental industry especially in the case of Ethiopia. Thus, this research is attempt to fill the practical gap of the company, and make some contribution to the advancement of the body of knowledge of the current literature and to be used as a documented study for industry members through investigating the impact of customer relationship marketing practices on customer’s loyalty across four dimensions of relationship marketing i.e. trust, commitment, conflict handling, and empathy’ in the case of Ries engineering share company’s machinery rental business.

1.3 RESEARCH QUESTIONS

Based on the problem statement mentioned the study was attempted to answer the following questions:

1. How does the CRM practice of Ries engineering-rental affect customers' loyalty?

Sub-questions

2. How does trust influence customer loyalty in the case of Ries Engineering-Rental?
3. To what extent does commitment affect customer loyalty in the case of Ries Engineering-Rental?
4. How does conflict handling influence customer loyalty in the case of Ries Engineering-Rental?
5. To what extent does empathy affect customer loyalty in the case of Ries Engineering-Rental?

1.4. OBJECTIVES OF THE STUDY

1.4.1. General Objective of the Study

The general objective of this study was to examine the effect of customer relationship marketing on customer loyalty in Ries Engineering-Rental.

1.4.2. Specific Objectives of the Study

1. To examine the effect of trust on customer loyalty in Ries Engineering-Rental.
2. To investigate the effect of commitment on customer loyalty in Ries Engineering-Rental.
3. To examine the effect of conflict handling on customer loyalty in Ries Engineering-Rental.
4. To investigate the effect of empathy on customer loyalty in Ries Engineering-Rental.

1.5. SIGNIFICANCE OF THE STUDY

This study's academic contribution hinges on the fact that it offers a significant advancement to the body of the current literature of customer relationship marketing, most especially in the construction machinery rental industry of Ethiopia.

This study would provide current information on relationship marketing and its impact on customer loyalty on Ries engineering-rental's context. It is also in the assumption that the study would provide basic data about relationship marketing and customer loyalty.

The result of this study would also provide valuable insight to management of the company about the effectiveness of their CRM programs for creating long-term relationship with customers and retain them. Thus the management of the company can use the results of the study as a valuable resource for their future CRM strategy. Besides, the findings of the study would be used for other similar studies conducted by the company in the future, so that, it is expected that this research can contribute a lot to the efforts made by Ries engineering-rental for the improvement of customer loyalty through provision of appropriate service to the respected customers.

The study is also being believed to benefit both academicians and other practitioners as a documented study in this area. In addition, to the best knowledge of the researcher, there are no researches published on RM practice and its effect in loyalty in the context of machinery rental industry specially in the case of Ethiopia, so, this research becomes a spring-board for further studies to be conducted by different firms in the industry and similar industries as well.

1.6. SCOPE OF THE STUDY

This study would be focused on the impact of customer relationship marketing on customer's loyalty in a particular construction machinery rental services providing organization. It was not cover the whole construction machinery rental service providing organization in Ethiopia, but it was only covered one selected organization in Addis Ababa, Ethiopia i.e. Ries-engineering. The population size was customers of Ries engineering-rental found only in Addis Ababa; therefore, the scope of this study geographically was customers of Ries engineering rental located in Addis Ababa. This limits the realm of the study by discriminating those customers found in outlying areas.

In addition, the study was assessed the effect of CRM on customer loyalty only from four underpinning factors of relationship marketing (trust, commitment, conflict handling, and empathy) and other elements or underpinning measurements of relationship marketing were beyond the scope of this study.

1.7. LIMITATIONS OF THE STUDY

This research was only investigated the effect of customer relationship marketing practice of Ries Engineering- Rental on loyalty from customer perspective and it was not including employees' perspectives. Thus, it affects the completeness of the results of the study on CRM practices of the company since it lacked to test whether or not employees are conforming with organization's behavior and value with regard to CRM. The study was also limited the population to customers located only in Addis Ababa even though the company has other potential customers in regional states of the country. The study was also focused only on a single rental company, i.e., Resco-Rental but not included other companies in the rental industry of Ethiopia. Thus future researches should include other customers located in other regions of the country and other rental companies in the industry, so as to obtain a better result.

1.8. DEFINITION OF TERMS

Customer relationship management (CRM): Customer relationship management is the establishment, development, maintenance and optimization of long term mutually valuable relationship between consumers and the organization (Berry, 1983. Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business by integrating them with the organization's strategy, people, technology and business processes (Fox, Stead, 2001).

Relationship Marketing: refers to all the activities necessary to identify, establish, maintain and enhance profitable relationships with internal and external customers and other stakeholders, so that the objectives of all parties involved are met through mutual exchanges and the making, enabling and keeping of promises (Payne, 1995).

Customer satisfaction: Customer satisfaction is a business philosophy which tends to the creation of value for customers, anticipating and managing their expectations, and demonstrating ability and responsibility to satisfy their needs, (Dominici and Guzzo, 2010). Kotler (2009), defined satisfaction as a person feeling of pleasure or disappointment resulting from comparing a product perceived performance or outcome in relation to his or her expectation.

Customer's Loyalty: Customer's loyalty is the totality of feelings or attitudes that would incline a customer to consider the re-purchases of a particular product, service or bond or revisit a particular company (Kotler and Keller 2006).

Loyalty: The seller's perception of the consumer's positive attitude to the product manifested by re buying. (Hougaard and Bjerre 2009: 67).

Trust: a willingness to rely on an exchange partner in whom one has confidence (Morgan & Hunt, 1994).

Commitment: enduring desire to maintain a valued relationship. (Morgan and Hunt, 1994)

Compliant handling: the ability of each supplier to minimize the negative consequences of manifest and potential conflicts Dwyer (1987)

Empathy: the capacity to share and understand another's state of mind or emotion. Ndubisi (2004)

1.9. Organization of the Research

The study was divided into five chapters. Chapter One, contained background of the study, statement of the problem, research questions, objective of the study, scope and limitation of the study. In chapter Two, review of related literature in the area of relationship marketing would be presented. Chapter Three, highlighted the description of research methodology that was used to conduct the study. In chapter Four, data would be collected by using quantitative methods, analyzed, and interpreted accordingly. Chapter Five contained the conclusion and recommendation of the research finding. This was the entire organization of the research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2. Introduction

The second chapter of the study will present literatures of the study area and provide a theoretical framework of the study. The chapter begins with reviewing theoretical literatures regarding relationship marketing and its components, followed by the review of empirical studies about the influence of relationship marketing constructs on customer loyalty and ends with developing the conceptual frame work of the study.

2.1. THEORETICAL REVIEW

2.1.1. The Theoretical Origins of Relationship Marketing

A range of bodies of theory is here briefly reviewed to provide some understanding of the foundations of relationship marketing.

A. Neo-classical Microeconomic Theory

This theory emphasizes profit maximization in competitive markets in explaining relative prices, market equilibrium, and income distribution. This assumes well-defined and stable preference structures where individuals independently worry about creating value. Firms are seen as engaged in market transactions to secure the resources they require for producing goods and services they sell in the competitive marketplace. Such market transactions incur the costs associated with the price paid, searching costs, negotiating and contracting costs, and costs of monitoring supplier performance. The marketing management tradition based upon the idea of microeconomic maximization strongly distinguishes the trading environment and controllable decision variables in the marketing mix. It has thus been very useful in explaining value distribution among marketing actors. However, it is doubtful that contemporary problems can be adequately dealt with by a microeconomic approach focusing on costs, functional differentiation, and market structures. It has limited applicability to transactional exchange situations, due to its inadequacy in providing in sufficient tools for analyzing exchange structures and processes within and between exchange parties. Marketing's early bias for distribution activities is said to be evident as the first marketing courses were focused on effectively performing the distributive task (Bartels, 1976) and that early marketing thinking centered on efficiency of marketing channels (Cherrington, 1920; Shaw, 1912; Weld, 1916 & 1917). Markets, in this approach have generally viewed as social 'vacuums' in which buyers and sellers only know each other in their roles as dictated by the market (i.e. as no more than buyer and seller).

B. Transaction Cost Theory

Axioms of this approach are that certain exchange characteristics give rise to transaction difficulties and that different governance mechanisms vary in their cost-minimizing properties. Transaction cost theory departs from the assumptions that individuals are limited in their cognitive capabilities and that they are inclined toward opportunistic and self-interest seeking behavior. Consequently, in situations when information is unequally spread among exchange parties, opportunistic behavior is believed to prevail and exchange may be commercially hazardous.

Because of bounded rationality and the existence of transaction costs, a comprehensive contract related to controlling all aspects of a relationship is not a viable option for partners in a relationship. Instead, parties have to rely on 'incomplete contracting' involving the development of long-term relationships that permit sequential, adaptive decision-making.

This approach assumes that a firm will internalize those activities which they are able to perform at a lower cost, and that they will rely on market mechanisms for those activities in which other providers have an advantage (e.g. outsourcing). The framework helps to identify problems that can arise when idiosyncratic or transaction-specific investments are involved in an exchange relationship. However, there are major limitations. The unilateral focus of transaction cost theory on the potential costs that are associated with idiosyncratic investments fails to recognize the potential value that is generated by these investments. Gummesson (2008: 328) mentioned "RM/CRM are new terms, but represent an old phenomenon." and Sheth and Parvatiyar (1995b) also state that it has historical antecedents going back into the pre-industrial era. Much of it was due to direct interaction between producers of agricultural products and their consumers, and craftsmen who often developed customized products for each customer. Such direct interaction led to relational bonding between the producer and the consumer

Transaction cost theory is mainly preoccupied with the conditions that motivate exchange partners to structure relationships in a particular way, without specifying the mechanisms that provide the ability to implement these desired structures. It focuses on a relationship structure at one moment in time and neglects the possible dynamic evolution of a governance structure and transactions. The implications of the effect of trusting behavior on governance structures are generally ignored in transaction cost theory. Although transaction-specific investments play an important role in affecting relationships through creating dependence and 'locking-in' customers, they are not sufficient to explain long term orientation in exchanges.

C. Relational Contracting Theory

This is primarily rooted in contract law that applies to the legal rights of exchange parties and guides the planning and conduct of exchange. While classical contract law views exchange as composed of single, independent, and static transactions, modern contract law tries to deal with the dynamic nature of intermediate and long-term exchanges. Modern contract law explicitly refers to exchange planning and contract formation, adjustments to established contract relationships, and the resolution of contractual conflict. Relational contracting theory has provided a rich conceptual framework that is able to capture the dimensions and dynamics that underlie the nature of exchange relationships as well as the belief structures and activities that are necessary for successful exchange relationships. After that, producers adopted administered vertical marketing systems so that they gain control over the channels of distribution (McCammon, 1965). Nevertheless, marketing orientation was still transactional as its success was measured in such transactional terms as sales volume and market share. Since a pure reliance on the mechanism of law can be costly in terms of both resources and time, and since unforeseen circumstances can affect the exchange relationship, extra-legal governance methods are needed. So, the concept of contract has been defined very broadly as a relationship between exchange parties who expect to sustain this relationship into the future.

A general property of relational norms is their prescription of behaviors that are aimed at maintaining a relationship and their rejection of behaviors that promote individual goal seeking. During an exchange act, buyers and sellers often establish norms that did not exist prior to this exchange. Contracts can be based on the traditional promise of contract law (promissory norms) or more relationship-based promises (non-promissory norms). It is argued that formal contracts guided by promissory norms do not play a substantial role in most relationships. Rather, it is the set of understandings among exchange partners or the 'implicit contract' guided by non-promissory norms that substantially affects relationships.

Relational contracting theory deals with the criticisms that have been directed at transaction cost theory by including social dimensions of exchange, and by making clear that hierarchical relationship governance mechanisms are not the only mechanisms available. However, this theory has been criticized for failing to prescribe optimal types of governance to deal with specific characteristics of the exchange. Until now, relational exchange theory has mainly been used for descriptive and conceptual purposes.

D. Social Exchange Theory

People use cognitive schema to organize their perceptions of social interactions and relationships. The basis of social exchange theory is derived from marital theory, bargaining theory, and power theory. The qualities of interpersonal relationships have been extensively investigated in disciplines such as psychology and social psychology. Social exchange theory compares the formation and continuity of a relationship with those of a marriage and places interactions between people at the core of relationships. Marketing is seen as an interactive process occurring in a social context where relationship management is central (Gro¨nroos, 1994). The interaction approach suggested six different types of bond: social, technological, knowledge, planning, legal, and economic.

E. Equity Theory

Equity theory is related to social exchange theory, relative deprivation theory, and distributive justice theory, given their unifying basic premise that outcomes should be evaluated in a relative sense within some frame of reference. It was only in the 80s that marketers began to emphasize customer satisfaction measures to ensure that they were not purely evaluated on the basis of transactional aspects of marketing and that sale was not considered as the culmination of all marketing efforts (Sheth and Parvatiyar, 1999). Equity theory focuses upon outcome evaluations that result from relationships characterized by economic productivity objectives. Equity theory postulates that parties in exchange relationships compare their ratios of exchange inputs to outcomes. Inequity is said to exist when the perceived inputs and/or outcomes in an exchange relationship are psychologically inconsistent with the perceived inputs and/or outcomes of the referent.

According to role theory, each exchange partner has learned a set of behaviors that is appropriate in an exchange context – this will increase the probability of goal attainment by each partner. Role stress can affect long-term relationships if role expectations are unclear (role ambiguity) or if actual behaviors deviate from expectations (role conflict). Believed inequities lead exchange parties to feel under-rewarded or over rewarded, angry, or resentful, and will affect behaviors in subsequent periods by encouraging these parties to change their inputs into the relationship, and thus result in suspicion and mistrust of the exchange partner. The closer the exchange relationship, the more likely it is that relationship participants will perceive inequity. If equity prevails, the ratio of one person's outcomes to inputs is assumed to be constant across exchange partners, which results in the satisfaction of exchange partners with their outcomes.

