



EFFECTS OF RELATIONSHIP MARKETING ON CUSTOMER LOYALTY

**(The case of Hibret Manufacturing and Machine Building
Industry)**

**A Thesis Submitted to the School of Graduate Studies of Addis
Ababa University in Partial Fulfillment for the Award of the Degree
of Master of Arts in Marketing Management**

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**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE
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May, 2014

Addis Ababa, Ethiopia

Addis Ababa University

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This is to certify that the thesis prepared by Abaynesh Desta Gashaw, entitled “**Effects of Relationship Marketing on Customer Loyalty (The Case Of Hibret Manufacturing And Machine Building Industry)**” and submitted in partial fulfillment of the requirements for the degree of Master of Arts in Marketing Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Acknowledgments

First and foremost, I would like to praise the Almighty God for helping me in all the matters.

Next, I have to heartily thank all the people who unreservedly assisted me in all the processes of the preparation of this thesis. I am obliged to mainly thank my advisor Dr. Negi R. for all the constructive comments he rendered me. I am also extremely grateful to the whole staff and customers of Hibret Manufacturing and Machine Building Industry (HMMBI) without whose kind and honest cooperation the study could have been impossible. Leaders of Metals and Engineering Corporation (METEC) and HMMBI also deserve my heartfelt thanks for giving me hands in all aspects of the study.

My greatest appreciation shall go to my family, my husband and kids, who had remarkable roles in the whole course of my study and the preparation of this particular thesis. My families and friends who backed me up to this success merit my gratitude. Thank you all.

ABSTRACT

The survival of any organization depends on its customers either profit oriented or non profit oriented organization. Customers are the source of profits to be earned by a profit making organization. Due to the more and more fierce competition in today's business, many companies are required to build long-term profitable relationship with customers and to achieve customer loyalty. Therefore, relationship marketing has become more and more important since the last decade of 20th century.

There are many different relationship marketing dimensions implemented for retaining customers'. Therefore, this study is aimed to explain the effect of relationship marketing dimensions (trust, commitment, conflict handling, and empathy) on customer loyalty, by focusing on HMMBI. A conceptual framework was used as a guideline to test the relationships between relationship marketing dimensions and customer loyalty. A quantitative and qualitative approach is chosen in this research. In order to collect primary data, a questionnaire is designed and was given to the customers of the HMMBI. In addition to questionnaire, semi-structured interview questions are prepared to get information from the organization which is analysed qualitatively. The SPSS version 20.00 for windows is used to process the primary data which is collected through questionnaire. The findings show that relationship marketing dimensions have impact on customer loyalty. All the independent variables are positively and directly related to customer loyalty particularly in HMMBI and in general in manufacturing industry. The relationship between relationship marketing and customer loyalty is significant. Therefore, manufacturing industries should make the whole system on work with customers, not in opposite of customers. And the industry must develop an RM program that will help it build and support positive relationships with its customers and particularly a CRM program which enables it gather data about each individual customer of it to treat them knowing their individual needs also they are expected to invest more on attracting new customers and retaining the existed ones with regard to relationship marketing to increase customer loyalty.

Table of Contents

<i>Contents</i>	<i>Page</i>
Acknowledgements	i
Abstract	ii
Table of Contents	iv
List of Tables	vii
List of Figures	viii
List of Appendixes	ix
List of Acronyms	x
Chapter One: Introduction	1
1.1. Background of the Study	1
1.2. Background of the Company	2
1.3. Statement of the Problem	3
1.4. Research Questions	4
1.5. Objectives of the Study	4
1.6. Conceptual Definition of Terms	4
1.7. Significance of the Study	5
1.8. Delimitation of the Study	6
1.9. Organization of the Study	6
Chapter Two: Review of Related Literature	7
2.1. Relationship Marketing Thought and Practice	7
2.2. What is Relationship Marketing?	9
2.3. Relationship Marketing Versus Transaction Marketing	11
2.4. Relationship Marketing dimensions	13
2.4.1 Trust	13
2.4.2. Commitment	14
2.4.3. Conflict Handling.....	16
2.4.4. Empathy.....	18

2.5. Customer Loyalty	18
2.6. Customer Retention	20
2.7. Customer Loyalty and Customer Retention	21
2.8. Conceptual Framework of Relationship Marketing	22
Chapter Three: Research Design and Methodology	24
3.1. Research Design	24
3.2. Target Population and Sample	25
3.3. Data collection instruments and variables.....	25
3.4. Data analysis.....	26
3.5. Reliability Test	27
3.6. Summary	28
Chapter Four: Data Presentation and Analysis	29
4.1. Descriptive Analysis	29
4.1.1. Gender of Respondents	30
4.1.2. Age of Respondents.....	30
4.1.3. Education Level of the Respondents	30
4.1.4 Length of Relationship of the Respondents with the Industry.....	31
4.2. Correlation Analysis.....	31
4.2.1. Correlation analysis between RM and customers' loyalty	31
4.2.2. Correlation analysis between Trust and customers' loyalty.....	32
4.2.3. Correlation analysis between Commitment and customers' loyalty	33
4.2.4. Correlation analysis between Conflict Handling and customers' loyalty.....	33
4.2.5 Correlation analysis between Empathy and customers' loyalty.....	34
4.3 Regression Analysis.....	35
4.3.1 Regression Analysis of Relationship Marketing and Customers' Loyalty.....	35

4.3.2. Regression Analysis of Trust and Customers Loyalty	36
4.3.3. Regression Analysis of Commitment and Customers' Loyalty.....	37
4.3.4 Regression Analysis of Conflict Handling and Customers' Loyalty	38
4.3.5. Regression Analysis of Empathy and Customers' Loyalty.....	39
4.4 Result Disccsion.....	40
Chapter Five: Summary, Conclusions and Recommendations	45
5.1 Conclusions.	45
5.2. Limitations	47
5.3. Recommendations	47
5.4. Further Studies	48
Bibliography	
Appendixes	

List of Tables

<i>Tables</i>	<i>Page</i>
Table 2.1: Description of the shift from Transaction Marketing to RM	12
Table 4.1: Gender of Respondents.....	29
Table 4.2 Age of Respondents	30
Table 4.3: Educational Level of Respondents	30
Table 4.4: Length of relationship of the respondents with the Industry	31
Table 4.5: Correlations between relationship marketing and customers' loyalty	32
Table 4.6. Correlations between Trust and customers' loyalty.....	32
Table 4.7. Correlations between Commitment and customers' loyalty.....	33
Table 4.8. Correlations between Conflict Handling and customers' loyalty.....	34
Table 4.9. Correlations between Empathy and customers' loyalty.....	34
Table 4.10. Regression analysis Result for Relationship Marketing and Customers' Loyalty.....	35
Table 4.11. ANOVA result for Relationship Marketing and Customers' Loyalty.....	36
Table 4.12 Coefficients of Relationship Marketing Dimensions.....	36
Table 4.13. Regression analysis Result for Trust and Customers' Loyalty.....	37
Table 4.14. ANOVA result for Trust and Customers' Loyalty.....	37
Table 4.15. Regression analysis Result for Commitment and Customers' Loyalty...38	
Table 4.16. ANOVA result for Commitment and Customers' Loyalty.....	38

Table 4.17. Regression analysis Result for Conflict Handling and	
Customers' Loyalty.....	38
Table 4.18. ANOVA result for Conflict Handling and	
Customers' Loyalty.....	39
Table 4.13. Regression analysis Result for Empathy and Customers' Loyalty.....	39
Table 4.14. ANOVA result for Empathy and Customers' Loyalty.....	39

List of Figures

<i>Figures</i>	<i>Page</i>
Figure 2.1: Conceptual frame work of the research	17

List of Appendixes

Appendix 1: List of Questions Set as Guide for the In-depth Individual Interviews Designed for People in the Category of Experts

Appendix 2: A Questionnaire Filled by HMMBI's Customers (English Version)

List of Acronyms

B2B - Business to Business

CNC - Computerized Numeric Controlled

CRM - Customer Relationship Management

FDRE - Federal Democratic Republic of Ethiopia

GTP - Growth and Transformation Plan

HMMBI - Hibret Manufacturing and Machine Building Industry

ICT - Information Communication Technology

METEC - Metals and Engineering Corporation

RM - Relationship Marketing

TQM - Total Quality Management

4P's- Product, Price, Promotion, and Place or Distribution

ANOVA- Analysis of Variance

SPSS- Statistical Package for the Social Sciences

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 Parcatiyyar, 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 but 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. Lacey and Morgan (2009) findings suggest that 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 Ethiopian case.

1.2 Background of the Company

Hibret Manufacturing and Machine Building Industry (HMMBI) is one of the 15 industries running under the Federal Democratic Republic of Ethiopia (FDRE) Metals and Engineering Corporation (METEC), which is one of the institutions established by the FDRE government for the realization of the Growth and Transformation Plan (GTP) and acceleration of the ongoing transition to industrialization, as stated in a company bulletin published by METEC in July 2013. Since its establishment as a public enterprise – July 9, 2010 – by the council of Ministers' regulation number 183/2002, METEC has been working hard for the realization of its objectives (METEC, 2013).