Equity theory explicitly recognizes the inherent inequality between exchange partners. In the case that roles are dissimilar, theories of distributive justice or 'expectation states theory' are useful in understanding exchange relationships. These theories require only that each party has expectations of the role of the other party, and interpret justice in terms of how well this other party performs on their role dimensions. Equity theory is more useful in commercial exchange situations than is social exchange theory (with its assumption of equal partners to the exchange).

Because contradictory findings have been generated on the effects of over rewarding parties in a relationship, equity theory has declined in research popularity and application. A significant shortcoming of equity theory is the absence of a unifying framework that can explain both positive as well as negative effects of over-rewarding.

F. Political Economy Theory

The political economy paradigm integrates economic efficiency theories of organizations with behavioral power theories. It is an institutional analysis based on political science, sociology, and organization theory. The political economy framework draws on social exchange theory, the behavioral theory of the firm, and transaction cost theory. Moreover, political economy theory is related to many of the subfields within marketing. It has also been claimed that it helps to better understand all types of relationship and alliance in marketing. Political economy theory views a social system as interacting sets of major economic and socio-political forces that affect collective behavior and performance. Adopting analysts evaluate exchanges between parties on the basis of three dimensions: (1) polity–economy, (2) external–internal, and (3) substructure–superstructure. An essential characteristic of political economy theory is its simultaneous and interdependent analysis of political and economic systems of production and consumption.

For purposes of building positive theories in marketing, the political economy world view seems more relevant. However, the theory is so comprehensive that it has proven difficult to apply empirically. Due to its complexity, political economy theory is often confronted with criticisms reflecting its methodological problems, vagueness, and incompleteness. It specifies many constructs and relationships that are difficult to capture through conventional research methods. At its present level, political economy is vaguer and less precise than, for instance, the microeconomic paradigm. It may also be criticized for putting too little emphasis on performance or goal attainment of social units in terms of effectiveness and efficiency.

G. Resource Dependence Theory

The resource-based theory of the firm was developed from organization behavior, economics, and strategic management, and has moved beyond the traditional emphasis on the microeconomic paradigm. The ideas are based upon balance power theories, bilateral oligopoly and duopoly theories in economics, and relative deprivation theories of collective conflict. Many theorists regard dependence and power as central to explaining organizational and interpersonal behavior. Yet, the traditional discussion of exchange in marketing generally does not focus on differences in negotiation power and the consequently unequal and unsatisfactory nature of exchange transactions. Fueled by new technology and growing availability of advanced product features and services, customer expectations are changing almost on a daily basis. Consumers are less willing to make compromises or trade-off in product and service quality. In the world of ever changing customer expectations, cooperative and collaborative relationship with customers seem to be the most prudent way to keep track of their changing expectations and appropriately influencing it (Sheth and Sisodia, 1995).

Resource dependence theory explicitly addresses these issues by examining sources of power and dependence in exchange relationships.

H. Resource-Advantage Theory

A resource is available to a firm to enable it to produce efficiently and/or effectively an offering to market that has value for one or more segments (groups whose members have relatively homogeneous tastes and preferences). Comparative advantage in resources allows the firm to occupy a position of competitive advantage in the marketplace. This results in a superior financial performance, with environmental limitations from societal resources, societal institutions that govern the operating rules, competitor actions, consumer behaviors, and public policy decisions. Innovation, in this view, is produced by learning in the process of competitive struggle.

Relationship Marketing is theoretically supported by the possibility that some kinds of co-operative relationships can enhance competition. Relationships are not part of the 'resources' in neoclassical theory. Yet, they are increasingly held nowadays to be valuable in the production–consumption process. The problem in neoclassical thinking is that relationships are not for sale (they are immobile) and have unique characteristics (they are heterogeneous), so they cannot be considered to be resources.

Hunt's Resource-Advantage Theory (Hunt and Morgan, 1995; Hunt, 1997) classified resources in to financial, physical, human, organizational, informational, and relational. These resources need not be owned by the firm, but must be available for the purpose of producing value for some segment(s). Relationships are thus conceived of as organizational capital. This element of the total value of a firm is growing in significance, and relationships are becoming the most important asset for many businesses. A relationship is thus viewed as a particular immobile pro-competitive resource.

I. Institutional Theory

This is an alternative, multi-constituent, and dynamic view that sees social actors in support of the corporation when institutional norms are upheld. The corporation is then seen as legitimate. The institutional marketing thinkers viewed the phenomena of value determination as fundamentally linked to exchange because of their grounding in institutional economic theory (Alderson, 1954; Duddy and Revzan, 1947). Although institutional thought of marketing was later again modified by the organizational dynamics viewpoint and marketing thinking was influenced by other social sciences, exchange remained the central dogma of marketing (Alderson, 1965; Bagozzi, 1974, 1978 & 1979; Kotler, 1972).

2.1.2. Evolution of Relationship Marketing

Researchers have made the compelling case that relational-based exchange was the norm for most of recorded history; the anomaly of transaction-based marketing emerged only in the early 1900s. Thus, relationship marketing is really a rebirth of marketing practices of the pre-industrial age (Sheth and Parvatiyar 1995). Prior to the industrial age, most exchanges occurred in local markets where farmers and craftspeople (producers) sold their products directly to end users. Producers represented both manufacturers and retailers, and embedded relationships between producers and consumers provided the trust and business norms necessary to conduct the transaction because few institutionalized protections existed.

Similarly, relationships led to confidence among traders in the transactions of goods not locally produced. Sheth and Parvatiyar (1995) offer numerous examples of trade, which would only occur among groups with ongoing relationships such as among traders along the historical “silk route” that built trust over time and examples of the use of family names in specific industries that branded relational trust. Thus, though the terminology and specific academic focus on RM are relatively new, the underlying importance of relationships for understanding exchange performance absolutely is not. Mass production and consumption during the industrial revolution changed the dynamics between producers and consumers. Producers took advantage of the economies of scale associated with mass production to produce a large volume of goods at low cost, but these voluminous goods also required transportation, storage, and sales across a larger geographic area and customer base to dispose of them. Many consumers relocated to manufacturing centers and cities, away from agricultural areas, which required the transportation and storage of goods to support these new population centers (Sheth and Parvatiyar 1995).

Moreover, mass production generated the need for aggressive sales and promotions to create sufficient demand for the increased volume of goods. In aggregate, industrialization led to new industries, or “middlemen,” focused on transportation, storage, selling, and retailing (Bartels, 1962). As these new channels competed for business, often with similar or indistinguishable products, exchanges became more transactional and pricing grew to represent a more, if not the most, salient component of the offering.

Institutional and functional economists operating against this backdrop investigated the functions performed by wholesalers and retailers in an exchange to develop early marketing thought (Alderson 1965). This functional economic view of marketing evolved over time by integrating psychological and sociological viewpoints, but product-centric transactions remained the dominant paradigm: marketers varied marketing-mix factors (i.e., price, product, place, and promotion) to achieve business objectives (Gronroos 1994; Sheth and Parvatiyar 1995; Vargo and Lusch 2004).

The emergence of RM as a separate academic domain of marketing in the 1980s and 1990s becomes more comprehensible from a historical perspective. Researchers argue 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 (Gronroos, 1994; Sheth and Parvatiyar, 2000).

The term relationship marketing (RM) initially proposed by Berry in 1983: attracting, maintaining and - in multi-service organizations - enhancing customer relationships (Grönroos, 2004; and Harker and Egan, 2006).

2.1.3. Conceptualization of Relationship Marketing

According to (Mishra & Liy, 2008; relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relationship exchanges. Harker (1999) also proposes the following description after a comprehensive review of 26 definitions of relationship marketing: An organization engaged in proactively creating, developing, and maintaining committed, interactive, and profitable exchanges with selected customers (partners) over time is engaged in relationship marketing" (Sin et al,2005).

As stated by Gronroos (1990), "the purpose of relationship marketing is to identify and establish, maintain, and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met and that this is done by a mutual exchange and fulfillment of promises".

Relationship marketing theory suggests that, successful relationship marketing results from certain aspects of cooperative relationships that characterize successful relational exchanges (Hunt, Arnett, and Madhavaram 2005). Arnett and Badrinarayanan (2005) conceptualize a relationship marketing competence as a firm's ability to identify, develop, and manage cooperative relationships with key customers characterized by trust, relationship commitment, conflict handling and empathy.

2.1.4. Relationship marketing dimensions

A. Trust

As demonstrated by (Morgan and Hunt, 1994); Relationship marketing is built on the foundation of trust. They define trust as a willingness to rely on an exchange partner in whom one has confidence. Trust ensures that, the relational exchange is mutually beneficial, as the good intentions of partners are not in doubt. Customers who are buying services are specially benefited by the existence and development of trust (Berry, 1983).

Morgan and Hunt (1994) conceptualize trust as existing when one party has confidence in an exchange partner's reliability and integrity. They indicated that trust is a generalized expectancy held by an individual that the word of another can be relied on. Their definition highlights the importance of confidence. The literature on trust suggests that confidence on the part of the trusting party results from the firm belief that the trustworthy party is reliable and has high integrity, which is associated with such qualities as consistent, competent, honest, fair, and responsible. Trust in relationship marketing is very important. This is the main focus in service organizations. It needs to go along with commitment. If deliverable is good, then trust increases.

Ndubisi (2007) emphasized that an integral element of the relationship marketing approach is the promise concept. He argued that the responsibilities of marketing do not only, or predominantly, include giving promises and thus persuading customers as passive counterparts in the marketplace to act in a given way, but also in keeping promises, which maintains and enhances evolving relationship. He also pointed out that fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retaining the customer base, and securing long-term profitability.

In practical business activities, therefore, the development of trust is considered to be a critical result of establishing a long-term successful relationship between all the parties involved. In face of complicated service markets, customers tend to behave and make purchasing decision depending on their previous consuming experiences. Investing in long-term relationship with customers helps to develop customer trusts and improve the effective quality of a relationship in order to obtain mutual interests. Customers with trusts in service providers' capability would probably be willing to commit to a service relationship for meeting their expectations (Morgan and Hunt, 1994). They argued that even when the environment is changing, the customers would believe that the service provider will take customers interests into account instead of doing anything harmful to the development of relationship. They conceptualized organizational trust by proposing three core elements as: trustee's ability, trustee's kindness and trustee's integrity. Cumulative process in a relationship was considered to construct trust on the basis of a party's capability of implementing its obligations continuously. Trust is considered so important to long-term relationships and enhancing customer loyalty.

Many authors have suggested that customers' trust has a significant role in building long-term relationship and achieving customer loyalty (Berry, 1983; Kotler & Armstrong, 2010). According to Clow& Kurtz (2003), the key to developing a customer relationship competitive advantage is not merely obtaining a contractual agreement, it is developing mutual trust. They argued that the customers must be able to trust the seller and know that he or she will provide the service when needed at the desired service quality level and the seller must be able to trust and work with the customer in a mutually beneficial relationship. This relationship involves both parties sharing information and working together to solve problems. The primary action in gaining customer acceptance of service process modification is to develop customer trust (Clow& Kurtz, 2003). They pointed out that service modifications are much easier to accomplish if customers trust the service providers. Service providers must understand customer habits and know how, when, and why customers purchase the service. The more the services providers know about the customer's use of services the easier the change will be to implement. The results of Taylor, Celuch and Goodwin (2004) suggest that trust is consistently the most important antecedents to customer loyalty.

B. 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). These authors defined commitment as an enduring desire to maintain a valued relationship. This implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial. They also suggested when commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received and highly committed firms will continue to enjoy the benefits of such reciprocity.

In the services relationship marketing area, Berry (1983) maintains that relationships are built on the foundation of mutual commitment. He also argued that a common theme emerges from the literatures on relationship that parties identify commitment among exchange partners as key to achieving valuable outcomes for themselves, and they endeavor to develop and maintain this precious attribute in their relationships. Therefore, commitment is central to all the relational exchanges between the firm and its various partners. As for commitment as acritical factor in building customer loyalty, consisting in the study of accommodating to customers' needs, tailoring products to requirements, and being generally flexible in their customer relationships is needed Ndubisi (2007). He also indicated that banks should recognize the influence of service commitment in keeping loyal customers, and act accordingly. They must also show genuine commitment to customer relations.

Morgan and Hunt (1994) viewed that a committed partner wants the relationship to endure indefinitely and is willing to work at maintaining it. Lacey (2009) research's suggested that committed customers are not just expected to maintain current purchasing activities, but to increase both the level and proportion of their purchasing activities over time. He argued that customers who remain within a firm are more likely to increase business volume in the future.

Based on this study through the level of customer participation the highest spending customers receive the greatest rewards. Committed customers are positive in both attitude and behavior and they are described as delighted with the brand. They can be depended upon to make continuing purchases and to engage in positive and delighted word-of-mouth exchanges with other potential customers. In a number of service settings, they can also make a positive contribution to the environment of the service experience for other customers; this contribution is particularly important in service settings in which customer-to-customer interaction is an important element of the service experience (Rowley, 2005).

Committed customers are resistant to competitors' attempts to persuade them and likely to be willing to extend their business with the brand, and to evolve their relationship with the brand over a period of time (Rowley, 2005). More specifically, they hardly consider other brands. Information search and the decision-making associated with switching is regarded as too labor intensive, and switching, in general, is regarded as too risky. Such loyal customers are very susceptible to marketing communications from brands to which they are loyal, and can even communicate the messages surrounded in those marketing communications to other actual or potential customers.

Clearly, every business would wish to convert as large a proportion as possible of their customers into committed loyal. They are the true loyal, add value to the brand, and are almost as enthusiastic to continue the relationship with the seller, as the seller might be to continue the relationship with them. Both sides recognize the mutual benefits of the relationship, in minimizing risk.

C. Conflict handling

In interpersonal communication, conflict occurs when an individual perceives incompatibility between his or her own personal goals, needs, or desires and those of the other party. In dealing with conflict, people use different strategies to accomplish their goals. Dwyer (1987) defined conflict handling as the ability of each supplier's to minimize the negative consequences of manifest and potential conflicts. Conflict handling reflects the supplier to avoid any potential conflict, solve that particular conflict before they create problems and the ability to discuss the solution openly when the problem arises. Conflict handling requires cooperative behavior from exchange partners. According to Evans & Beltramini (1987), in a negotiation setting, cooperative versus competitive intentions have been found to be linked to satisfactory problem solution. In short, good conflict resolution will result relationship quality positively.

Conflict handling is an important relationship builder. Even though it is difficult to service industries especially in banking sector to achieve zero service failure all a time, but it is so important that the particular banks put in place effective conflict resolution or problem solving mechanism. As mentioned earlier, the ability of the product or service provider to handle conflict well will also directly influence customer loyalty. Clow& Kurtz (2003) identified and explained the four types of conflict faced by customers.

1. Employee-Customer conflict

Conflict can occur between employees and customers when either party does not follow the expected role. To reduce employee-customer conflict, both customers and service providers must understand their roles. Company personnel should instruct new customers about their roles and may need to remind current customers occasionally. Teaching employees how to deal with different types of customers and their behaviors can also be beneficial.

2. Customer-Role conflict

Occasionally there is a conflict between the customers and their expected roles. In these situations, the service provider must provide instructions to the client on his or her role without insulting the customer. The service provider should also attempt to give the client a sense of cognitive control through providing information about the service to be provided.

3. Customer-Organization conflict

Conflict between the customer and the organization is common. Most of these situations occur as a result of policies of the service organization. In most cases, the individual's conflict is with the organization and not with the service personnel. Dealing with customer-organization conflict is difficult to alleviate because most organizations do not want to change policies. When conflict occurs, service providers should analyze their policies and decide if it is time to modify or eliminate the policy.

4. Customer-Customer conflict

Conflicts sometimes arise among customers when they are served simultaneously or when one customer is served in the presence of other customers. Conflicts also sometimes occur among customers who have different expectations. A customer who wants quick, speedy service may be aggravated at the customer in front of him who wants to talk and wants personalized service. Handling conflict among customers is difficult. Employees of all types of services should be trained to handle conflicts among customers and how to minimize such conflict.

D. Empathy

According to Ndubisi (2004) Empathy is the capacity to share and understand another’s state of mind or emotion. This author also pointed out that the basic idea of empathy should be characterized is that by looking expressions of the people facial or body movement, or by hearing their tone of voice, which will have immediate sense on how they feel. Empathy often characterized as the ability to put oneself into another, or in some way experience the outlook or emotions of another being within oneself. Empathy has the added value of reducing reliance on legal governance, since exchange partners who are governed by the principle of empathy are more likely to treat others in the manner they would like to be treated.

Clow and Kurtz (2003) define empathy as the ability of a person to identify with the feelings or thoughts of another person. This skill is necessary because customer contact personnel serve as the interface between customers and the organization. If customers have special requests or problems, they want employees to understand the problem from their point of view. Zeithaml and Bitner (2003) argued that it is difficult to imagine an organization would deliver caring, individualized attention to customers independent of its employees. According to these authors empathy implies that employees will pay attention, listen, adapt, and be flexible in delivering what individual customers need.

As mentioned by Parasuraman et al., (1988) empathy is one of the important elements to measure the service quality in service industries area. It is so important to each banks manager to recruit staff with social skills that will assist the development of long-standing relationship with customers. And the most important thing is that banks should provide reliable services in order to achieve high level of customer satisfaction, an antecedent of sustainable competitive advantage. They argued that Service organizations are expected to provide care and individualized attention to its customers, as well as having convenient operating hours.

2.1.5. Customer Loyalty

Customer loyalty is the most important goal of implementing relationship marketing activities. (Oliver, 1997) defined customer loyalty as a deeply held commitment to rebury or patronize 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 cause switching behavior.

Customers are the driving force for profitable growth and customer loyalty can lead to profitability (Hayes, 2008). Loyal customers are less likely to switch to a competitor solely because of price, and they even make more purchases than non-loyal customers (Bowen and Shoemaker, 2003).

It is thus essential for vendors to keep loyal customers who will contribute long-term profit to the business organizations (Tseng, 2007). Attempt to make existing customers increase their purchases is one way to strengthen the financial growth of a company (Hayes, 2008). The main theme in customer relationship marketing is to gain and retain customers (Grönroos, 1995) Because of the positive influence that customer loyalty has on profitability. (Hennig-Thurau et al., 2002) state that customer loyalty is the "primary goal" of relationship marketing. Development of customer loyalty has become an important focus for research marketing strategy in recent years (McMullan, 2005).

According (Olorunniwo et al., 2006) loyal customers' affects profitability and overall success of the organization in three ways. First, repeat customer purchases generate revenue for the company, second, organizations can reduce the financial commitment in retaining customers than to recruit new customers and third, loyal and satisfied customers are spreading the good news and recommend the service to others. Nowadays researchers define Loyalty in relation to different marketing features such as service loyalty, product loyalty, chain or store loyalty and brand loyalty (Rauyruen& miller, 2007). The service market and consumer context are two important aspects of Loyalty which have been studied by investigators (Rauyruen& miller, 2007). Repeat purchase behavior was the first view of Loyalty which started in past and was extended by comprise consequences, factors and antecedents. Loyalty has a direct effect on company performance (Zineldin, 2006).

To understand Loyalty concept provides the firms with a better management of their relationship with customers or consumers in order to develop long-term investment and profitability (Zineldin, 2006). According to literature review, there are three principal areas of Loyalty: Behavioral loyalty, Attitudinal Loyalty and Composite Loyalty.

A. Behavioral Loyalty

(Rauyruen & Miller 2007) stated that services behavioral loyalty can be defined as the tendency of average client to repeat the purchase of the goods and products or, and retain a relationship with company. Behavioral loyalty studies have focused on interpreting patterns of repeat purchasing as a manifestation of loyalty. The emphasis is on past rather than on future actions (Zins, 2001).

B. Attitudinal Loyalty

Attitudinal loyalty, in contrast to behavioral loyalty, is distinguished from repeat Buying. (Zins, 2001) mentioned that the customers' emotional and intellectual process is affected by stimuli and responses.

(Reuyruen & Miller, 2007) identified attitudinal loyalty as the degree of clients' psychological attachments and attitudinal advocacy into company. Attitude determines the grade to which a customer's position towards a product or service is desirable. Variables of attitudinal loyalty include recommendation of the service to others, positive word of mouth, and commitment to a preferred firm (Reuyruen &Miller, 2007). Several researchers reported that in the attitudinal approach, loyalty has three phases: cognitive, affective and conative (Oliver, 1997).

1. Cognitive loyalty- is considered to be the first phase in the loyalty formation process. Cognitive loyalty is based on belief and consists of prior knowledge or recent experience, including product or service features such as price;
2. Affective loyalty- it is characterized by emotional preferences for products and is represented by a liking or positive attitude towards the brand, which can emerge from satisfaction and
3. Conative loyalty, which is considered to be a behavioral intention. It characterized by repeat purchase and brand specific commitment.

C. Composite Loyalty

Composite loyalty is a merger of behavioral and attitudinal loyalty, and is expected to have a better anticipative power (Reuyruen & Miller, 2007; Zins, 2001). (Dick & Basu, 1994) suggested that loyalty status can be assessed in terms of the strength of the relationship between relative attitude and repeat patronage, which could be compared with competing offerings. The composite definitions suggest that loyalty should always comprise favorable attitudes, intentions and repeat-purchase.

2.1.6. Customer loyalty in the service provider organizations

Customers remain loyal, not because of promotions and marketing programs, but because of the value they receive (Payne et al., 1995). Key findings of Gee et al (2008) indicates that organizations must understand what drives both value and delight for their customers and adopting a customer centric vision enables an organization understand their customers, deliver customer delight and drive for loyalty. They also pointed out different customers have different requirements and will be delighted in different ways and appropriate monitoring of customers is important to ensure that customer defections are not masked by customer acquisitions. This is essential for the sustainable growth of an organization. Analysis of defecting customers allows an Organization to profile at risk customers where appropriate preventive measures can be put in place to reduce customer defection (Gee et al., 2008).

According to Huseyinet et al (2005) findings, it is more expensive to find and attract a new customer than it is to retain an existing one and service organizations (banks) need to redefine their corporate image to one that emphasizes service quality by introducing standards for service excellence to make loyal.

The study conducted by Huseyinet al (2005) has shown that customers are looking for service providers that keep their promises, instill confidence in the customer about the way they handle transactions, provide prompt service and have employees that are competent and always willing to help the customer. They also argued that due to the highly interactive nature of the employee-customer relationship, including input from employees on what constitutes service excellence would be beneficial for banks and need to reassess what customers expect from them in terms of products and services and thus, provide client specific services is very important.

As stated by Balakrishnan and Els (2008), service initiates aimed at customer relationship management often look at four areas such as satisfaction, retention, loyalty and lifetime profitability. They also suggest a fundamental criterion for the success of customer initiative schemes is making sure that customer perceived value is met or better still, whether it is exceeded and organizations should evaluate future service schemes with respect to cost and results. They also pointed out that in a competitive environment where the customer has myriad choices and few switching costs, loyalty could from the organization point of view decrease costs and increase revenues.

According to Gee et al., (2008) the need for businesses to retain customers is an important issue in today's global marketplace. They also suggested that to retain customers, a business must build long-term relationships with profitable customers. Good communication in service organizations should affect all aspects of the relationship, but largely trust, satisfaction, and loyalty (Ball et al., 2004). Interactions between the customer and the service organization lie at the heart of service delivery and people who deliver the service are of key importance to both the customer they serve and the employer they represent (Huseyinet al., 2005). They also indicated that bank customers want a high degree of interaction with bank staff that are sensitive to their needs and expect personalized service.

According to the findings of Ndubisi (2007), in the context of bank, the greater the trust in the bank, the higher the level of the bank's commitment, the more reliable and timely its communications and the more satisfactorily it handles conflicts, the more loyal its customers will tend to be.

Effective communication affects customers to stay with a provider of services. Loyalty can be nurtured by providing timely and reliable information, for example about the uses and benefits of rental services or about the status of transactions. It can also be reinforced by the provision of honest information on what the company is doing about existing problems and what it does to anticipate potential ones.

2.2. Review of Empirical Studies

Theoretical literature review shows that several studies on this topic have been carried in which each of them have looked over the subject of relationship quality from a special insight and have examined it in different aspects and the following are some of them. (McDonnell et al., 2011) in a study showed that the relationship quality has a positive impact on customer loyalty. Key factors related to the relationship quality in (Wei- Ming et al., 2011) include satisfaction, trust and commitment and customers with higher relationship quality have more loyalty to the company.

Research conducted (Majid et al., 2012) aims to evaluate the effect of relationship quality on lifetime value in the context of bank customer. The findings of this research show that, the studied Banks are at a fairly good level in relationship quality and good level in customer lifetime value. The positive effect of relationship quality on customer loyalty is also confirmed through examining the study hypothesis and test of the model,

(Arnett and Badrinarayanan 2005) conceptualize a relationship marketing competence as a firm's ability to identify, develop, and manage cooperative relationships with key customers characterized by trust, relationship commitment, conflict handling and empathy.

(Ndubisi 2007). The purpose of this study was to examine the impact of relationship marketing (RM) underpinnings namely, trust, commitment, communication and conflict handling on the quality of firm-customer relationship as well as the levels of contribution of these underpinnings. The findings of the study support most of the hypothesized relationships. There is a significant positive relationship between commitment (0.88), conflict handling (0.81) and trust (0.69) on relationship quality.

2.2.1 The Relationship between Trust and Customer Loyalty.

Study conducted by (Kantsperger, Kunz, 2010) aims to develop a conceptual model of consumer trust in a service company, which may help in detecting different mediating effects of trust in the customer relationship to the service company. Antecedents and consequences of trust are studied in a business-to-consumer services context in the banking industry. Empirical data are collected from a sample of 232 retail bank customers with checking accounts in London. The empirical data support that "trust" dimension has a significantly greater influence on customer loyalty (0.78) than "credibility." (0.64). The study concluded that banks can create customer loyalty by exhibiting trustworthy behavior, showing credibility in the transactions and enhancing the overall level of performance. trust plays a major role in achieving customer Loyalty (CL).

Mukherjee, Nath (2007). This study aims to re-examine the commitment-trust theory (CTT) of relationship marketing in the online retailing context. It seeks to theorize the antecedents and consequences of commitment and trust in the online context and identify how CTT can be adapted in a digitized business environment. Modified constructs and their measures are developed to understand the antecedents and the outcomes of commitment and trust. Survey data from British online customers (n=651) are used to test CTT hypotheses with structural equation modeling. The study suggests a significant modification to the traditional CTT model in the online environment. Privacy and security features of the website along with shared values are the key antecedents of trust (0.68), which in turn positively influences relationship commitment (0.74).