HMMBI gratifies the whole demands of all industries incorporated under METEC and industries of the country by supplying them with spare parts for sugar, textile, cement, construction, vehicle industries as well as tanneries, and spare parts and bodies for vehicles. Moreover, the industry produces industrial machines, medals and other engraved products, trophies, badges and chest pins. The industry has installed computerized numeric controlled (CNC) machineries for the production of spare parts which by their nature require precision. It also upgrades customers' conventional machines into CNC. Beside production, it provides consultancy services in machines and tools engineering.

At this particular time, in which the nation is working toward an industry led economy, a great deal is expected from industries like HMMBI, which at the moment is saving huge amount of hard currency and time that is used to be spent on importing the machines and spare parts that are now being locally produced (METEC, 2013). If the industry manages and runs all its businesses in a scientific way and manages its relationships strategically, the contribution it can make for

the realization of the country's aspirations will be undeniable. In order to see to the applications of some of the scientific methods, this research is conducted in the particular area of relationship marketing – its effects on customer loyalty.

1.3 Statement of the Problem

Interactions and ongoing relationships are crucial for organizations to meet the dynamic needs of customers and counter competition through developing long term relationships with stakeholders (Hunt and Lambe, 2000), especially in business-to-business (B2B) exchanges. As the competitive environment becomes more turbulent, the most important issue the sellers face is no longer to provide good quality products or services, but also to keep loyal customers who will contribute long-term profit to organizations. To compete in such swarming and interactive marketplace, marketers are forced to look beyond the traditional 4Ps of marketing strategy, and particular to relationship marketing.

With respect to the practices of RM in the Ethiopian context, limited research works witnessed and majority in the context of service rendering firms, rather in the manufacturing sector. According to Robson (2012) and Shimeles (2011), the practice of RM is in infant state in Ethiopia. Even in the cases where little attempts have being made to implement RM, the practices are found to be misunderstood and undermined that they are not paid attention to. The researchers also suggested that the practice needs to follow the scientific methods and should be supported by the Information and Communication Technology (ICT) (Robson, 2012; Shimeles, 2011).

Therefore, this study attempts to examine the role of RM in developing loyal customer, along with the assessment of the performance of RM practices at HMMBI. In general, the study examine the impact that RM dimensions have on customer loyalty in the context of HMMBI.

1.4 Research Questions

To deal with the problem established above, the following basic research questions were attempted to answer in the course of the study.

1. How do the RM dimensions relate to each other?
2. What effects does, the RM dimensions have on customer loyalty in the context of HMMBI?
3. How does RM practice perform in HMMBI in B2B context?

1.5 Objectives of the Study

The main objective of this study is to examine the effects of relationship marketing underpinnings on customer loyalty in the context of HMMBI.

Specific objectives include:

1. To examine the relationship between RM dimensions of trust, commitment, conflict handling and empathy
2. To assess the effects of trust, commitment, conflict handling and empathy on customer loyalty.
3. To describe the performance of the RM practices in HMMBI in B2B context.

1.6 Conceptual Definition of Terms

Business to Business market: describes commerce transactions between businesses, such as between a manufacturer and a wholesaler, or between a wholesaler and a retailer.

Customer Relationship Management: CRM is the utilization of customer-related information or knowledge to deliver relevant products or services. Levine (2000)

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

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).

Compliant handling: the ability of each supplier's 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)

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

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

1.7 Significance of the Study

As has been stated in the background part, METEC has shouldered the biggest role in making the GTP, the plan on which Ethiopia is relying for its prosperity, successful. On the other hand, the corporation is too young, as it was established in 2009, and the experience it has in relations marketing is also the same. As an industry being run under METEC, HMMBI also has the similar features regarding its objectives and experiences in RM. Nevertheless, it is ambitious enough to satisfy its customers – that have very large number – by delivering products that suit them individually. This definitely happens to be impossible without proper implementation of RM, which aims at satisfying customers, retaining them and building a long lasting relationship with all the stakeholders. Literature assert that a scientifically implemented RM program, especially CRM determines the performance and success of the firm. Therefore, this study remains to be significant for it tried to indicate the relationship between RM and customer loyalty. The findings and conclusions of the study are vital in showing the level of HMMBI's success in RM practices and what has to be done if improvements are required.

Other beneficiaries from the study are taken to be marketers, and RM and CRM practitioners who are working for the various manufacturing industries that are functioning in Ethiopia. As repeatedly stated, this study explains the effects of RM dimensions on customer loyalty in the case of HMMBI. The findings and conclusions reached upon and the recommendations proposed may help these practitioners to draw lessons from the study and adopt what they learnt in their respective firms' RM and/or CRM programs.

In addition, to the best knowledge of the researcher, there are no researches published on RM practices of HMMBI. So, this research becomes a spring-board for further studies to be conducted in RM in different firms of the country. Moreover, it may assist researches to be conducted in the future as it adds to the literature in RM and CRM.

1.8 Delimitation of the Study

This study is delimited to explain the effects of Relationship marketing on customer loyalty in the case of HMMBI. In order to make the study very specific and focused, only the B2B markets were deliberately taken into account. This was due to resource constraints like time and money. Moreover, the B2B customers included in the sample are made to be those found in Addis Ababa City.

1.9 Organization of the Study

This thesis is comprised of five chapters. The first chapter gives an introduction which contains background of the study, statement of the problem, basic research questions, objectives of the study, conceptual definition of terms, significance of the study, and delimitation of the study. The second chapter deals with the review of related literature. Here, both theoretical and empirical evidences related to the topic under study are raised. This is followed by Chapters Three and Four that deal with the research design and methodology, and results and discussions, respectively. The third chapter described the type and design of the research, the subjects or participants of the study, the sources of the data, the data collection tools employed, the procedures followed in the data collection, and the methods of data analysis used. The fourth chapter, in its turn, summarized the results or findings of the study and interpreted them in accordance with the literature reviewed. The last part of the paper, Chapter Five, constituted summary of the findings which were drawn from the results discussed under Chapter Four, and the conclusions made out of the summary of the findings. Limitations that could influence the conclusions made out of the study are addressed beside the recommendations of the researcher.

Chapter Two

Review of Related Literature

This chapter makes use of theoretical underpinnings to explain the effects of RM on customer loyalty in Business to Business (B2B) context within the case of HMMBI.

Relationships are central for business people. Experiences teach us that people who know each other do business well because business relationships are facilitated by the long-term friendship that develops among them. For marketing and business are subsets or properties of society, relationships, networks and interaction have been practically at the core of business since time immemorial. They have certainly not gone unnoticed by business people. To the contrary, “relationships have too long gone unnoticed in research and education” (Gummesson, 2008: 15). Lately, but, it could win the attention of marketing researchers and scholars that one can find an abundant literature written and empirical research conducted on the topic.

2.1. Relationship Marketing :Thought and Practice

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). Later 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).

After World War II, a shift from distribution functions to understanding consumer behavior could be seen as marketing focus began to shift from distributive functions to other aspects of marketing. With the advent of market research, producers, in an attempt to influence end consumers, began to direct and control the distributors regarding product merchandising, sales promotion, pricing, etc. Thus repeat purchase and brand loyalty gained prominence in the

marketing literature (Barton, 1946; Churchill, 1942; Howard and Sheth, 1969; Sheth, 1973; Womer, 1944). Notions like market segmentation and targeting were then developed as tools for marketing planning, and as a result the marketing concept evolved and consumer, not distributor, became the focus of marketing attention (Kotler, 1972). 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. 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).

The practice of RM is said to be very old enough. 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. It was only after industrial era’s mass production society and the advent of middlemen that there were less frequent interactions between producers and consumers leading to transactions oriented marketing. The production and consumption functions got separated leading to marketing functions being performed by the middlemen.

As times went on, however, several factors contributed to the rapid development and evolution of relationship marketing. One was the advent of sophisticated computer and telecommunication technologies that allow producers to directly interact with end-customers. Another factor was the growth of the service economy. Since services are typically produced and delivered at the same institution, it minimized the role of the middlemen. It happened therefore not to be difficult to see that relationship marketing is important for scholars and practitioners of services marketing (Berry and Parsuraman 1991; Bitner 1995; Crosby and Stephens 1987; Crosby, et. al. 1990; Gronroos 1995). The total quality movement, which demanded companies to involve suppliers and customers in implementing the program at all levels of the value chain, has also

been taken as another force driving the adoption of relationship marketing. As a result of the Total Quality Management (TQM) philosophy they came to form partnering relationships with suppliers and customers to practice TQM. Other programs such as Just-in-time (JIT) supply and Material-resource planning (MRP) also made the use of interdependent relationships between suppliers and customers (Frazier, Spekman, and O'Neal, 1988).