Numerous studies indicated that trust has a significant positive relationship with customer loyalty (Roberts et al., 2003; Rauyruen & Miller, 2007). Based on several studies reviewed earlier, the fundamental and core component of establishing as well as maintaining a long-term relationship with the individual or business customers is trust (Morgan & Hunt, 1994; Wong & Sohal, 2002; Roberts et. al., 2003). In addition, trust builds up the confidence of parties that engaging in a relationship and result in extended benefit for both parties (Roberts et al., 2003).

Based on the above review of past studies the following hypothesis is developed:

H1: ***Trust has a significant and positive effect on customers' loyalty of Ries Engineering-rental.***

2.2.2. The Relationship between Commitment and Customer Loyalty.

Chung, Shin (2010). The purpose of this study was to highlight the significance of relationship quality factors (customer satisfaction, trust, and commitment) on positive word of mouth (WOM) in online retailing. The relative importance of site characteristics in online retailing on customer satisfaction was examined and the relationship among customer satisfaction, trust, and commitment in offline was identified. This study then proposes that commitment is positively affects WOM (0.61) more than it does trust (0.57).

Ndubisi (2007). The purpose of this study was to examine the impact of relationship marketing (RM) underpinnings namely, trust, commitment, communication and conflict handling on the quality of firm-customer relationship as well as the levels of contribution of these underpinnings. The findings of the study show that support most of the hypothesized relationships. Commitment is positively affects customer loyalty more than other dimensions of relationship quality.

Based on a number of past studies conducted by various researchers, commitment is shown to have positive impact on customer loyalty and their loyal behavior including repurchases (Morgan & Hunt, 1994; Rauyruen& Miller, 2007). Customer's willingness to continue actively involved in developing and maintaining relationship with its service provider play an essential role in influencing relationship performance (Morgan & Hunt, 1994). It is because loyalty that customers have towards in a business relation is parallel to their commitment they have towards their relationship with the firms (Morgan & Hunt, 1994).

Based on the above review of past studies conducted by several researchers, the following hypothesis is developed:

H2: ***Commitment has a significant and positive effect on customers' loyalty of Ries Engineering-rental.***

2.2.3. The Relationship between Empathy and Customer Loyalty.

(Jones, Ramsay, Wagner 2010). The purpose of this study was to explore the nature of buyers' attitudes towards supplier empathy, Partial consensus and bias. The extent to which buyers display an awareness of and willingness to respond positively to, supplier needs, wants and preferences – termed supplier empathy – and how this influences their attitude towards buyer-supplier cooperation and support of relational exchange is empirically assessed. In addition, factors that may influence the level of empathy on customer relationship with the suppliers. Finally, the extent to which social acceptability bias may mask attitudes in areas where consensus exists is considered. An empirical study utilizing survey data from members of the Chartered Institute of Purchasing and Supply in the UK was completed. A total of 421 useable responses were received and analyzed to evaluate hypotheses. The design also included efforts to identify the presence, and minimize the effects, of social acceptability bias. The analysis indicates that empathy surrounding the relational exchange approach is not shared by all practitioners. In addition, it is found that the level of supplier empathy exhibited by respondents (0.89) is significantly influenced by supplier-dependence aversion, innovation focus, and support for long-term trading relationships. The paper recommends that companies can improve their performance as buyers by increasing the level of empathy when dealing with customers and suppliers.

Ndubisi (2004). This study demonstrates how relationship marketing (RM) application in Cultures of low power distance, collectivism, femininity, high uncertainty avoidance, and long-term orientation, can bring about customers' repeat purchase, customer retention and sustained loyalty via superior customer value delivery. The study also shows the moderation and mediation effects of trust, equity, empathy, and commitment, which are the underpinnings of a relationship as well as important values in the above cultures. A questionnaire derived from previous studies and the relevant literature was completed by 150 University students in Malaysia. The results show that, the relationship marketing underpinnings in itself cannot yield repeat purchase, customer retention, and loyalty as some scholars have erroneously theorized. There is only an indirect association (via superior customer value) between RM and repeat purchase, customer retention and sustained loyalty. Where values show (0.66), empathy (0.55), trust (0.44), commitment (0.45) and equity (0.22).

The study recommended that concentrating more on understanding relationship marketing underpinnings will help in creating the sustained loyalty. By and large, cultural perspectives are useful in understanding relationship marketing, its underpinnings and aftermaths.

Varco (2009) (Emotional empathy and front line employees: does it make sense to care about the customer?). This study aims to examine the relationship between empathy and role stress among front line employees (FLEs). The goal was to test the hypothesis that emotionally critical aspects of the service encounter are central to role conflict. A total of 226 FLEs completed a survey that measured role conflict. The instrument also included measures of empathy – the degree to which FLEs engaged in emotional labor during service encounters. FLEs that spent time engaged in empathetic behavior or saw empathetic behavior as critical to service quality is more related to the customers, where the more front line employees are empathic; the more customers are appreciating that. The level of empathy was about (0.71); also the study reported a significantly high conflict role (0.89) this study recommends that developing flexible policy and procedure for responding to customer demands; and giving FLEs greater decision making authority to interpret policy and make discretionary decisions during the service Encounter.

Based on the above review of past studies conducted by several researchers, the following hypothesis is developed:

H3: ***Empathy has a significant and positive effect on customers' loyalty of Ries Engineering-Rental.***

2.2.4. The Relationship between Conflict handling and Customer Loyalty.

(Leverin, Liljander, 2006). The purpose of this study was to investigate the relationship marketing (RM) strategy of a retail bank and examine whether – after its implementation – customer relationships orientations (trust, conflict handling and values) were strengthened through perceived improvements in the banking relationship and consequent loyalty towards the bank.

A survey was conducted on two profitability segments, of which the more profitable segment had been directly exposed to a customer oriented RM strategy, whereas the less profitable segment had been subjected to more sales oriented marketing communications. The findings show that, the relationship orientations have contributed differently in creating loyal customers, in which conflict handling forms about (0.55), values (0.43) and trust (0.23) from the total improvements. The study recommended that customer satisfaction and loyalty can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating values to the services and handling conflict in a reliable efficient way.

Research conducted by (Dawes, Massey 2005) aims to develop and test a model of the factors that explain the level of interpersonal conflict between marketing managers and sales managers in which this conflict will affect the cross functional relationship. This study recommends that behaviors of managers in solving conflicts where the speed of solving any conflict is the main reason for effective long lasting relationship between the sales managers and the marketing from one side and customers from the other side.

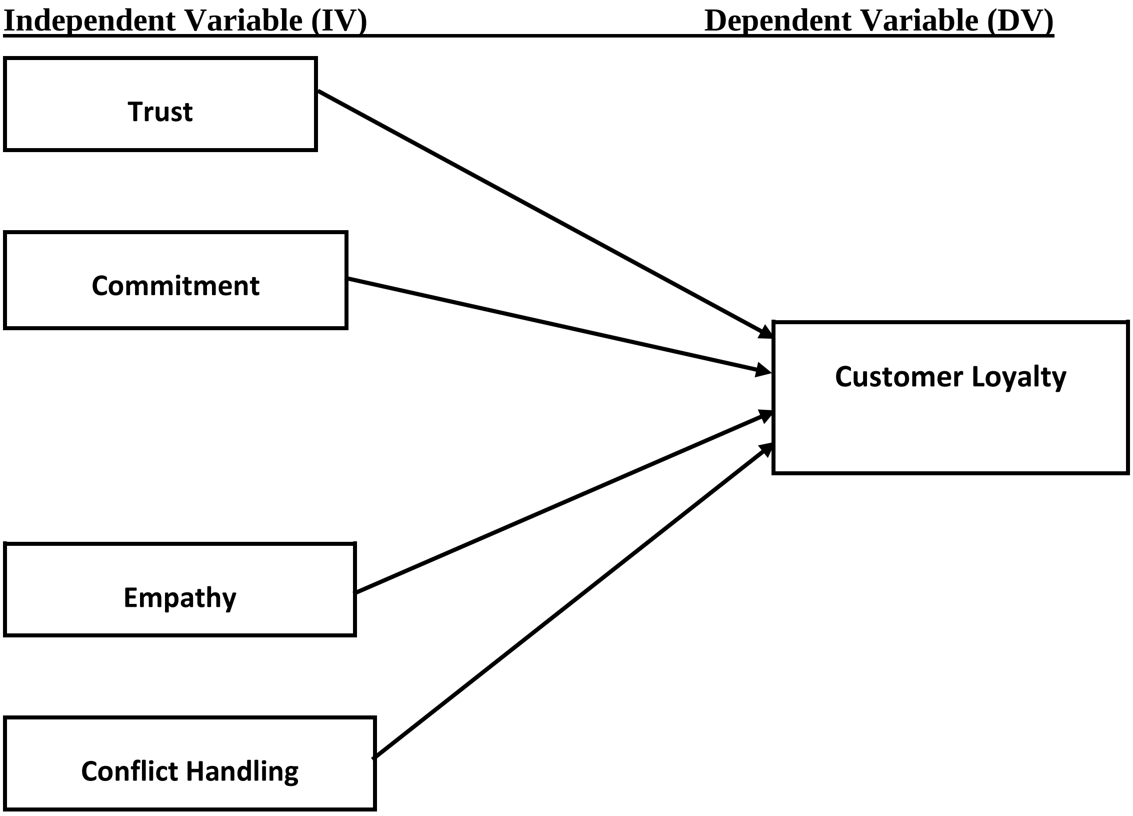
Based on the above review of past studies conducted by several researchers, the following hypothesis is developed:

H4: ***Conflict handling has a significant and positive effect on customers' loyalty of Ries Engineering-rental.***

2.3. CONCEPTUAL FRAMEWORK

The chart below shows the proposed framework that was used in this research project. The proposed framework was adapted from the study of (Hunt et al., 2006). The purpose of this study was to

examine the effect of relationship marketing on customer loyalty. There are four independent variables that would be used to study the effect of relationship quality on customer loyalty.
Based on relationship marketing theory there are relational factors such as trust, commitment, conflict handling, and empathy) that influence customer loyalty. Relationship marketing theory concerned on relational factors and their influence on relationship marketing outcomes like customer loyalty and relational contracting (Hunt et al., 2006). The researcher used the framework developed by (Hunt et al., 2006).as it is without modification. The theoretical framework of the research is as shown below:



Figure, 2. 1: Conceptual framework of the research
Source (Hunt et al., 2006)

2.4. SUMMARY

In chapter two related literatures were reviewed in two dimensions such as, theoretical review, and imperial review.
The theoretical review highlights the conceptualization of customer relationship management and reviews the construct, such as: trust, commitment, conflict handling, empathy, and customer's loyalty as well. As shown in the review, several studies on this topic have been carried in which each of them have looked over the subject of relationship quality from a special insight and have examined it in different aspects and most of these studies showed that the relationship quality have a positive effect on customers' loyalty, and also show that, key factors related to the relationship quality include trust,

commitment, conflict handling, and empathy with higher relationship quality have more loyalty to the company. This review also gives insight into customer loyalty in the context of service provider organization.

Empirical studies conducted by several researchers in the past in respect to the relationships between each dimensions of relationship quality i.e. (trust, commitment, conflict handling, and empathy) with customer loyalty are also reviewed so as to support the research hypothesis by the findings of related past studies. On the basis of such empirical studies 4 hypotheses that will be tested in this research study have been developed.

The chapter ends with developing the study's conceptual framework that demonstrates the relationships between the independent variables such as: trust, commitment, conflict handling, and empathy with the dependent variable i.e. customer loyalty through adopting the framework developed by (Hunt et al., 2006).

CHAPTER THREE

RESEARCH METHODOLOGY

3. INTRODUCTION

Polkinghorne (1985) defines methodology as "Examination of the possible plans to be carried out the journeys to be undertaken so that an understanding of phenomena can be obtained. Graziano and Raulm (2004), explain that since "research" involves a process of asking and answering questions that may lead to interplay between inductive and deductive thinking, the methods used in answering such questions can therefore depend on several factors.

This chapter is concerned with discussing the methodology that was used for this research work. It involves the methods and procedures for carrying out this study including: Research approach and design, Data types and source, Population of the study, Data gathering instruments and analysis Reliability and validity, and Ethical consideration.

3.1. REASERCH DESIGNANDAPPROACH

3.1.1. REASERCH DESIGN

In this research an explanatory research design was employed. Explanatory researches study a problem or a situation in order to finding out the relationship between dependent and independent variables. Explanatory research is the most appropriate design to test whether one variable causes or determines the value of another. For example, does a change in variable X (CRM) cause a change in variable Y (customer retention)?

Considering the purpose and the research question of the present study and since the data was collected through a questionnaire and used to find out the relationsheep between the dependent and independent variables of this study, an explanatory research was found to be an appropriate approach for the study under investigation

3.1.2. REASERCH APPROACH

In this research, a quantitative research approach was employed. The data in quantitative approach are numbers and lends itself to statistical analysis in order to imply the characteristics of something. Structure, representativeness, and providing objectivity are important strengths of quantitative research. This approach provides objectivity because the respondents are the ones who provide the numbers; therefore, researcher's opinion does not have any impact on testing the hypothesis. In a general sense, this approach is used in explanatory researches. Furthermore, it allows generalization and enables the researcher to predict the future.

Since this study is deductive in nature which intended to test the credibility of the conceptual frame work or the theory in Ethiopian context; and it was also test the significance of the hypothesis; and since the results of the study was presented by digits, data has also been analyzed by statistical methods, and the study used an explanatory research design; quantitative approach proved to be an appropriate approach for the study under investigation.