In addition, in the current era of hyper-competition, marketers are forced to be more concerned with customer retention and loyalty (Dick and Basu, 1994; Reicheld 1996). As several studies have indicated, retaining customers is less expensive and perhaps a more sustainable competitive advantage than acquiring new ones. Marketers are realizing that it costs them less to retain customers than to compete for new ones (Rosenberg and Czepiel 1984). So they rely on RM to retain their customers.

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). These and many other reasons have currently made RM very prominent.

2.2. What is Relationship Marketing?

Though RM is a young concept to in the field of marketing, as has been discussed in the section above, many scholars and practitioners have tried to define the term 'Relationship Marketing' in different ways and from different perspectives. Some of these themes offer a narrow functional marketing perspective while others offer a perspective that is broad and somewhat paradigmatic in approach and orientation.

A narrow perspective held by Bickert (1992) is that relationship marketing is database marketing emphasizing the promotional aspects of marketing linked to database efforts. Another narrow viewpoint is to consider relationship marketing only as customer retention in which a variety of after-marketing tactics is used for customer bonding or staying in touch after the sale is made

(Vavra, 1991). A more popular approach with recent application of information technology is to focus on individual or one-to-one relationship with customers, which integrates database knowledge with a long-term customer retention and growth strategy (Peppers and Rogers, 1993).

On the other hand, Shani and Chalasani (1992: 44) define relationship marketing as “an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously strengthen the network for the mutual benefit of both sides, through interactive, individualized and value-added contacts over a long period of time”. The individual account concept in industrial markets to define relationship marketing is also taken by Jackson (1985: 2) as “marketing oriented toward strong, lasting relationships with individual accounts”. In other business contexts, Doyle and Roth (1992), O’Neal (1989), Paul (1988), and have proposed similar definitions of relationship marketing.

Berry, who introduced the term in ‘*Relationship Marketing*’ into the literature, defined relationship marketing as “attracting, maintaining, and – in multi-service organizations – enhancing customer relationships” (1983: 25). This definition of his also has a strategic viewpoint about relationship marketing in somewhat broader terms. He stresses that attracting new customers should be viewed only as an intermediate step in the marketing process. Developing closer relationship with these customers and turning them into loyal ones are equally important aspects of marketing.

Sheth and Parvatiyar (1998) discuss that the domain of relationship marketing should be limited to only those cooperative and collaborative marketing actions that are focused on serving the needs of customers. They further state that the delimit would be consistent with marketing’s customer focus and understanding that made the discipline prominent. They also draw an important aspect of Berry, Gronroos, and Morgan and Hunt definitions and consider the set of generic processes of relationship initiation, relationship maintenance and relationship termination is also identified by Heide (1994) to come up with their definition of the term. So they define RM as “... the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value, at reduced cost” (Sheth and Parvatiyar, 1998: 7 & 8).

Although each one of them is following the value of interactions in marketing and its consequent impact on customer relationships, Gronroos (1990) and Gummesson (1987) take a broader perspective and advocate that customer relationships ought to be the focus and dominant paradigm of marketing. This way, it can be taken that their beliefs resemble that of Berry's. For instance, Gronroos (1990: 138) says that marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This, he continues, is gained by a mutual exchange and fulfillment of promises.

Gummesson even makes his perspective broader and defines RM as “interaction in networks of relationships” (2008: 5). He explains the three core concepts in his definition – *relationships* require at least two parties who are in contact with each other (The basic two-party relationship of marketing, the dyad, is that between a supplier and a customer); a *network* is a set of multi-party relationships, which can grow into enormously complex patterns; in the relationships, the simple dyad as well as the complex networks, the parties enter into active contact with each other known as *interaction*.

In the context of the present study, the definition of RM is preferred to be as defined in Gummesson (2008) because two among the three core concepts of the definition – *network* & *interaction* – are the points of departure between RM and Transaction Marketing. These notions emphasize the continuity of the RM process and the need that every stakeholder has a role in building and maintaining the relationship.

2.3. Relationship Marketing versus Transaction Marketing

According to Jackson (1985a, b), RM is often presented as the opposite to transaction marketing, the one-shot deal. In transaction marketing, the fact that a customer has bought once does not forecast the probability for repurchase, not even if a series of purchases have been made. A customer may repeatedly use the same supplier because of high switching costs, but without feeling committed to the supplier or wanting to enter a closer relationship. Transactions lack history and memory and they don't get sentimental. Peck et al. (1999) summarizes the

comparison between RM and Transaction Marketing and describes the shift to RM as put below in Table 2.1.

Though the two are taken to be different, Gummesson (2008: 25) argues that they can be posed under the other.

In order to conceptually incorporate transaction marketing in RM, it can be seen as the zero point of the RM scale. The scope of the relationships can then be enhanced until a customer and a supplier are practically the same organization. The zero relationship of RM has a price component within which the lowest price connects the buyer and the seller. ... The zero relationship also has a convenience component which implies that the customer often buys where it is simplest and most convenient on a certain occasion. On such occasions price is almost immaterial.

Characteristics	Transaction focus	Relationship focus
Focus	Obtaining new customers	Customer retention
Orientation	Service features	Customer value
Timescale	Short	Long
Customer service	Little emphasis	High emphasis
Customer commitment	Limited	High
Customer contact	Limited	High
Quality	An operations concern	The concern of all

Table 2.1 Description of the shift from Transaction Marketing to RM

Source: Peck et. Al. (1999: 44)

In line with what is presented in the above table, Gummesson (2008: 24) says that in RM, loyalty – especially customer loyalty – is emphasized. All these imply that customer retention and customer loyalty are at the heart of RM.

Compared with traditional or transactional marketing, relationship marketing is more concerned in building customer relationships in order to achieve long-term mutual benefits for all parties involved in the exchanges (Kotler & Armstrong, 2010). They also argued that relationship

marketing essentially means developing customers as partners, where an approach is different from traditional transaction.

2.4 Relationship marketing dimensions

2.4.1 Trust

As Morgan and Hunt (1994) demonstrate it, RM 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 buying services are specially benefited by the existence and development of trust (Berry, 1983). Trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty (Ndubisi, 2007). Therefore, firms should strive to win customers' trust. The ways in which this can be achieved include the giving and keeping promises to customers, showing concern for the security of transactions, providing quality services, showing respect for customers through front-line staff, fulfilling obligations, and acting to build customers confidence in the company and its products. 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) emphasizes 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 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 producer's capability would probably be willing to commit to a product relationship for meeting their expectations (Morgan and Hunt, 1994). They argued that even when the environment is changing, the customers would believe that the producer 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 argue that the customers must be able to trust the seller and know that he or she will provide the service when needed at the service quality level desired 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 producer knows about the customer's use of product, 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.

2.4.2 Commitment

Commitment is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Morgan and Hunt, 1994). 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 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 literature 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, to be a critical factor in building customer loyalty, conducting a study of accommodating to customers' needs, tailoring products to requirements, and being generally flexible in 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) suggests 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 may be dependent upon to make continuing purchases and getting engaged in positive and delighted word-of-mouth exchanges with other potential customers. 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, they add value to the brand, and are almost as enthusiastic as the seller to continue the relationship with the seller. Both sides recognize the mutual benefits of the relationship, in minimizing risk.

2.4.3 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 to minimize the negative consequences of manifest and potential conflicts. Conflict handling helps the supplier to avoid any potential conflict, solve that particular conflict before it creates problems and provides it with the ability to discuss the solution openly when the problem arises. Conflict handling requires cooperative behavior from exchange partners. According to Evans and 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 achieve zero defects in product all the time, but it is so important that companies put in place effective conflict resolution or problem solving mechanism. A major problem which had been resolved satisfactorily may leave in its wake a happy and loyal customer, but may be minor issues, if not handled carefully, will result in defection. A more excellent approach, for example proactive in planning and implementations, includes identifying potential conflicts, solving conflict before they manifest, avoiding potential conflict and blocking them. These efforts could bring a better relationship and loyalty to the particular firm (Ndubisi, 2007). Ndubisi and Wah (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. 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.

i. Employee – Customer conflict

Conflict can occur between employees and customers when either of the parties does not follow the expected role. Conflict also occurs between the employee and the customer if the customer does not take care of the facility the way the employee feels. Both customers and employees are expected to behave in accordance with their role scripts. When behavior deviates from scripts, a conflict will arise. To reduce employee – customer conflict, both customers and frontline staff members must understand their roles. Company personnel should instruct new customers about their roles and may need to remind current customers occasionally. Training employees how to deal with different types of customers and their behaviors can also be beneficial.

ii. Customer – Role conflict

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

iii. 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 frontline people. Dealing with customer – organization conflict is difficult to alleviate because most organizations do not want to change policies. When conflict occurs, frontline people should analyze their policies and decide if it is time to modify or eliminate the policy.

iv. Customer-Customer conflict

Conflicts sometimes arise among customers. Such conflicts are very familiar in service sectors but not in manufacturing sectors. Conflicts among customers may arise when they are served simultaneously or when one customer is served in the presence of other customers. They might 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 on how to handle and how to minimize conflicts among customers. Yekunoamlak (2004) conducted survey and proved that to maintain good relationship

with customers, the way customers are handled such as proper acts of frontline employees and proper customer service are significantly important for customer loyalty. He also suggested that proper complaints handling and efficient service failure recovery procedures are considered as very important factors for customer satisfaction by many customers.