3.2. DATA TYPES AND SOURCES

3.2.1. DATA TYPE

For this study a primary / first hand data was collected. Zikmund (2000) and Sounders et al. (2009, p. 256) say that, there are two classifications for collected data which are: primary and secondary data. Primary data can be collected for instance through interview, observation, and questionnaire. On the other hand, secondary data is the information collected from the studies done before and can be collected from the Internet or libraries. Since data was collected through a structured questionnaire, it was appropriate to collect primary data for this research.

3.2.1. DATA SOURCES

For this study, primary data was collected from customers of Ries Engineering-Rental located in Addis Ababa. Primary sources are directly related to the study purpose. It consists of all the data collected throughout the study that can be directly related to the study purpose, both personally gathered as well as data from a third party that has been collected with equivalent purpose. Secondary data on the other hand, contains relevant data that has been collected for a different purpose, but from which the conclusion is valuable for the purpose. Since the research strategy of the study was a survey, collecting data from primary source seemed to be the most suitable for this study.

3.3. POPULATION OF THE STUDY

The company has 80 B2B customers throughout Ethiopia, out of which 60 of them are located in Addis Ababa. By considering the scope of the study all of those 60 B2B customers located in Addis Ababa are considered to take part in the study. Thus for the purpose of this study, a census study was conducted by taking 300 persons including Production managers, Project managers, and General managers from all 60 B2B customers of Ries Engineering-Rental, located in Addis Ababa as a target respondent. N.B. 300 is the total available number of Production managers, Project managers, and General managers in those 60 B2B customers located in Addis Ababa. Accordingly, a total of 300 questionnaires were distributed to customer respondents over a two weeks' time.

3.4. DATA GATHERING INSTRUMENTS

The main data gathering instrument that was used for this study is a structured questionnaire that was developed by using Ndobisi &Wah (2005) standard questionnaire with minor modifications. A total of 300 questioners have been distributed to respondents' in order to investigate the effects of customer relationship marketing on customer loyalty from the customer's viewpoint. Out of which, 270 responses were secured with a response rate of 90%.

The questionnaire was divide into two sections (1 and 2). Section one confirming questions on respondent's profile and section two includes closed ended questions for gathering the perceptions of customers on the four relationship marketing dimensions (trust, commitment, conflict handling, and empathy) and customer loyalty, specifically in terms of the selected independent and dependent variables.

A 5-point Likert-type scale was used in this research as this form of scale is generally regarded as the most suitable for respondents. Each question of the questionnaire was assigned a number indicating: strongly disagree measured as 1, disagree measured as 2, no opinion measured as 3, agree measured as 4, and strongly agree measured as 5.

3.5. VALITIDY AND RELIABLITY

Reliability and Validity are the two important characteristics of every measure of materials such as questionnaire. Reliability is defined as be fundamentally concerned with issues of consistency of measures. (Bryman & Bell, 2003) Reliability analysis involves ascertaining the extent to which measurements of a particular test are repeatable. Validity is defined as how much any measuring instrument measures what it is intended to measure. Bryman& Bell (2003) also suggested that the important issue of measurement validity relates to whether measures of concepts really measure the concept. Content validity in this study would be ensured as most of the scales employed would be adopted from, Ndobisi &Wah (2005) standard questionnaire was used with minor adjustment. Each attribute was derived from relevant literature to ensure the validity of the questionnaire.

Before analyzing the collected data, the reliability of the main items of the questionnaire was tested by using Cronbach's alpha.

Table 3.1. Reliability statistics of the five point Likert scale questions

Reliability Statistics

Cronbach's Alpha	N of Items
.897	32

Source: own survey, 2017

Therefore, the reliability of 32 items that are critical to measure the effect of relationship quality and customer value on customer loyalty has been tested by using Cronbach's alpha. Reliability coefficient which are more than or equal to 70 % (A>0.7) is acceptable. So, Reliability of the question was evaluated and the result Cronbach's Alpha was used to test the reliability of the materials used in this research. Thus, the reliability coefficient of the above items is above 70% and/or the overall reliability test for the item is (0.897) or 89.7%. This implies that the items were reliable and understandable to the respondents.

Cronbach's alpha was also used to measure the reliability and internal consistency of each RM dimensions (trust, commitment, empathy and conflict handling). As shown in table 3.2, all resulting alpha coefficients are above 0.7, which are an acceptable value.

Table 3.2. Reliability statistics of CRM dimensions

Item	Number of Item	Cronbach's Alpha
Trust	5	0.898
Commitment	8	0.897
Empathy	6	0.895
Conflict handling	6	0.896
Customer loyalty	7	0.898

Source: own survey, 2017

3.6. DATA PRESENTATION AND ANALYSIS

Data analysis consists of examining, categorizing, tabulating, testing or otherwise recombining both quantitative and qualitative evidence to address the objective of the study (Yin, 2003). In order to make effective decisions in the business world, managers and decision makers must be able to use statistical data analysis techniques and methods (Zikmund,2000).

In this research, data analysis has been done in two parts by descriptive and interferential statistics. In the descriptive part, the demography of statistical sample such as sex, age, education, work experience and status in the organization were investigated. However, in the inferential part, data analysis was done by using statistical tools such as regression and correlation models. Regression analysis was used to know by how much the independent variable i.e. relationship marketing (the four dimensions) influences the dependent variable which is customer loyalty. Correlation analysis was also being conducted to measure the strength of the relationship between relationship marketing dimensions and customer loyalty. Tools like tables and percentage was used to show the results. Data analysis was performed by using SPSS (Statistical Package for the Social Sciences) version.20 software.

3.7. ETHICAL CONSIDERATION

The questionnaire has been printed after it has approved by the Advisor of this research for distribution. The researcher was personally visited the selected customers in their appropriate time to communicated the purpose of the questionnaire and kindly encouraged them to fill in the questionnaire objectively without any biases.

The study was also considered some ethical issues include: the respondents have the right to respond or not; the respondents have the right to participate or not; the study was informed respondents the purpose of the questioner; and the study was also considering the confidentiality of the response by not asking to state name while conducting the study and emerging ethical issues was also being considered.

CHAPTER FOUR
DATA PRESENTATION AND ANALYSIS

4. Introduction

In this chapter the findings of the study are presented. During the survey a total of 300 questionnaires were distributed to customers among them 270 questionnaires were returned. Accordingly, the analysis was made based on these 270 responded questionnaires. All 270 questionnaires were filled by the customers of Resco-Rental. Descriptive statistics were used for demographic factors and correlation and regression analysis were conducted for scale typed questionnaires. The entire questionnaires used are attached at the back can refer from (Appendix A.)

In terms of organization, this chapter is put into five subparts. The first subpart deals with the descriptive analysis, the second subpart is testes of assumptions, the correlation analysis between the variables of the topic under study is the third subpart, the fourth subpart is one that presents the regression analysis. Bringing the information gotten from the data analyzed, the last subpart discusses the results reached upon.

4.1 Descriptive analysis

Descriptive analysis was used to present the data collected in relation to the demographic factors for more clarification. It is mainly important to make some general observations about the data gathered with the help of general or demographics questions. The demographics factors used in this research are gender, age, level of education, working experience and Respondents' status in the organization.

4.1.1 Gender of respondents

As shown in table 4.1. below, the gender composition of the respondents is dominated by male respondents, which constituted 97.8% while only 1.8% of respondents were females.

Table 4.1: Gender of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	5	1.8	1.9	1.9
	Male	265	97.8	98.1	100.0
	Total	270	99.6	100.0	
Missing	System	1	.4		
Total		271	100.0		

Source: own survey, 2017

4.1.2 Age of respondents

The respondents' age is presented in the following table 4.2. The table shows that 40 % of the respondents were between the age of 30-40 years, the respondents who are between 40-50 years were also 40. %. The rest 20% of respondents were above 60 years old. This implies that, young and middle aged active adults dominated the participants of this study and this has indeed contributed to the quality of opinions gathered.

Table 4.2: Age of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	30-40	108	40.0	40.0	40.0
	40-50	108	40.0	40.0	80.0
	50-60	54	20.0	20.0	100.0
	Total	270	100.0	100.0	

Source: own survey, 2017

4.1.3 Educational level of respondents

The educational level of the respondents looks like what is shown in table 4.3. As it can be seen from the table 74.8 % of the respondents where first degree holders. The rest 25.2 % of the respondents were holders of second degree and above. The educational background of the participants revealed that first degree and second degree and/or above holders were represented hundred present of the participants as presented in the table below. The high literacy level of respondents has facilitated the researcher for getting good, well-informed and quality responses from them.

Table 4.3: Educational level of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Degree	202	74.8	74.8	74.8
Masters and above	68	25.2	25.2	100.0
Total	270	100.0	100.0	

Source: own survey, 2017

4.1.4 Respondents' working experience

The data indicating the working experiences of respondents is presented in Table 4.4. Accordingly, 74.1 % of the respondents were having above 5 of working experiences. While the other 25.9 % of them were having 3-5 years of working experience. It implies that, the majority of the respondents have more than five years of working experiences, it constituted nearly three quarter of the total respondents and the other quarter is represented by those respondents who have more than 3 years of working experiences. The high experience level of respondents could have been helped the researcher to obtain quality responses from the participants, since they are well informed about the relationship marketing practice of the company and also can able to evaluate the implementation of RM practices effectively.

Table 4.4: Working experiences of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3-5 years	70	25.9	25.9	25.9
	Above 5 years	200	74.1	74.1	100.0
	Total	270	100.0	100.0	

Source: own survey, 2017

4.1.5 Respondent's status in the organization

As shown in Table 4.5 below, 52.8 % of the respondents were Project managers. While 25.3 % of them were Operation managers. The rest 21.9% of respondents were General managers in their respective organizations. This implies that, the status composition of respondents was dominated by project managers, which constituted more than half number of the respondents. Thus, since project managers are a front line observers of the actual service performances of Ries Engineering-Rental, it has helped the researcher to obtain quality reliable responses.

Table 4.5: Respondent's status in the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Project manager	143	52.8	53.0	53.0
	Operation manager	68	25.1	25.2	78.1
	General manager	59	21.8	21.9	100.0
	Total	270	99.6	100.0	
Missing	System	1	.4		
Total		271	100.0		

Source: own survey, 2017

4.2 Test of Assumptions

4.2.1 Normality test

Table 4.6 Normality test

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
CUSTOMER LOYALTY	270	-.772	.148	1.471	.295
TRUST	270	-.385	.148	-.151	.295
EMPHATY	270	-1.703	.148	1.260	.295
COMMITMENT	270	-2.006	.148	.264	.295
CONFLICT HANDELING	270	-.420	.148	-.552	.295
Valid N (listwise)	270				

Source: own survey, 2017

According to Field (2013), a threshold value of plus or minus 2.58 in skewness and kurtosis statistics is considered as normal. As shown in table 4.6, the values of both skewness and kurtosis statistics are in the range of plus or minus 2.58. This signifies that the data for this research is normal.

4.2.2 Multicollinearity test

The researcher has used the Variance Inflation factor (VIF) to check the Multicollinearity among the independent variables. If there is a high degree of correlation between independent variables, we have a problem of what is commonly described as the problem of multicollinearity (Kothari, C.R. (2004). Multicollinearity analysis is the computation that used to identify whether there is occurrence of more than one variable in a multiple regression model that are found to be highly interrelated (Zikmund et al., 2010). Multicollinearity can be assessed by examining the tolerance and variance inflation factors (VIF) which are the two Collinearity diagnostics factors. In this study, as shown in table 4.12, the variance inflation factor (VIF) value are ranges from 1.200-2.517 and tolerance value ranges within the value of 0.397-0.834. According to this values (both VIF and tolerance level) indicate that for this analysis, there is no serious multicollinearity problem.

Table 4.7 Multicollinearity test

Model		Collinearity Statistics	
		Tolerance	VIF
1	TRUST	.834	1.200
	COMMITMENT	.397	2.517
	EMPHATY	.447	2.238
	CONFLICT HANDELING	.657	1.522

Dependent Variable: CUSTOMER LOYALTY

Source: own survey, 2017

4.3 Correlation Analysis

The statistical treatment of the study included the determination of correlation between relationship marketing dimensions and customer loyalty. These were carried out using Pearson's coefficient to determine the level of relationship. Pearson correlation analysis is used to examine the degree of linear relationship between two quantitative variables. Strength and direction of the relationship existing between the two variables can be determined through the computation of Pearson correlation. Correlation ranges from -1 to +1, in which the value of 0 indicates no linear relationship, a value of +1 shows perfect positive relationship and the value of -1 means perfect negative relationship. The closer the r to ±1, the stronger is the relationship between X and Y. If r is equal to zero, then there is no correlation between X and Y.

Table 4.8: Guideline for the Pearson Correlation Analysis

Pearson Correlation	Strength of Correlation Relationship
r = 0.10 to 0.29 or r = -0.1to -0.29	Weak
r = 0.30 to 0.49 or r = -0.30 to -0.49	Moderate
r = 0.50 to 1.00 or r = -0.50 to -1.00	Strong

Source: Sekaran, U., & Bougie, R. (2010). Research methods for business: A skill building approach. (5th ed). United Kingdom: John Wiley & Son Ltd

4.3.1 Correlation analysis between relationship marketing and customers' loyalty

Pearson correlation test was conducted to know the degree of relationship between the independent variable, which is relationship marketing, and the dependent variable, customers‟ loyalty. The results of the correlation between these variables are shown in table 4.9. As it is indicated in the table there is a significant correlation between relationship marketing and customers' loyalty. In other words, relationship marketing and customer loyalty have a relationship (r = 0.656 with p<0.01).

Table 4.9: Correlation between RM and customer loyalty

		CUSTOMER LOYALTY	CRM
CUSTOMER LOYALTY	Pearson Correlation	1	.656**
	Sig. (2-tailed)		.000
	N	270	270
CRM	Pearson Correlation	.656**	1
	Sig. (2-tailed)	.000	
	N	270	270

**. Correlation is significant at the 0.01 level (2-tailed).

Source: own survey, 2017

4.3.2 Correlation analysis between trust and customers' loyalty

Pearson correlation test was also conducted for trust and customers' loyalty and the results are as shown in table 4.10. As it can be seen from the table, there is significant positive correlation between trust and customers‟ loyalty. This is to say that trust and customers' loyalty have moderate relationship (r = 0.331).

Table 4.10: Correlations between trust and customers' loyalty

		CUSTOMER LOYALTY	TRUST
CUSTOMER LOYALTY	Pearson Correlation	1	.331**
	Sig. (2-tailed)		.000
	N	270	270
TRUST	Pearson Correlation	.331**	1
	Sig. (2-tailed)	.000	
	N	270	270

**. Correlation is significant at the 0.01 level (2-tailed).

Source: own survey, 2017

4.3.3 Correlation analysis between commitment and customers' loyalty

For these variables, commitment and customers' loyalty, also Pearson correlation test was conducted and the results shown in Table 4.11 were able to be acquired. As it is shown in the table, there is significant correlation between commitment and customers' loyalty. This implies that commitment and customers' loyalty have strong relationship (r = 0.582).

Table 4.11: Correlations between commitment and customer loyalty

		CUSTOMER LOYALTY	COMMITMENT
CUSTOMER LOYALTY	Pearson Correlation	1	.582**
	Sig. (2-tailed)		.000
	N	270	270
COMMITMENT	Pearson Correlation	.582**	1
	Sig. (2-tailed)	.000	
	N	270	270

**. Correlation is significant at the 0.01 level (2-tailed).

Source: own survey, 2017

4.3.4 Correlation analysis between empathy and customers' loyalty

Pearson correlation test was also conducted to know whether there is significant correlation between empathy and customers' loyalty, and the results are shown in Table 4.12. As it is clearly indicated on the table, there is positive correlation between empathy and customers‟ loyalty. The result of correlation analysis proves that empathy and customers‟ loyalty have strong relationship with (r = 0.579).

Table 4.12: Correlations between empathy and customers' loyalty

		CUSTOMER LOYALTY	EMPHATY
CUSTOMER LOYALTY	Pearson Correlation	1	.579**
	Sig. (2-tailed)		.000
	N	270	270
EMPHATY	Pearson Correlation	.579**	1
	Sig. (2-tailed)	.000	
	N	270	270

**. Correlation is significant at the 0.01 level (2-tailed).

Source: own survey, 2017

4.3.5 Correlation analysis between conflict handling and customers' loyalty

In order to see the correlation between conflict handling and customers‟ loyalty, Pearson correlation test was conducted, and the results found were like shown in table 4.13. As it is clearly indicated in the table, there is significant positive correlation between conflict handling and customers‟ loyalty. In other words, conflict handling and Customers‟ loyalty have moderate relationship or correlation with (r = 0.435).

Table 4.13: Correlations between conflict handling and customers' loyalty

		CUSTOMER LOYALTY	CONFLICT HANDELING
CUSTOMER LOYALTY	Pearson Correlation	1	.435**
	Sig. (2-tailed)		.000
	N	270	270
CONFLICT HANDELING	Pearson Correlation	.435**	1
	Sig. (2-tailed)	.000	
	N	270	270

**. Correlation is significant at the 0.01 level (2-tailed).

Source: own survey, 2017

4.4 Regression Analysis

Regression analysis is a statistical method to deal with the formulation of mathematical model depicting relationship amongst variables which can be used for the purpose of prediction of the value of dependent variable, given the value of the independent (Kothari,2004). Thus, regression analysis was conducted to know and understand by how much each independent variable (trust, commitment, conflict handling and empathy) explains the dependent variable that is customers' loyalty. The results of the regression analysis are as presented below.

4.4.1. Regression analysis of relationship marketing and customers' loyalty

The regression model was used to determine how the four RM dimensions affect customers' decision to remain loyal (Table 4.14). The results showed that there is a significant relationship between RM and customer loyalty with ($p<0.05$). This means, Trust, commitment, empathy and conflict handling, determine customer loyalty. An R-Square of 0.437 was obtained, indicating that all four relationship marketing practices jointly determine 43.7 % of customer loyalty. This result is supported by, (McDonnell et al., 2011) in a study showed that the relationship quality has a positive impact on customer loyalty.

An attempt made to estimate how the individual variables contribute to customer loyalty revealed that amongst the four dimensions of RM, Table 4.16. titled as coefficients of relationship marketing dimensions, helps us to understand which variables among the four independent variables is the most important in explaining the variance in customers' loyalty. If we can see the Beta column under standardized coefficients below, we can understand that the highest number in the beta is commitment, as it indicated in the table; high beta value shows that it is significant in explaining 0.291 for commitment is the leader driver of customer loyalty, followed by empathy with 0.205, conflict handling with 0.204 and Trust with .188 respectively.

The findings also revealed that all the dimensions have significant relationship with customer loyalty with ($p\leq0.05$), hence they constitute the major determinants of customer loyalty in Ries Engineering-Rental. Relationship marketing as used for prediction was found to be significantly related to customers' loyalty as the p-value is less than 0.01, which is 0.000.

Table 4.14: Regression analysis result for RM and customers' loyalty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.661[a]	.437	.429	.187

a. Predictors: (Constant), TRUST, CONFLICT HANDELING, EMPHATY, COMMITMENT
b. Dependent Variable: CUSTOMER LOYALTY

Source: own survey, 2017

Table 4.15: ANOVA result for RM and customers' loyalty

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.229	4	1.807	51.481	.000[b]
	Residual	9.303	265	.035		
	Total	16.532	269			

a. Dependent Variable: CUSTOMER LOYALTY

Source: own survey, 2017

Table 4.16: Coefficients of relationship marketing dimensions

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.484	.265		5.602	.000
	EMPATHY	.117	.042	.205	2.805	.005
	COMMITMENT	.211	.050	.291	4.215	.000
	TRUST	.127	.038	.188	3.310	.001
	CONFLICT HANDLING	.215	.053	.204	4.051	.000

a. Dependent Variable: CUSTOMER LOYALTY

Source: own survey, 2017

Multiple Regression method was used to model the relationship between customer relationship marketing and customer loyalty. The following model was developed representing X1 for variable 'Trust', X2 for Variable 'Commitment', X3 for variable 'Empathy, X4 for 'Conflict Handling', and Y for 'Loyalty'.

$$Y = 1.484 + 0.188X1 + 0.291X2 + 0.205X3 + 0.204X4$$

4.4.2 Regression analysis of trust and customers' loyalty

As it is indicated in the model summary of table 4.17., trust explains customers' loyalty. In this case, the results of correlation of trust, customers' loyalty and R Square (0.110) are taken into consideration. This R square is the explained variance and it is actually the square of the multiple R $(0.331)^2$ which is 0.110. Therefore, it is pointed out that 11% of customers' loyalty is explained by trust. As it is indicated in table 4.19., trust was considered as predictors of customers' loyalty and reported high level of significance $p<0.01$. And also the R square value of 0.110 confirming that, 11% of the variation in customer loyalty is explained by trust. Trust as used for prediction was found to be significantly related to customers' loyalty as the p-value is less than 0.01.

Table 4.17: Regression analysis result for trust and customers' loyalty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.331[a]	.110	.106	.234

a. Predictors: (Constant), TRUST

Source: own survey, 2017

Table 4.18: ANOVA result for trust and customers' loyalty

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.814	1	1.814	33.039	.000[b]
	Residual	14.718	268	.055		
	Total	16.532	269			

a. Dependent Variable: CUSTOMER LOYALTY
b. Predictors: (Constant), TRUS

Source: own survey, 2017

4.4.3. Regression analysis of commitment and customers' loyalty

Table 4.20., Shows the result of regression analysis for commitment and customers' loyalty. In this case, the results of correlation of these two variables and R Square (0.338) are taken into consideration. Here the R square is the explained variance and it is actually the square of the multiple R $(0.582)^2$ which is 0.338. Therefore, it is possible to state that 33.8% of customers' loyalty is explained by commitment. As it is indicated in table 4.22., commitment was considered as predictors of customers' loyalty and reported high level of significance p<0.01. and also the R square value of 0.338 confirming that, 33.8% of the variation in customer loyalty is explained by commitment. Commitment as used for prediction was found to be significantly related to customers' loyalty as p-value is less than 0.01. It is the highest of all the independent variables in explaining customers' loyalty.

Table 4.19: Regression analysis result for commitment and customers' loyalty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.582[a]	.338	.336	.202

a. Predictors: (Constant), COMMITMENT

Source: own survey, 2017

Table 4.20: ANOVA result for commitment and customers' loyalty

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.595	1	5.595	137.084	.000[b]
	Residual	10.938	268	.041		
	Total	16.532	269			

a. Dependent Variable: CUSTOMER LOYALTY
b. Predictors: (Constant), COMMITMENT

Source: own survey, 2017

4.4.4 Regression analysis of empathy and customers' loyalty

As the result of regression analysis of empathy and customers' loyalty indicates, empathy can explain customers' loyalty relatively in a higher extent. In this case again, the correlation result of these variables and the R square are taken. The R square is the explained variance and it is actually the square of the multiple R $(0.579)^2$ which is 0.336. Therefore, it is possible to conclude that 33.6 % of customers' loyalty is explained by empathy. As it is indicated in table 4.25., empathy was considered as predictors of customers' loyalty and reported high level of significance $p<0.01$ and also the R square value of 0.336 confirming that, empathy as used for prediction was found to be significantly related to customers' loyalty as p-value is less than 0.01.

Table 4.21: Regression analysis result of empathy and customers' loyalty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.579[a]	.336	.333	.202

a. Predictors: (Constant), EMPHATY

Source: own survey, 2017

Table 4.22: ANOVA result for empathy and customers loyalty

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.550	1	5.550	135.455	.000[b]
	Residual	10.982	268	.041		
	Total	16.532	269			

a. Dependent Variable: CUSTOMER LOYALTY
b. Predictors: (Constant), EMPHATY

Source: own survey, 2017

4.4.5 Regression analysis of conflict handling and customers' loyalty

We can also look the regression analysis result of conflict handling and customers' loyalty in table 4.26., as it is clearly indicated in the table, conflict handling can explain customer loyalty in Ries Engineering-Rental. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R $(0.435)^2$ which is 0.189. Therefore, it is possible to state that 18.9% of customers' loyalty is significantly explained by conflict handling. Conflict handling was considered as predictors of customers' loyalty and reported high level of significance $p<0.01$ as it is indicated in table 4.28. And also the R square value of 0.189 confirming that, 18.9% of the variation in customer loyalty is explained by conflict handling. Conflict handling as used for prediction was found to be significantly related to customers' loyalty as p-value is less than 0.01.

Table 4.23: Regression analysis result of conflict handling and customers' loyalty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.435[a]	.189	.186	.224

a. Predictors: (Constant), CONFLICT HANDELING

Source: own survey, 2017

Table 4.24: ANOVA result for conflict handling and customers' loyalty

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.131	1	3.131	62.620	.000[b]
	Residual	13.401	268	.050		
	Total	16.532	269			

a. Dependent Variable: CUSTOMER LOYALTY

b. Predictors: (Constant), CONFLICT HANDELING

Source: own survey, 2017

4.5. Hypotheses Testing

There were four major hypotheses constructed in this study to answer the research question. Since Pearson correlation coefficient shows only the strength and direction of the relationship between variables, it is advisable to use regression analysis to test the influence of the independent variables on the dependent one.

Table 4.25: Summary of the Overall Outcome of the Research Hypotheses

Hypotheses	Result	Reason
Ho: Trust has an insignificant and negative effect on customer loyalty. H1: Trust has a significant and positive effect on customer loyalty.	HO: Failed H1: Supported	β=0.188, $p<0.01$
HO: Commitment has an insignificant and negative effect on customer loyalty. H1: Commitment has a significant and positive effect on customer loyalty	HO: Failed H1: Supported	β=0.291, $p<0.01$
HO: Empathy has an insignificant and negative effect on customer loyalty. H1: Empathy has a significant and positive effect on customer loyalty	HO: Failed H1: Supported	β=0.205, $p<0.01$
HO: Conflict handling has an insignificant and negative effect on customer loyalty. H1: Conflict handling has a significant and positive effect on customer loyalty	HO: Failed H1: Supported	β=0.204, $p<0.01$

4.6. Results Discussion

This research is concerned in the elements of relationship marketing towards customers' loyalty in machinery rental industry, taking the case of Ries-Engineering-Rental. The objective of the study was to explain the effects of RM on customer loyalty within Ries Engineering-Rental by analyzing the relationship of every construct in the theoretical framework.

Demographic factors such as gender, age, level of education, working experience and status in the organization have been taken into account to learn the general characteristics of the respondents. The research took 98.1% male and 1.9% of female respondents. In terms of age, 40% of the respondents were found to be between 30 – 40 years of age. Those who are between 40 – 50 years were also constituted same 40%. Those who are above 60 years of age were constituted the rest 20%. With regard to the level of education, 74.8% of the respondents were Bachelor's Degree holders. The respondents with Masters' Degree and above accounted for the rest 25.2%. Regarding the working experiences of respondents, 74.1% of them have 3-5 years of working experience. While the rest 25.9% of the responders have above 5 years' of working experience. In respect of respondents' status in their respective organizations, 52.8% of them were project managers, 25.3% of the respondents were found to be operations managers. General managers were constituted to 21.9%.