2.4.4 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 by looking at the expressions of the customers facially or from their body movement, or by hearing their tone of voice, which may convey immediate sense of how they feel. Empathy is also often characterized as the ability to put oneself in the shoes of 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 the feelings or thoughts of another. 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.

2.5 Customer loyalty

Customer loyalty is one of the most important goals of implementing RM activities. Oliver (1997) defined customer loyalty as a deeply held commitment to re-buy a preferred product/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. Similarly, Kunoe (1994) (in Hougard and Bjerre, 2009: 67) defines customer loyalty as "...the seller's perception of the consumer's positive attitude to the product

manifested by re buying”. This is to say that loyalty is something a company strives to attain, not something that can just be requested or assumed. It must be earned.

It is assumed that customers who are behaviorally loyal to a firm display more favorable attitudes towards the firm, in comparison to competitors. Customer satisfaction and loyalty are highly correlated. Customer satisfaction in a relationship is a good basis for loyalty (Leverin and Liljander, 2006). Lacey (2009) undertook a research and concluded customers are vital sources for future revenue streams and marketing intelligence to the firm, and loyal customers are willingly share insights about their needs and provide the opportunity for firms to tailor products, pricing, distribution channels, and marketing communications. This author also indicated that relational outcomes reflect the combination of marketing resources that contribute to a more efficient and effective marketing enterprise, including personal referrals, sharing personal information, engaging in firm-sponsored marketing research activities, providing complaint feedback, being more open to firm promotions and increasing purchasing activities. Results of Pantouvakis and Lymperopoulos (2008) support that in order for service company services strategies and tactics to yield desired results; attention should be given to the increasing loyalty of customers. Knowing the buying motivations of customers has been an important part of understanding customer loyalty and brand switching behavior. Oliver (1997) describes four levels of loyalty based on these components:

i. **Cognitive:** one brand is preferable based on superior brand attributes.

ii. **Affective:** liking towards brand has developed over the course of multiple purchase situations that were satisfying.

iii. **Conative:** Affective stage with the express intention to re-buy.

iv. **Action:** Conative stage plus the active desire to overcome situational influences and marketing efforts that may have the potential to cause switching behavior.

On reaching the action phase, the customer possesses a deep commitment to repurchase but also is active in blocking the influence of alternative brands. Action level loyalty will be created when consumers intentionally immerse themselves in a social system that rewards brand patronage. As Oliver (1997) lists the requirements for this state to occur are the following.

- a. The product must be perceived as superior by a large enough segments of the firm's customers in order to be profitable.
- b. The product must be subject to respect (or focused commitment).
- c. The product must have the ability to be embedded in a social network.

2.6 Customer Retention

To underscore the need for customer retention in RM, Gummesson (2008: 25) says that “(t)he beginning of a relationship is often romantic and passionate. It is when the passion phase fades that the real work of building a relationship starts.” Similarly Peck et al. (1999) reinforces the idea by explaining that few companies claim to have achieved the appropriate balance between acquiring and retaining customers. The reason for this, as they put it is that there is a real danger in placing too much focus on marketing activities directed at new customers. They say too much by way of financial resources may be used in acquisition; although these valuable customers are lost because too little subsequent effort is given to retaining them. “If customer service does not meet customer expectations, it is unlikely that a customer will be retained and the reputation of a company may be damaged by adverse word-of-mouth publicity” (Peck et al., 1999: 44). This indicates that a great deal of attention needs to be paid to customer retention if RM programs have to be successful.

Strengthening this argument, Payne and Holt (2001: 8) refer to researches indicating the reasons why retained customers are more profitable than new customers.

- the cost of acquiring new customers can be substantial. A higher retention rate implies that fewer customers need be acquired more cheaply;
- established customers tend to buy more;
- regular customers place frequent, consistent orders and, therefore, usually cost less to serve;
- satisfied customers often refer new customers to the supplier at virtually no cost;
- satisfied customers are often willing to pay premium prices for a supplier they know and trust;
- retaining customers makes market entry or share gain difficult for competitors.

2.7 Customer loyalty and customer retention

Today companies are target on developing stronger bonds and loyalty with their ultimate customers. In the past, many companies took their customers for granted. Their customers either did not have many alternative suppliers, or the market was growing so fast that the company did not worry about fully satisfying its customers. These companies need to pay closer attention to their customer defection rate and undertake measure to reduce it. Today's companies are going all out to retain their customers. They are struck by the fact that the cost of attracting new customer may be five times the cost of keeping a current customer happy (Kotler & Armstrong, 2010). Good customer relationship management creates customer delight. In turn, delighted customers remain loyal and talk favorably to others about the company and its products. Studies show big differences in the loyalty of customers who are less satisfied, somewhat satisfied, and completely satisfied (Kotler & Armstrong, 2010). Even a slight drop from complete satisfaction can create an enormous drop in loyalty. Thus, the aim of customer relationship marketing is to create not just customer satisfaction, but customer delight and customer loyalty. Companies are now realizing that losing a customer means losing more than a single sale. It means losing the entire stream of purchases that the customer would make over a lifetime of patronage.

As companies move form a transaction-oriented view of their customers to a relationship-building view, they will create and sponsor programs to keep their customers coming back, buying more, and staying loyal. The challenge is to develop a special relationship with the company's best customers in which they experience good two-way communication and see themselves as receiving special privileges and awards. Among the most promising programs are frequency marketing programs and club marketing programs (Kotler, 1994). Frequency marketing programs (FMP) are designed to provide rewards to customers who buy frequently and/or in substantial amounts. Kotler (1994) defined frequency marketing as the effort to identify, maintain, and increase the yield from best customers, through long-term, interactive, and value added relationships. Frequency marketing is an acknowledgement of the Pareto principle – which 20% of a company's customers might account for 80% of its business. In club marketing programs - many companies have created club concepts around their product (Kotler, 1994). Club membership can be offered automatically upon purchase or promised purchase of a certain amount.

2.8. Conceptual Framework of Relationship Marketing

Although RM is a relatively young field of inquiry, its theory is an extremely rich area of research (Hunt et al., 2006). These authors indicated that RM can take many forms and, as a result, its theory has the potential to increase the understanding of many aspects of business strategy. They also argued that in the development of the explanatory foundations of relationship marketing theory, it provides answers to three ‘why’ questions:

- A. Why is relationship marketing so prominent now?
- B. Why do firms and consumers enter into relationships with other firms and consumers?
- C. Why are some efforts at relationship marketing more successful than others?

The answers to these questions provide a broad base from which to view relationship marketing theory. First, it is suggested that the prominence of relationship marketing is due not just to the rise of services, technology, and information-oriented firms, but also to the rise of strategic network competition. Strategic network competition, which involves independent owned and managed firms agreeing to become partners within a network, emphasizes the importance of inter-firm cooperation as a means to compete successfully with other networks. To be successful (both individually and as a network), the firms in a strategic network must become proficient at relationship marketing. Second, relationship marketing theory implies that consumers enter into relational exchanges with firms when they believe that the benefits derived from such relational exchanges exceed the costs. The benefits include:

- The belief that a particular partner can be trusted to reliably and competently provide quality market offerings;
- The belief that the partnering firm shares values with the consumer;
- The customer experiences decreases in search costs;
- The customer perceives that the risk associated with the market offering is lessened;
- The exchange allows for customization that results in better satisfying the customer’s needs, wants, tastes, and preferences.