According to the results of Pearson correlation test, RM is positively correlated with customers' loyalty with ($r = 0.656$). The regression analysis results also showed that there is a significant relationship between RM and customer loyalty with ($p<0.05$). This means, Trust, commitment, empathy and conflict handling, determine customer loyalty. All four relationship marketing practices jointly determine 43.7 % of customer loyalty. Commitment is the leader driver of customer loyalty with a beta value of 0.291, followed by empathy with 0.205, conflict handling with 0.204 and Trust with .188 respectively.

Based on the results of Pearson correlation test, trust is positively correlated with customers' loyalty with ($r = 0.331$). In other words, if customers trust the company, they will be loyal to it. In order to increase this positive relationship, Ries engineering should be able to keep the promises it makes to customers so that it encourages repeat purchase and strong relationship can be established with customers. In addition, trust can only be existing, if customers have confidence in the Ries Engineering's ability to perform its promises. Therefore, trust has power to determine the loyalty of customers. In addition, Ries engineering can be perceived as honest by its customers, if it has strong and lasting relationship with customers. Customer trust has a significant role in building long-term relationship and achieving customer loyalty (Berry, 1983). So, the finding of this research in this aspect is in line with what Berry (1983) states.

The regression analysis of trust dimension and customer loyalty indicates that 11% of the variance R square in customers' loyalty has been significantly explained by trust. The finding of Ndubisi (2007) showed that trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty. And also the finding of Morgan and Hunt (1994) concluded that customers with trusts in the producer's capability would probably be willing to commit to a relationship for meeting their expectations. Therefore, the result of this study on trust dimension is similar to the above findings that trust has the power to increase customers‟ loyalty of Resco-Rental.

Commitment is another element of relationship marketing that is taken into account to explain customers' loyalty. Based on the correlation test result, commitment is positively and highly correlated with customers' loyalty with correlation coefficient of (r=0.582). This shows that commitment is the major determinant of customers' loyalty, and customers will critically evaluate the commitment of the Ries Engineering-Rental. The commitment of the company will help to retain its customers by improving the rental service it renders. By having committed employees, rental companies can continue retaining current customers and attract the new ones so that it can generate more profit. To this extent the commitment dimension of RM plays great role for making customers more loyal to the company. Therefore, Ries Engineering is expected to have committed employees to treat the customers as they wish to be treated. This particular result is supported by the study of Fullerton (2003). According to this researcher, commitment has a strong positive effect on the softer aspects of customer loyalty such as advocacy and willingness to pay more for the products.

With regard to the regression analysis of commitment dimension and customers' loyalty, 33.8% of the variance R square in customers' loyalty is significantly explained by commitment. It is the highest of all the independent variables in explaining customers' loyalty. The result of Morgan and Hunt (1994) viewed that a committed partner wants the relationship to endure indefinitely and is willing to work at maintaining it. Research by Lacey (2009) also suggested that committed customers are not just expected to maintain current purchasing activities, but to increase both the level and proportion of their purchasing activities over time. Therefore, the result of this research, regarding, commitment is support the above findings that commitment has the power to increase customers' loyalty of Resco-Rental.

The other factor that is included in the dimensions of relationship marketing is empathy. It was found to have positive and high relationship with customers' loyalty. The correlation coefficient between these variables is 0.579. Empathy is one of the important tools to create long term relationship with customers. Nearly high number of customers wanted to be treated as they want to be treated by Ries Engineering employees. If this is the case, the company need to treat customers individually as they want to be treated so as to make its customers more loyal. When the customers are treated in a better way, they become satisfied and loyal. As a result, empathy has power to create lasting relationship with customers and shaping the minds of the existed customers to say positive things about the company to others. Therefore, Ries Engineering-Rental needs to understand its customers' needs and wants and continuously evaluate its service to satisfy and retain its current customers and also to attract new once.

With regard to the regression analysis of empathy and customers' loyalty, 33.6% of the variance R square in customers' loyalty is significantly explained by empathy. The finding of Zeithaml and Bitner (2003) showed that it is difficult to imagine an organization would deliver caring, individualized attention to customers independent of its employees. As it is mentioned by Parasuraman et al., (1988) empathy is one of the important elements to measure the service quality in service industries area. Therefore, the result of this research on empathy of RM supports the above findings that empathy has power to make customers loyal in the case of Resco-Rental.

The fourth factor included in the relationship marketing underpinnings was conflict handling. As it is indicated in the correlation analysis, conflict handling dimension has positive and moderate relationship with customers' loyalty. The correlation coefficient between conflicts handling and customers' loyalty is 0.435. When rental companies have good conflict handling procedures and solving the manifested problems successfully and if customers can express their complaints or feelings freely, there is a higher chance that they will become more loyal. In order to encourage customers to complain when they face any problem, service companies are responsible to aware and inform their customers in advance how and where to complain. Generally, appropriate and acceptable conflict handling procedure will create strong relationship with customers. The above result is supported by Tax (1998). The results from this study indicate that investments in complaint handling can strengthen customer relationships, and build customers' commitment.

The regression analysis result for conflict handling and customers' loyalty indicates that, 18.9% of the variance R square in customers' loyalty has been significantly explained by conflict handling. The result of

Ndubusi (2007) indicated that customers tend to be loyal to industries that handle customer complaints which will always happen and other conflicts satisfactorily. Ndubisi and Wah (2005) found a significant relationship between conflict handling and customer loyalty. The result of this research on conflict handling dimension is similar with the above results which are arguing that, proper conflict handling can increase customers' loyalty.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5. Introduction

This is the final chapter and it presents summary, conclusion and recommendation of the study. First summary of the findings, which is obtained while answering the research question, is presented, then based on the findings it reached on conclusions. Finally, based on the overall conclusions it proposed recommendation.

5.1 Summary of the findings

The purpose of this study was examining the effect of customer relationship marketing on Customer loyalty in Ries Engineering-Rental., and intended to test the effect of four relationship marketing dimensions such as trust, commitment, empathy, and conflict handling on customer's loyalty of Ries Engineering-Rental.

Several findings emerged that contributed to solve the study problem, gave logical answers to the study questions, and interpreted the hypotheses. Therefore, the results of the study can be summarized as follows:

The study provides the evidence that relationship marketing has relationship with customer loyalty. This finding agrees with the study of (McDonnell et al., 2011) in a study showed that the relationship quality has a positive impact on customer loyalty.

Based on the Pearson correlation test, all the independent variables (trust, commitment, empathy and conflict handling) appear to have a positive relationship with the dependent variable (customer loyalty). Among the independent variables commitment and customers' loyalty have the strongest positive correlation with the correlation value of ($r = 0.582^{**}$). Empathy dimension and customers' loyalty are related with high relationship ($r = 0.579^{**}$). Conflict handling dimension and customers' loyalty are related with moderate relationship ($r = 0.435^{**}$). Trust dimension and customers' loyalty are related with moderate relationship ($r = 0.331^{**}$).

The multicollinearity analysis shows that all the independent variables are not highly correlated among one another hence, there is no independent variable needed to be excluded from this research.

Based on the result of multiple regression analysis, all four relationship marketing dimensions jointly determine 43.7 % of customer loyalty. Moreover, 11% of customers' loyalty is significantly explained by trust, 33.8% of customers' loyalty is significantly explained by commitment, 33.6 % of customers' loyalty is significantly explained by empathy, and 18.9% of customers' loyalty is significantly explained by conflict handling.

Commitment was making relatively superior contribution to predict the regression model with ($\beta=0.291$, $p<0.05$). This signifies that for every additional point or value in the commitment one could predict a gain of 0.291 points on the customer loyalty provided that other variables being held constant. Empathy was making the second highest contribution to predict the model with ($\beta=0.205$, $p=0.05$). This signifies that for every additional point or value in empathy one could predict a gain of 0.205 points on the customer loyalty provided that other variables being held constant.

Conflict handling was making the third contribution to predict the model with ($\beta=0.204$, $p<0.05$). This signifies that for every additional point or value in the conflict handling, one could predict a gain of 0.204 points on the customer loyalty provided that other variables being held constant.

Trust was making the least contribution to predict the model with ($\beta=0.188$, $p<0.05$). This signifies that for every additional point or value in trust one could predict a gain of 0.331 points on the customer loyalty provided that other variables being held constant.

5.2 Conclusion

Based on previous theories and researches conducted in the area of relationship quality, this study could show the clear links between relationship marketing dimensions and customer loyalty. Relationship quality in the service industry has become a major objective of relationship marketing in order to maintain loyalty of customers and improve company performance. Relationship marketing dimensions are considered to be essential for building long-term relationship with customers in order to achieve mutual benefits of all parties. Therefore, this study was conducted to examine the effect of relationship quality dimensions (trust, commitment, empathy and conflict handling) on customer loyalty within Resco-Rental. The findings support the viewpoints that relationship marketing dimensions can enhance and increase customer loyalty. Customer trust, commitment, empathy and conflict handling are not only the desired outcomes of relationship marketing but also the antecedents of customer loyalty. The findings of the survey can be concluded based on Resco-Rental's Addis Ababa customers' perception on customer loyalty, relationship marketing and its dimensions and it is presented as follows.

- ►Relationship marketing positively and significantly affects customer loyalty.
- ►Trust positively and significantly affects customer loyalty.
- ►Commitment significantly and positively influences customer loyalty.
- ►Empathy positively and significantly influences customer loyalty.
- ►Conflict handling positively and significantly influences customer loyalty.

5.3. Recommendations

The study concluded that, relationship marketing dimensions such as, trust, commitment, empathy and conflict handling are an important determinant of customer loyalty of Resco-Rental. Thus, based on the conclusion the following recommendations are forwarded.

This study suggests that, commitment as a critical factor in building customer loyalty, consisting of accommodating to customers' needs, tailoring products to requirements, being generally flexible and having a loyalty program in their customer relationships. Resco-Rental should recognize the potency of service commitment in keeping loyal customers, and act accordingly. The company must show genuine commitment to customer relations, not lip service.

Resco-Rental should have to be more empathetic through offering a consistent personalized attention to customers who may so need. This will bring a feel of belongingness which eventually builds long term relationships with customers and help to maintain loyal customers.

Customers tend to be loyal to the company that handles customer complaints (which will always happen, regardless) and other conflicts satisfactorily. It is therefore important to Resco-Rental, that effective conflict resolution mechanisms are not only in place but are proactive, so as to pre-empt potential sources of conflict and address them before problems become manifest. Effective reactive solutions should also be marshaled decisively and in time to resolve problems and protect customers from avoidable losses. Sometimes, what may cause a customer to defect is not so much the occurrence of a problem as how it is handled. Resco, should also be willing to discuss problems openly with their customers so as to keep its loyal customers and to achieve more loyalty from customers.

Trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty. Therefore, Resco-Rental, should strive to win customers' trust. The ways in which this can be achieved include, giving and keeping promises to customers, showing concern for the reliability of the rental services, providing quality services, showing respect to customers through front-line staff, fulfilling obligations, and acting to build customers' confidence in the company and its services.

In general, it is recommended that, Resco-Rental should need to put more efforts to improve the levels of commitment, empathy, conflict handling and trust so as to keep its loyal customers and to obtain more loyalty. Moreover, customers must be the core of its marketing process, must be given a special attention, the company should be flexible in serving the customers' needs, offers price reduction for existing customers, provide consultancy service for them, offer trainings for customer's employees, and offering personalized services to satisfy customers. Once they become satisfied with the services that were provided by the Resco-Rental, they will communicate through telling positive things about the company's rental services to other customers

5.4. Future studies

Every research could not be without limitations, so like any other researches this study was faced with some limitations that should be fulfilled with future studies:

This research was only investigated the effect of customer relationship marketing practice of Ries Engineering- Rental on loyalty only from customer perspective and it was not including employees' perspectives. Thus, it affects the completeness of the results of the study on CRM practices of the company since it lacked to test whether or not employees are conforming with organization's behavior and value with regard to CRM. Therefore, future studies should be contacted with including employees' perspective so as to obtain a complete picture of the company's CRM practices effect on loyalty.

This study focused on examining the effects of RM on customer loyalty, in the particular case of Ries Engineering-Rental. However, the researcher was not accessible to customer of Ries Engineering-Rental located out of Addis Ababa, only those customers located in Addis Ababa would be included for the study. Thus, its representativeness would be in question. This imposes limitations on the generalization of the results of the study to the company's population as well as to the rental industry of Ethiopia. In future it is recommended that a study be conducted by applying longitudinal design and increasing the sample size and geographic scope.

The other limitation of this research is regarding the measurement of relationship marketing. CRM consists of many dimensions which represent the overall strength of the relationship and in this research only four dimensions were included trust, commitment, empathy and conflict handling. In future, it is recommended that a study be conducted with including other relationship quality dimensions like value, communication, cooperation, and others which could influence customers' loyalty.

In addition, the research reported here has not look into the possible influences of socio-demographic factors on the relationship between relationship marketing dimensions and customer loyalty. Future research studies might fruitfully investigate such moderating influences.

Finally, it is recommended that, this study can also be applied in other rental companies. It's useful to adopt longitudinal study in order to study the actual behavior of customers.

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Appendix A: Survey Questioner

Addis Ababa University

School of Commerce

Department of Marketing Management

Questionnaire to be filled by customers of Ries Engineering-Rental

Dear respondent, this questionnaire is designed to collect data on the effect of customer relationship marketing on customer's loyalty in Ries Engineering-Rental. The research is being conducted by a student of Addis Ababa University School of Commerce as a partial fulfillment of the requirement for a master's degree in marketing management.

The questionnaire is organized in two sections, the first section is general information and the second one is about CRM and customer loyalty. The information gathered through this questionnaire will be accessed only by the student researcher and will be kept strictly confidential and the result of the study will be used for academic purpose only. I kindly request you to take a few minutes and respond to all questions honestly.

Thank you in advance for your cooperation

Part 1: General Information

<u>Note</u>

Use a tick mark '√' to show your preference in the box provided

No need of writing your name or any address

Sex Female ☐ Male ☐

Age 18-30 ☐ 40-50 ☐ 60 and above ☐

30-40 ☐ 50-60 ☐

Education Diploma ☐ Degree ☐ Masters & above ☐

Working Experience Below 1 year ☐ 3-5 years ☐

1-3 year ☐ Above 5 years ☐

Status in Organization Project manager ☐ Operation manager ☐

General Manager ☐

PART 2: CRM & CUSTOMER LOYALTY

Direction: Please indicate your level of agreement and disagreement with each statement by circling the appropriate number in the box

Code	Item	Strongly Disagree (1)	Disagree (2)	No opinion (3)	Agree (4)	Strongly Agree (5)
	T1-T8					
T1	The company can be relied onto keeping its promises.	1	2	3	4	5
T2	Employees of the company are trustworthy.	1	2	3	4	5
T3	The company is consistent in providing quality service.	1	2	3	4	5
T4	I have confidence in the company's service quality.	1	2	3	4	5
T5	The company fulfils its obligation to customers.	1	2	3	4	5
T6	In your experience, the company is taken as a reliable organization.	1	2	3	4	5
T7	The company is always honest to you.	1	2	3	4	5
T8	The company has the ability to meet its promises.	1	2	3	4	5
	C1-C8					
C1	The company promises always to provide good and fair rental service.	1	2	3	4	5
C2	The company offers personalized services to meet customers' need	1	2	3	4	5
C3	The company makes certain that, the ethical principles are based on integrity and transparency	1	2	3	4	5

C4	The company is flexible in serving customer's needs	1	2	3	4	5
C5	My relationship with the company is one that I am very committed to continuing it	1	2	3	4	5
C6	The company's commitment to its customers is always focus on providing easy and speedy procedures	1	2	3	4	5
C7	My relationship with the company is one that I really care about	1	2	3	4	5
C8	My relationship with the company is worth my effort to continue	1	2	3	4	5
	E1-E6					
E1	The company reacts quickly when things go wrong with customers.	1	2	3	4	5
E2	Employees of the company give individual attention to you.	1	2	3	4	5
E3	The company's staffs always help you with any questions you have about the services.	1	2	3	4	5
E4	Employees of the company understand your specific needs	1	2	3	4	5
E5	Employees of the company have the customer's best interest of spirit	1	2	3	4	5
E6	The company has convenient operating hours to you	1	2	3	4	5
	CH1-CH6					
CH1	The company has the ability to openly discuss solution when problems arise.	1	2	3	4	5
CH2	The company tries to solve manifest conflicts before they create problem	1	2	3	4	5
CH3	The company shows a sincere interest in solving customers' problems quickly.	1	2	3	4	5
CH4	The company clearly communicates to customers regarding how and where to complain in case of problems happen.	1	2	3	4	5
CH5	The company informs you how to take your compliant forward, if You are still not satisfied.	1	2	3	4	5
CH6	The company is always asking you about your feeling toward their responses for your complaints.	1	2	3	4	5
	CL1-CL6					

CL1	I consider this company as a first choice for machinery rental.	1	2	3	4	5
CL2	I do not have an intention to switch to another rental company, because I value the relationship with Ries engineering.	1	2	3	4	5
CL3	I would always recommend the company to anyone who seeks my advice.	1	2	3	4	5
CL4	I always say positive things about this company to others.	1	2	3	4	5
CL5	I would not change this company; even close friends suggest to switch to another rental company.	1	2	3	4	5
CL6	I am satisfied with the company's rental services.	1	2	3	4	5
CL7	I consider myself to be loyal to this company.	1	2	3	4	5

Appendix B: SPSS Results

Statistics

	N	Mean	Std. Error of Mean	Std. Deviation	Sum
	Valid				
The company can be relied onto keeping its promises.	270	4.16	.041	.666	1122
Employees of the company are trustworthy.	270	4.63	.034	.555	1250
The company fulfils its obligation to customers.	270	4.22	.033	.541	1140
The company is always honest to you.	270	4.39	.037	.611	1186
The company has the ability to meet its promises.	270	4.15	.029	.480	1120
The company promises always to provide good and fair rental service.	270	3.94	.037	.613	1064
The company offers personalized services to meet customers' need	270	4.31	.064	1.046	1165
The company makes certain that, the ethical principles are based on integrity and transparency	270	3.90	.018	.301	1053
The company is flexible in serving customer's needs	270	4.23	.047	.764	1141
My relationship with the company is one that I am very committed to continuing it	270	4.03	.027	.447	1088
The company's commitment to its customers is always focus on providing easy and speedy procedures	270	3.98	.049	.811	1075
My relationship with the company is one that I really care about	270	4.20	.037	.601	1134
My relationship with the company is worth my effort to continue	270	4.16	.039	.648	1124

The company reacts quickly when things go wrong with customers.	270	4.14	.052	.851	1118
Employees of the company give individual attention to you.	270	4.07	.057	.930	1100
The company's staffs are always help you with any questions you have about the services.	270	4.00	.028	.452	1079
Employees of the company understand your specific needs	270	3.71	.048	.784	1002
Employees of the company have the customer's best interest of spirit	270	4.39	.042	.690	1184
The company has convenient operating hours to you	270	4.23	.030	.492	1141
The company has the ability to openly discuss solution when problems arise.	270	4.17	.031	.516	1125
The company tries to solve manifest conflicts before they create problem	270	4.24	.039	.638	1145
The company shows a sincere interest in solving customers' problems quickly.	270	4.53	.038	.631	1224
The company clearly communicates to customers regarding how and where to complain in case of problems happen.	270	4.58	.045	.741	1236
The company informs you how to take your compliant forward, if You are still not satisfied.	270	4.58	.043	.711	1236
The company is always asking you about your feeling toward their responses for your complaints.	270	4.19	.057	.930	1130

I consider this company as a first choice for machinery rental.	270	4.19	.048	.781	1132
I do not have an intention to switch to another rental company, because I value the relationship with Ries engineering.	270	4.07	.033	.544	1099
I would always recommend the company to anyone who seeks my advice.	270	4.12	.043	.708	1113
I always say positive things about this company to others.	270	4.28	.028	.467	1156
I would not change this company; even close friends suggest to switch to another rental company.	270	4.80	.024	.401	1296
I am satisfied with the company’s rental services.	270	4.07	.037	.606	1098
I consider myself to be loyal to this company.	270	4.61	.048	.790	1246

Correlations

		CUSTOMER LOYALTY	COMMITMENT	EMPHATY	CONFLICT HANDELING	TRUST	CRM
CUSTOMER LOYALTY	Pearson Correlation	1	.582**	.579**	.435**	.331**	.656**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	270	270	270	270	270	270
COMMITMENT	Pearson Correlation	.582**	1	.728**	.514**	.335**	.906**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	270	270	270	270	270	270
EMPHATY	Pearson Correlation	.579**	.728**	1	.506**	.217**	.852**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	270	270	270	270	270	270
CONFLICT HANDELING	Pearson Correlation	.435**	.514**	.506**	1	-.027	.721**
	Sig. (2-tailed)	.000	.000	.000		.662	.000
	N	270	270	270	270	270	270
TRUST	Pearson Correlation	.331**	.335**	.217**	-.027	1	.424**
	Sig. (2-tailed)	.000	.000	.000	.662		.000
	N	270	270	270	270	270	270
CRM	Pearson Correlation	.656**	.906**	.852**	.721**	.424**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	270	270	270	270	270	270

**. Correlation is significant at the 0.01 level (2-tailed).

Regression

Descriptive Statistics

		Statistic	Bootstrap[a]			
			Bias	Std. Error	BCa 95% Confidence Interval	
					Lower	Upper
CUSTOMER LOYALTY	Mean	4.31	.00	.01	4.28	4.33
	Std. Deviation	.248	-.001	.016	.220	.275
	N	270	0	0	.	.
CRM	Mean	4.22	.00	.02	4.19	4.25
	Std. Deviation	.263	-.001	.018	.231	.294
	N	270	0	0	.	.

a. Unless otherwise noted, bootstrap results are based on 1000 bootstrap samples

Residuals Statistics[a]

		Statistic	Bootstrap[b]			
			Bias	Std. Error	BCa 95% Confidence Interval	
					Lower	Upper
Predicted Value	Minimum	3.62				
	Maximum	4.63				
	Mean	4.31	.00	.01	4.28	4.33
	Std. Deviation	.163	-.001	.020	.126	.198
	N	270	0	0	.	.
Residual	Minimum	-.506				
	Maximum	.610				
	Mean	.000	.000	.000	.000	.000
	Std. Deviation	.187	-.001	.009	.172	.200
	N	270	0	0	.	.
Std. Predicted Value	Minimum	-4.248				
	Maximum	1.976				
	Mean	.000	.000	.000	.	.
	Std. Deviation	1.000	.000	.000	.	.
	N	270	0	0	.	.
Std. Residual	Minimum	-2.699				
	Maximum	3.256				
	Mean	.000	.000	.000	.000	.000
	Std. Deviation	.998	.000	.000	.	.
	N	270	0	0	.	.

a. Dependent Variable: CUSTOMER LOYALTY

Estimated Marginal Means

1. Grand Mean

Dependent Variable: CUSTOMER LOYALTY

Mean	Std. Error	95% Confidence Interval	
		Lower Bound	Upper Bound
4.258[a]	.010	4.238	4.278

a. Based on modified population marginal mean.

2. COMMITMENT

Dependent Variable: CUSTOMER LOYALTY

COMMITMENT	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
2	3.286[a]	.087	3.114	3.457
3	3.857[a]	.123	3.614	4.100
3	4.143[a]	.123	3.900	4.386
3	4.143[a]	.087	3.971	4.315
3	3.974[a]	.032	3.911	4.038
3	4.143[a]	.087	3.971	4.315
3	4.143[a]	.123	3.900	4.386
3	4.204[a]	.045	4.116	4.293
4	4.143[a]	.123	3.900	4.386
4	4.143[a]	.123	3.900	4.386
4	4.268[a]	.039	4.190	4.345
4	4.411[a]	.047	4.318	4.503
4	4.285[a]	.025	4.236	4.335
4	4.268[a]	.022	4.224	4.312
4	4.403[a]	.018	4.367	4.438
5	5.000[a]	.087	4.828	5.172

a. Based on modified population marginal mean.

3. EMPHATY

Dependent Variable: CUSTOMER LOYALTY

EMPHATY	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
2	3.286[a]	.087	3.114	3.457
3	3.571[a]	.087	3.400	3.743
4	4.229[a]	.052	4.126	4.332
4	4.080[a]	.025	4.032	4.129
4	4.216[a]	.035	4.146	4.285
4	4.331[a]	.018	4.294	4.367
4	4.298[a]	.030	4.239	4.357
4	4.416[a]	.028	4.360	4.471
5	4.317[a]	.026	4.265	4.369
5	5.000[a]	.087	4.828	5.172

a. Based on modified population marginal mean.

4. CONFLICT HANDELING

Dependent Variable: CUSTOMER LOYALTY

CONFLICT HANDELING	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
3	4.143[a]	.123	3.900	4.386
3	3.571[a]	.123	3.329	3.814
4	4.071[a]	.062	3.950	4.193
4	4.143[a]	.087	3.971	4.315
4	4.066[a]	.029	4.009	4.123
4	4.244[a]	.024	4.197	4.292
4	4.237[a]	.024	4.190	4.284
4	4.311[a]	.032	4.248	4.374
5	4.229[a]	.034	4.162	4.295
5	4.237[a]	.028	4.182	4.292
5	4.567[a]	.023	4.521	4.613
5	5.000[a]	.087	4.828	5.172

a. Based on modified population marginal mean.

5. TRUST

Dependent Variable: CUSTOMER LOYALTY

TRUST	Mean	Std. Error	95% Confidence Interval	
			Lower Bound	Upper Bound
4	4.143[a]	.071	4.003	4.283
4	3.960[a]	.047	3.867	4.054
4	4.235[a]	.026	4.184	4.287
4	4.269[a]	.020	4.228	4.309
4	4.254[a]	.019	4.216	4.292
5	4.322[a]	.020	4.283	4.361
5	4.571[a]	.062	4.450	4.693

a. Based on modified population marginal mean.

Levene's Test of Equality of Error Variances[a]

Dependent Variable: CUSTOMER LOYALTY

F	df1	df2	Sig.
4.558	97	172	.000

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.

a. Design: Intercept + CUSRELMAR + COMIT + EMPT + CONFHAN + TRU

Lack of Fit Tests

Dependent Variable: CUSTOMER LOYALTY

Source	Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Lack of Fit	.371	4	.093	6.132	.000	.129
Pure Error	2.512	166	.015			

```
REGRESSION
  /MISSING LISTWISE
  /STATISTICS COEFF OUTS R ANOVA CHANGE
  /CRITERIA=PIN(.05) POUT(.10)
  /NOORIGIN
  /DEPENDENT Custloy
  /METHOD=ENTER COMIT EMPT CONFHAN TRU CUSRELMAR
  /RESIDUALS DURBIN.
```