Based on relationship marketing theory firms engage in relationship marketing because it increases their competitiveness. It is noted that customers do so when relationships contribute to the firm's ability to efficiently/effectively produce market offerings that have value for some market segment(s). That is, they do so when relationships become resources. Relational resources have the potential to improve a firm's marketplace position and, in turn, its financial performance. 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. The conceptual framework of the research is presented below (figure 2.1)

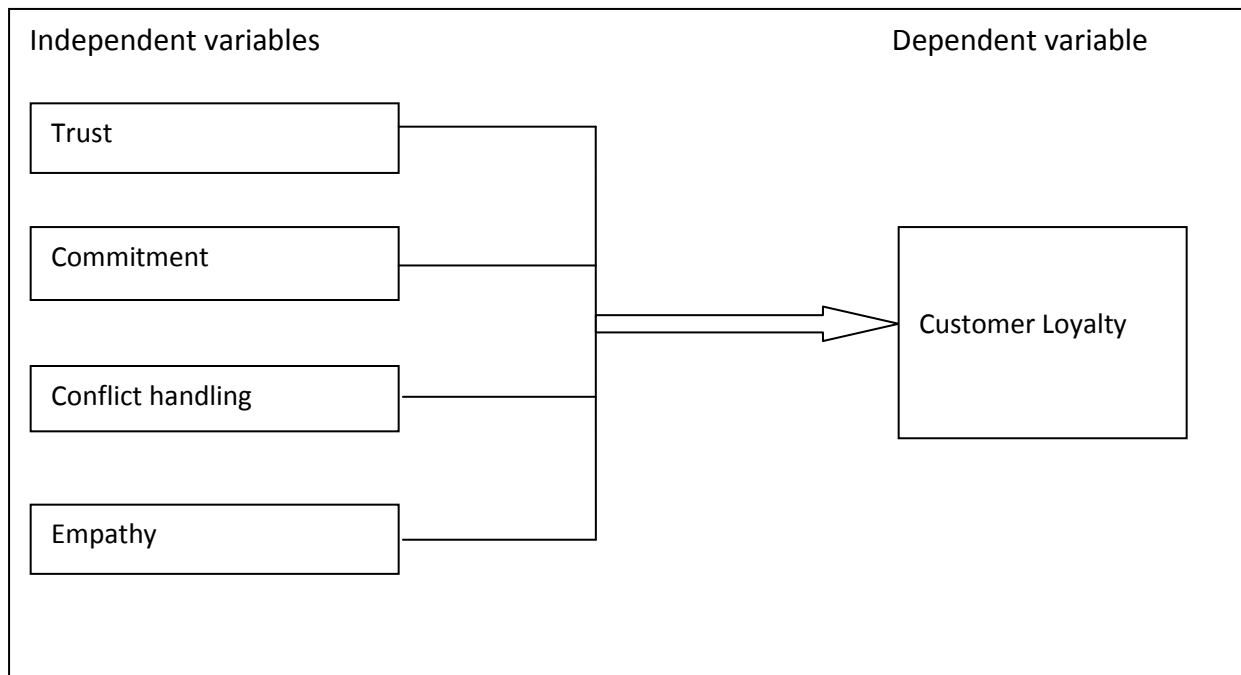


Figure 2.1: Conceptual framework of the research

Chapter Three

Research Design and Methodology

This chapter of the study deals with the study design, the sources and methods of data collection, and the techniques of data presentation and analysis.

3.1 Research Design

This research work is explanatory in its nature. In addition, it is used some qualitative data from HMMBI's employees/experts. Thus In relation to research approach, this study employed the blend of the two research approaches; the qualitative and quantitative, or is to be called mixed-method approach to answer the research questions. The quantitative and qualitative approaches are used just to implement the former with the latter, and narrow the gap that could have been created had only one of the approaches been employed. One of the strengths of a mixed method study is that the perceived biases of one research method are mediated by the biases of the other (Creswell, 2003; Meyer, 2004). Bryman (in Jonker and Pennink 2010: 92) states that “. . . in the end when quantitative and qualitative research are jointly pursued, much more complete accounts of social reality can ensue”. Many people, including Robson (2012) and Shimeles (2011), used the same blends of the two approaches to maximize the advantages of it in similar contexts.

3.2 Target population and Sample

The non-probability sampling technique used in the study was the expert sampling technique to select the employees/experts from the organization to take part in in-depth semi-structured interview. This was used to select samples out of the marketing and managerial personnel for this is a technique where respondents are chosen in a non-random manner based on their expertise on the phenomenon being studied (Bhattacharjee, 2012: 70).

The Industry has about 150 B2B customers throughout Ethiopia, out of which 50 are located in Addis Ababa. By considering the scope of the study all the 50 customers located in Addis Ababa are contacted to take part in the stud. In this way, all the 50 customers were participated in the study.

3.3 Data collection instruments and variables

The study used both primary and secondary data as its source of information. Primary data was collected based on open ended and close ended questionnaire and in-depth semi-structured individual interview. The secondary data was collected by reviewing books, articles and journals related and online information available.

The questionnaire that was filled out by customer respondents was designed beforehand and distributed among the sample population. A great deal of care was taken while preparing the questionnaires, because questionnaires by their nature are filled out in the absence of the researcher. Besides referring to the guideline that Kothari (2004: 100 - 104) sets, model questionnaires with standardized format were reviewed from different sources to develop the questionnaire.

The questionnaire was designed to be with two parts. The first part was prepared to gather general information about the respondent's gender, age, education and for length of relationship. This part consisted of 4 questions. Part Two was prepared to ask respondents about the effects of HMMBI's RM practices on its customers' loyalty. This part consisted of 21 close ended and 2 open ended questions. The close-ended questions provided the respondents with alternatives arranged in the five point Likert scale, going through strongly disagree (measured as 1), disagree (measured as 2), no opinion (measured as 3), agree (measured as 4), and strongly agree (measured as 5).

The other instrument of data collection was an in-depth semi structured individual interview. Bryman (2004: 543) makes the following statement while discussing the advantage of semi-structured interview.

Semi-structured interview covers a wide range of types. It typically refers to a context in which the interviewer has a series of questions that are in the general form of interview guide but is able to vary the sequence of questions.

The questions are frequently somewhat more general in their frame of reference from that typically found in a structured interview schedule.

Stating another merit of the semi structured interviews, Hancock (2002: 13) says that they involve a series of open ended questions based on the topic areas the researcher wants to cover. The open ended nature of the question defines the topic under investigation but provides opportunities for both interviewer and interviewee to discuss some topics in more detail. “If the interviewee has difficulty answering a question or provides only a brief response, the interviewer can use cues or prompts to encourage the interviewee to consider the question further. In a semi structured interview the interviewer also has the freedom to probe the interviewee to elaborate on the original response or to follow a line of inquiry introduced by the interviewee”.

The semi-structured individual interview consists of 11 questions with regard to the effects of relationship marketing activities on customer loyalty in the Industry. The researcher deliberated the use of it as a technique of gathering data from the HMMBI’s top level managers and marketing personnel. Thick information could be found from the interviews conducted. The interviews were entirely tape-recorded so as not to miss points discussed in the middle of the interview because of a strive made to take notes of responses. In addition, this gave the interviewer ample time to focus on the process of interviews.

The independent variable is relationship marketing and measured with the help of the four dimensions – commitment, compliant handling, trust and empathy. The dependent variable is customer loyalty.

3.4 Data analysis

After collecting the data through questionnaire and interview, the process of analysis began. Analysis of data in this research was done by using statistical tools like regression and correlation models. Regression analysis was used to see how much the independent variable - relationship marketing – explains or influences the dependent variable, which is customer loyalty. Correlation analysis was also conducted to measure the strength of the association between relationship marketing dimensions and customer loyalty. And also descriptive analysis

was used for the demographic factors such as gender, age, educational level, and the length of relationship with the Industry. The data gathered by the use of semi-structured individual interview was analyzed qualitatively. Tools like tables and percentage were used to present the data, and the analysis was performed by using SPSS software version 20.00. In order to reduce the possibility of getting wrong answers, different actions were taken to ensure the soundness of this study.

1. Data was collected from reliable sources, from respondents who are customers of the industry.
2. The questionnaire was based on literature review to ensure the soundness of the results.
3. SPSS software version 20.00 was used to analyze the data and special care was given to the process of data coding.

3.5 Reliability test result

Alpha reliability is regarded as a measure of internal consistency of the mean of the items at the time of administration of the questionnaire. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively related to one another. It is computed in terms of the average inter correlations among the items measuring the concept. Reliability is calculated in such a way that it represents the reliability of the mean of the items, not the reliability of any single item. So, the alpha reliability of 10 items would be higher than that of 5 similar items. This coefficient can hold a value of 0 to 1. The result of 0.7 and above implies an acceptable level of internal reliability. The result of reliability test for the questionnaire is shown in the following table. As it is indicated in the table, the test result is between 0.702 and 0.938. Therefore, based on the test, the results for the items are reliable and acceptable.

Table 3.1. Reliability test for the questionnaire

	No. of Items	Cronbach's Alpha
Trust	4	0.938
Empathy	4	0.920
Commitment	3	0.702
Conflict handling	5	0.811
Customer loyalty	5	0.914

3.6 Summary

In this chapter, the research design chosen for this particular research and the justifications for the choice were discussed. Moreover, the data collection techniques that were used in an appropriate way to the research design were presented. The use of these techniques has made it possible to collect quality data that significantly contributed to finding responses to the central questions raised in the study.

Finally, the chapter described how the data collected were processed and presented. The proceeding chapter makes use of qualitative data presentation and analysis to come up with specific findings.

Chapter Four

Data Presentation and Analysis

This chapter attempted to present, analyze and interpret the data collected and relate them to the theory discussed in the second chapter of the paper. At the same time, the data is analyzed in association with the research questions raised in Chapter One. The center of focus of the presentation and analysis of data, this being the main objective of the study, are pieces of information only that are directly related to the effects of RM on customer loyalty in HMMBI.

The data, as has been discussed in the preceding chapter, were gathered from primary source through semi structured in-depth individual interviews with expert employees and questionnaires filled out by customers of the Industry and secondary sources.

In terms of organization, this chapter is put into four subparts. Following the first subpart, which deals with the descriptive analysis, comes the second subpart that discusses the correlation analysis between the variables of the topic under study. The third 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 and length of relationship of the respondents with the Industry.

4.1.1 Gender of respondents

The gender of the respondents, as shown in Table 4.1, is male dominated. Most of the respondents are male (64.0%) while the female are 36%.

Table 4.1: Gender of respondents

	Frequency	Percent
Male	32	64.0
Female	18	36.0
Total	50	100.0

4.1.2 Age of respondents

The respondents' age is presented in the following table. The table shows that 64. % of the respondents are between the age of 20-39 years, followed by the respondents who are between at 40-59 years age to be 28. %. The rest 8% are above 60 years old.

Table 4.2: Age of respondents

	Frequency	Percent
20-39 years	32	64.0
40-59 years	14	28.0
60 years & above	4	8.0
Total	50	100.0

4.1.3 Educational level of the respondents

The educational level of the respondents looks like what is shown in table 4.3. As it can be seen from the table 52. % of the respondents hold a first degree. 32. % of them are diploma holders the rest 16. % have got their second degrees.

Table 4.3: Educational level of respondents

	Frequency	Percent
Diploma	16	32.0
Degree	26	52.0
Postgraduate	8	16.0
Total	50	100.0

4.1.4 Length of relationship of the respondents with the Industry

The data indicating the length of relationship that the respondents have with HMMBI is presented in Table 4.4. Accordingly 32. % of the respondents have relationship with the Industry which dates back up to 5 years. While 28. % of the customers did business with HMMBI for more than 5 years, 24. % of them are customers for the past 4 years. The rest 16.0% have got a 3 year relationship with the Industry.

Table 4.4: Length of relationship of the respondents with the Industry

	Frequency	Percent
3 years	8	16.0
4 years	12	24.0
5 years	16	32.0
above 5 years	14	28.0
Total	50	100.0

4.2 Correlation Analysis

Like the demographic factors, the data from the scale typed questionnaire were fed to the SPSS software version 20.00, to process the correlation analysis. Based on the questionnaire which was filled by the customers of HMMBI, the following correlation analysis was made.

4.2.1 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 4.5. As it is indicated in the table there is a significant correlation between relationship marketing and customers' loyalty. In other words relationship marketing and customers' loyalty have relationship ($r = 0.575$ with $p < 0.01$).

Table 4.5: Correlations between relationship marketing and customers' loyalty

		Relationship Marketing	Customer loyalty
Relationship marketing	Pearson Correlation	1	.575
	Sig. (2-tailed)		.000
	N	50	50
Customer loyalty	Pearson Correlation	.575	
	Sig. (2-tailed)	.000	
	N	50	50

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

4.2.2 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 4.6. 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 are correlated in a relationship ($r = 0.487$).

Table 4.6: Correlations between trust and customers' loyalty

		Trust	Customer loyalty
Trust	Pearson Correlation	1	.487
	Sig. (2-tailed)		.000
	N	50	50
Customer loyalty	Pearson Correlation	.487	1
	Sig. (2-tailed)	.000	
	N	50	50

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

4.2.3 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 4.7 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 high relationship ($r = 0.773$).

Table 4.7: Correlations between commitment and customer loyalty

		Correlations	
		Commitment	Customer loyalty
Commitment	Pearson Correlation	1	$.773^{**}$
	Sig. (2-tailed)		.000
	N	50	
Customer loyalty	Pearson Correlation	$.773^{**}$	1
	Sig. (2-tailed)	.000	
	N	50	50

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

4.2.4 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 4.8. 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 ($r = 0.604$).

Table 4.8: Correlations between conflict handling and customers' loyalty

		Customer loyalty	Conflict handling
Customer loyalty	Pearson Correlation	1	.604
	Sig. (2-tailed)		.000
	N	50	50
Conflict handling	Pearson Correlation	.604	1
	Sig. (2-tailed)	.000	
	N	50	50

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

4.2.5 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 4.9. As it is clearly indicated on the table, there is positive correlation between empathy and customers' loyalty. The result of correlation analysis prove that empathy and customers' loyalty are correlated with a relationship ($r = 0.319$).

Table 4.9: Correlations between empathy and customers' loyalty

		Empathy	Customer loyalty
Empathy	Pearson Correlation	1	.319
	Sig. (2-tailed)		.024
	N	50	50
Customer loyalty	Pearson Correlation	.319	1
	Sig. (2-tailed)	.024	
	N	50	50

4.3 Regression analysis

This regression is conducted to know how much the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (trust, commitment, conflict handling and empathy) explains the dependent variable, which is customers' loyalty. The results of the regression analysis are presented as follows.

4.3.1 Regression analysis of relationship marketing and customers' loyalty

The Results of regression analysis against customers' loyalty can be seen in Table 4.10. The result shows that relationship marketing has the power to explain customer loyalty. In this case the results of correlation of relationship marketing and customers' loyalty and R Square (0.331) are taken into consideration. The regression analysis model summary indicates that RM which is entered into the regression model on SPSS has relationship with customers' loyalty with correlation coefficient of 0.575. The R square is the explained variance and it is actually the square of the multiple R $(0.331)^2$. Therefore, it is pointed out that 33 percent of relationship marketing can explain the dependent variable that is customers' loyalty. As it is indicated in Table 4.11, total relationship marketing was considered as predictors of customers' loyalty and reported high level of significance $p < 0.01$. And also the R square value of 0.331 confirming that, 33% of the variation in customer loyalty is explained by relationship marketing. Relationship marketing as used for prediction was found to be significantly related to customers' loyalty as the p-value is less than 0.01.

Table 4.10: Regression analysis result for relationship marketing and customers' loyalty

Model summary		
Model	R	R Square
1	.575 ^a	.331

Table 4.11: ANOVA result for relationship marketing and customers' loyalty

Model	F	Sig.
1 Regression	23.709	.000 ^b
Residual		
Total		

Table 4.12 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. As it is indicated in the table, high beta value shows that it is significant in explaining. If we can see the Beta column under standardized coefficients below, we can understand that the highest number in the beta is 0.773 for commitment dimension and the second highest is conflict handling with 0.604. Therefore, commitment and conflict handling are the major determinant of customers' loyalty. It can be seen also from the table that the four independent variables were significant in explaining customers' loyalty.

Table 4.12: Coefficients of relationship marketing dimensions

Model	B	Beta	T	Significance
Trust	.465	.487	3.868	0.000
Commitment	1.509	.773	8.437	0.000
Conflict handling	.677	.604	5.253	0.000
Empathy	.347	.319	2.334	0.24

4.3.2 Regression analysis of trust and customers' loyalty

As it is indicated in the model summary in Table 4.13, trust explains customers' loyalty. In this case, the results of correlation of trust and customers' loyalty and R Square (0.238) are taken into consideration. This R square is the explained variance and it is actually the square of the multiple R (0.487)² which is 0.238. Therefore, it is pointed out that 24% of Customers' loyalty is explained by trust. As it is indicated in table 4.14, trust was considered as predictors of customers' loyalty and reported high level of significance $p < 0.01$. And also the R square value

of 0.238 confirming that, 24% 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 4.13: Regression analysis result for trust and customers' loyalty

Model summary

Model	R	R Square
1	.487 ^a	.238

Table 4.14: ANOVA result for trust and customers loyalty

Model	F	Sig.
1 Regression	14.963	.000 ^b
Residual		
Total		

4.3.3 Regression analysis of commitment and customers' loyalty

Table 4.15 shows the results of regression analysis for commitment and customers' loyalty. In this case, the results of correlation of these two variables and R Square (0.597) are taken into consideration. Here the R square is the explained variance and it is actually the square of the multiple R (0.773^2) which is 0.597. Therefore, it is possible to state that 60% of customers' loyalty is explained by commitment. As it is indicated in Table 4.16, commitment was considered as a predictor of customers' loyalty and reported high level of significance $p < 0.01$. The R square value of 0.597 also confirms that, 60% 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 4.15: Regression analysis result for commitment and customers' loyalty

Model summary

Model	R	R Square
1	.773 ^a	.597

Table 4.16: ANOVA result for commitment and customers' loyalty

Model	F	Sig.
1 Regression	71.186	.000 ^b
1 Residual		
1 Total		

4.3.4 Regression analysis of conflict handling and customers' loyalty

The regression analysis result of conflict handling and customers' loyalty is as presented in Table 4.17. As it is clearly indicated in the table, conflict handling can explain customer loyalty in HMMBI. 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 $(0.604)^2$ which is 0.365. Therefore, it is possible to state that 37% of customers' loyalty is significantly explained by conflict handling. Conflict handling was considered as a predictor of customers' loyalty and reported high level of significance $p < 0.01$ as it is indicated in Table 4.18. And also the R square value of 0.365 confirms that 37% 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. It is the second highest of all the independent variables in explaining customers' loyalty.

Table 4.17: Regression analysis result of conflict handling and customers' loyalty

Model summary

Model	R	R Square
1	.604 ^a	.365

Table 4.18: ANOVA result for conflict handling and customers' loyalty

Model		F	Sig.
1	Regression	27.596	.000 ^b
	Residual		
	Total		

4.3.5 Regression analysis of empathy and customers' loyalty

The result of regression analysis of empathy and customers' loyalty indicates that empathy can explain customers' loyalty to some extent. In this case also, the correlation result of these two variables and the R square are taken. The R square is the explained variance and it is actually the square of the multiple R $(0.319)^2$ which is 0.102. Therefore, it is possible to conclude that 10.2% of customers' loyalty is explained by empathy. As it is indicated in table 4.20, empathy was considered as a predictor of customers' loyalty and reported high level of significance $p < 0.01$. And also the R square value of 0.102 confirming that, 10.2% of the variation in customer loyalty is explained by empathy. Empathy as used for prediction was found to be significantly related to customers' loyalty as p-value is less than 0.01.

Table 19: Regression analysis result of empathy and customers' loyalty

Model summary

Model	R	R Square
1	.319 ^a	.102

Table 20: ANOVA result for empathy and customers' loyalty

Model		F	Sig.
1	Regression	5.449	.024 ^b
	Residual		
	Total		

4.4 Results Discussion

This research is concerned in the elements of relationship marketing towards customers' loyalty in manufacturing industry, taking the case of HMMBI. The objective of the study is to explain the effects of RM on customer loyalty within the Industry by analyzing the relationship of every construct in the theoretical framework.

Demographic factors such as gender, age, level of education, and length of customers' relationship with the Industry have been taken into account to learn the general characteristics of the respondents. The research took 64.0% male and 36.0% of female respondents. In terms of age, the majority (64.0%) of the respondents are found to be between 20 – 39 years of age. Those who are between 40 – 59 constituted 28.0%. With regard to the level of education, 52.0% of the respondents are Bachelors' Degree holders while the 32.0% got Diplomas. The respondents with Masters' Degree accounted for the rest 16.0%. Looking at the length of customers' relationship to the Industry, 60.0% of them have a relationship that aged 5 years and above. The relationships that stayed for 4 years and 3 years accounted 24.0% and 16.0% of the customers respectively. Among the demographic factors only length of the customers' relationship is correlated with customers' loyalty. The result of Pearson correlation between the variables indicates that their relation is strong ($r = 0.754$) ($\text{sig} = 0.01$). The other dimensions have no clear relationship with customers' loyalty.

Based on the results of Pearson correlation test, trust is positively correlated with customers' loyalty ($r = 0.487$). In other words if customers trust the Industry, they will be loyal to it. In order to increase this positive relationship, HMMBI should be able to keep the promises it makes to its customers so that it encourages repeat purchase to establish strong relationship. In addition, trust only will exist if customers have confidence in the Industry's ability to perform satisfactorily. Therefore, trust has power to determine the loyalty of customers. With regard to trust, the Industry can be perceived by its customers as honest in its performance 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 24.0% 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.

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. The correlation coefficient between commitment and customers' loyalty is the highest of all correlation results of relationship marketing dimensions which is 0.773. This shows that commitment is a major determinant of customers' loyalty, and customers will critically evaluate the commitment of the Industry. The commitment of the Industry will help it to retain customers by improving products it supplies. By having committed employees, manufacturers can continue retaining existed customers and attracting new customers to generate more profit. To this extent the commitment dimension of RM plays great role. Therefore, industries are expected to have committed employees to treat the customers as they want. 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, 60.0% 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 similar to the above findings that commitment has the power to increase customers' loyalty.

The other factor that is included in the dimensions of relationship marketing is empathy. It was found to have positive and moderate relationship with customers' loyalty. The correlation coefficient between these variables is 0.319. 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 HMMBI's employees. If this is the case, industries need to treat customers as they want to be treated so that they acquire loyal customers. When the customers are treated in a good 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 talk favorably about the industries to other customers. Therefore, HMMBI needs to understand its customers' needs and wants and continuously evaluate its products to satisfy and attract customers in a better way.

With regard to the regression analysis of empathy and customers' loyalty, 10.0% 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. So, the result of this research on empathy of RM supports the above findings that empathy has power to make customers loyal.

The last but not the least 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 0.604. It is the second highest of all correlation results of RM elements. When manufacturers have good conflict handling procedures and solving the manifested problems successfully, the customers express their complaints or any feelings they have freely and will become loyal customers. In order to encourage customers to complain when there is problem, manufacturers 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 customer commitment.

The regression analysis result for conflict handling and customers' loyalty is 37% of the variance R square in customers' loyalty has been significantly explained by conflict handling. It is the second highest of all the independent variables in explaining customers' loyalty. 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. And also the result of Yekunoamlak Hailu (2004) proved that to maintain good relationship with customers, way customers are handled such as proper acts of frontline employees and proper customer service are significantly important for customer loyalty. Therefore, the result of this research on conflict handling dimension is similar with the above results in indicating that proper conflict handling can increase customers' loyalty.

In order to know the current information of the bank with regard to relationship marketing and Customers' loyalty concepts, interviews were conducted with the Head of Marketing Department and Head of Customer Service of HMMBI with the help of a total of 11 interview questions used as guidelines.

Answering the questions raised about the RM practices in the Industry, the interviewees indicated that there are activities showing the existence of RM practices in the Industry. Both the Head of the Marketing Department and the Head of the Customers' Service stated that there are attempts that the Industry is making in keeping in touch with its customers. Some of these attempts were that they keep data about the whereabouts of their customers, the nature of products they buy, and the like in order to easily access customers or suppliers when needed to.

In addition, the Head of Customers' Service of the Industry stated that the industry has designed a mechanism in which it continuously gathers feedbacks from its customers. He further said that

the Industry uses the feedback collected as input to strengthen the relationship it has with customers. The Head of the Marketing Department said that the Marketing Department works hard to strengthen the relationship it has with its customers by considering issues of marketing like price, quality and delivery time. This, he says, builds the relationships the Industry has with customers and suppliers on a firm ground.

Both the interviewees said that they know their loyal customers well though their level of loyalty has never been measured using any scientific mechanism. They indicated that most of their loyal customers, particularly those from the government sector, always come to HMMBI whenever they needed products of high quality and precision because the Industry keeps itself up with up-to-date and brand-new technologies. This, they said, is what indicates the level of their customers' Loyalty. The Head of Customer Service made a rough estimation to inform the researcher about 70% of their customers are loyal to the Industry.

Asked about how the Industry measures the dimensions of RM – trust, conflict handling, commitment and empathy – the interviewees stated that the Industry has no organized way to measure them. However, they said that they attempt to measure the performances of the employees on the basis of the customers' needs and the complaints that the customers may make. The Head Customer Service mentioned that the Industry has installed suggestion boxes and comment books as way of gathering customers' complaints though there is no clear policy put in place about it. Moreover, the Head of Marketing Department said that HMMBI's employees are very respectful to their customers and are very willing to listen to what customers demand.

Finally, both the interviewees informed the researcher that there is an attempt being made in recognizing the Industry's regular customers though the task was not carried out in an organized manner. They also said that the customers' specific needs are tried to be identified through the feedbacks and complaints gained from customers as the Industry wants to provide them with customized products.

Chapter Five

Conclusions and Recommendations

This study has attempted to examine the effects of RM underpinnings on customer loyalty in the context of HMMBI. In order to do so, an attempt was made to examine the relationship between RM dimensions of trust, commitment, conflict handling, and empathy in the context of HMMBI, to assess the effects of trust, commitment, conflict handling, and empathy on customer loyalty, and to describe the performance of RM practices in HMMBI, in B2B context.

The study was conducted by blending the two research approaches, qualitative and quantitative approaches, so as to fill the gap that might have happened if only one of the approaches were used. Data were gathered, analyzed and interpreted to enable conclusions to be drawn out of the findings of the study.

This chapter, so, wraps up by presenting the conclusions reached upon and based upon them forwarding things that must be given attention for the maximized effects of RM on customer loyalty that HMMBI could gain from running an RM practice that considers the underpinnings.

5.1 Conclusions

Based on previous theories and researches conducted in the areas of RM and its outcomes, this study could show clear links between RM and customer loyalty, which helps to deeply understand the relationship and interaction between them. The findings support the assumption that relationship marketing dimensions can enhance the quality of a buyer-seller relationship and in turn increase customer loyalty. Trust, commitment, conflict handling and empathy are not only the desired outcomes of RM, but also the antecedents of customer loyalty.

1. In regard to the Pearson correlation analysis, it could be clearly seen that the four RM dimensions namely trust, commitment, conflict handling, and empathy are positively related to each other. The relationship between these dimensions appears to be as follows:
 - Trust and commitment have strong relationship.
 - Trust and empathy have moderate relationship.
 - Trust and conflict handling have moderate relationship.
 - Empathy and commitment have moderate relationship.
 - Empathy and conflict handling have moderate relationship.

- Commitment conflict handling have moderate relationship.

2. From the analysis made to assess the relationship between customer loyalty and RM dimensions, it could be found out the four dimensions of RM are positively related to customer loyalty. This could indicate that the dimensions positively affect the customers' loyalty. The relation customers' loyalty has with each dimension in HMMBI's condition is put as follows.

- Trust and customers' loyalty have moderate relationship.
- Commitment and customers' loyalty have strong relationship.
- Conflict handling and customers' loyalty have moderate relationship.
- Empathy and customers' loyalty have relationship.

3. Looking at the correlation between the demographic factors of the customers and their loyalty, it could be seen that only the customers' length of relationship with the Industry has strong correlation. The other demographic factors have no relationship with customer loyalty.

4. The correlation between RM and customer loyalty turned out to be positive. This implies that RM directly influences the level of customers' loyalty. It could also be clearly understood from the regression analysis part, that RM explains customers' loyalty. The regression analysis indicated that 33% customer loyalty is explained by RM. Each independent variable is also regressed against customers' loyalty and the result shows that all the independent variables can explain the dependent variable – customers' loyalty.

The regression analysis result looks like the following.

- 33% of customers' loyalty is significantly explained by relationship marketing.
- 24% of customers' loyalty is significantly explained by trust.
- 60% of customers' loyalty is significantly explained by commitment.
- 10% of customers' loyalty is significantly explained by empathy.
- 37% of customers' loyalty is significantly explained by conflict handling.

5. As could be learnt from the data gathered from the in-depth semi-structured interviews, HMMBI doesn't have an RM program and a body particularly responsible to it. However the company exercises some activities that can be considered as RM practice.
6. It could also be seen from the interviews that the Industry has a very good number of loyal customers who manifest their loyalty with repeated purchase.
7. Another conclusion made out of the interviews was that HMMBI has not set a mechanism in which it measures the level of customers' trust, commitment, and employees' level of empathy to their customers.
8. The interviews also indicated that the Industry doesn't have a clear policy of complaints handling though customers who show up with complaints are treated fairly.
9. The data from the interviews could also lead to a conclusion that shows the efforts that the Industry made in recognizing its regular customers, providing individualized attention to them, and learning the customer's specific needs is limited.

5.2 Limitations

Some limitations are faced giving the research a hard time. The very big hindrance was the short time the researcher had to carry out the research. Another is that the researchers' unreserved attempt to make use of secondary data about the customers' relationship with the Industry could not succeed.

5.3 Recommendations

Based on the conclusions drawn out of the findings, the following points are forwarded as recommendations so that the Industry can maximize the return it gains from the RM practices it experiences to boost the level of customers' loyalty.

1. HMMBI must develop an RM program that will help it build and support positive relationships with its customers and particularly a CRM program which enables it gather data about each individual customer of it to treat them knowing their individual needs.
2. The Industry has to train and orient the employees, especially in the frontline staff, how important RM is. This will increase the level of empathy that the employees show to

their customers and thereby increase customers' satisfaction and trust on the Industry, which in turn increases loyalty.

3. The Industry should appear be trustworthy and show commitment, by providing individualized attention to customers and by resolving conflicts in a manner that will eliminate unnecessary loss and inconvenience to their customers.
4. HMMBI should develop a mechanism in which it measures all the variables of RM, (customers' loyalty, trust, commitment, employees' empathy to customers and efforts made to handle complaints) and consequently act upon the findings in its RM program.
5. The Industry has to work hard to increase the level of trust that its customers put on it, by supplying quality products, keeping its promises, listening to customers, considering the individual customers' needs and the like.
6. HMMBI should develop a clearly determined conflict handling policy, train employees on how to react upon complaints, develop a culture of informing customers about any change that takes place in advance, and widen the methods of customers' feedbacks collection.
7. The Industry must also install a reward mechanism, especially for its frontline staff members, based on their contributions to the success of the RM program and thereby to the increase they make to the level of customers' satisfaction.

5.4 Further Studies

This study focused on the examining the effects of RM on customer loyalty, in the particular case of HMMBI. So it took the four dimensions of RM – trust, commitment, conflict handling and empathy – into consideration to reach upon its findings. This research topic, however, can be further explored by adding more RM dimensions like value, communication, cooperation, and others which could influence customer loyalty.

This research has not looked into the possible influences of socio-demographic factors on the RM, the RM dimensions and customer loyalty. Future research studies might fruitfully investigate such moderating influences. Another issue that future studies can attempt to do is a survey by applying longitudinal design and increasing the sample size.

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Appendix 1

List of Interview Questions

1. How do you evaluate the relationship marketing activities of your Industry?
2. What are the relationship marketing strategies that your Industry uses to make customers satisfied and loyal?
3. How do you see your employees' efforts to create good relationship with customers?
4. How do you appraise your customers' level of trust on the Industry, the conflict handling procedures of your Industry, and the level of your employees' commitment and empathy of your customers?
5. Are there a clearly defined policies and procedures to handle complaints?
6. How do you see your employees' willingness to listen to customers?
7. To what extent do you think that the Industry's complaint handling procedures affect your customers' satisfaction and loyalty?
8. How do you see your employees in treating customers with respect?
9. Does the Industry inform customers about any change that takes place in advance?
10. How do you rate your Industry's efforts in:
 - recognizing the regular customers?
 - providing individualized attention?
 - learning the customer's specific needs?
11. Would you mention anything you think important to enhance customer satisfaction and loyalty?

Appendix 2
ADDIS ABABA UNIVERSITY
GRADUATE SCHOOL OF COMMERCE
DEPARTMENT OF MARKETING MANAGEMENT
A questionnaire to be filled by HMMBI's customers

Introduction:

Dear Respondent,

This questionnaire is intended to be filled out for the purpose of gathering data for the research to be conducted to fulfill the requirements for a second degree in Marketing Management. Therefore, its purpose and objective is limited to only gathering information to be used in the same research.

The research deals with the Relationship Marketing (RM) practices in Hibret Manufacturing and Machine Building Industry (HMMBI). It focuses on the effects of RM on customer loyalty: the case of HMMBI. The data collected will help the researcher to find out the condition of the RM practices in the Industry, pinpoint if anything is against the scientific way, and to recommend alternative measures that could improve the RM practices if the findings demand so. Therefore filling this questionnaire means a lot on your side as you are contributing to the research.

Instructions:

- A. You are never expected to mention your names.
- B. You are kindly requested to give genuine responses for the information you provide is only used for the purpose of the research and its confidentiality will be high.
- C. Please, mark 'X' in the boxes whenever the questions provide you with alternatives.
- D. Whenever the questions do not provide alternatives, please give your responses clearly and in Amharic (in English if you are a foreigner).
- E. You may provide more than an answer whenever the conditions compel you to do so.

Thank you in advance for your cooperation.

Part I: Demographic or General information

Choose the suitable answer and tick in the box given for each question.

- 1. Gender Female Male
- 2. Age Below 20 years 20-39 years
 40-59 years 60 years and above
- 3. Education qualification Primary Secondary Diploma
 Degree Postgraduate Others
- 4. Length of relationship: Below a year 1 year 2 years 3 years
 4 years 5 years Above 5 years

PART II.

Please, indicate your opinion by marking ✓ the appropriate box on the five point scale where:

1=Strongly Disagree 2= Disagree 3=No Opinion 4=Agree 5=Strongly Agree

No	Questions	5	4	3	2	1
	Trust					
1	The industry is consistent in providing quality product					
2	Employee of the industry show respect to customers					
3	The industry fulfils its obligation to customers					
4	Given my experience, the industry can be trusted Completely					
	Empathy					
5	Employees of the HMMBI deal with customer’s in a caring fashion					
6	HMMBI employees give the individualized attention to customers					
7	The employees of the industry understand your specific needs					
8	HMMBI employees have the customer’s best interest at heart					
	Commitment					
9	The industry makes adjustment to suit my needs					
10	I am very committed to continue my relationship with HMMBI					
11	My relationship with HMMBI is very important to me					
	Conflict Handling					

12	HMMBI tried to avoid potential conflict					
13	HMMBI has the ability to openly discuss solutions when problems arise					
14	HMMBI shows a sincere interest in solving customer problem					
15	The industry clearly communicates to you about how and where to complain in case of a problem					
16	The industry gives you prompt response for your complaints					
	Customer Loyalty					
17	HMMBI is the first to comes to my mind when making purchases decision .					
18	I am a loyal customer to HMMBI					
19	I would always recommend HMMBI to someone who seeks my advise					
20	Even if close friends recommended another industry, my preference for HMMBI would not change					
21	I have a strong relationship with the industry.					

22. What makes your relationship strong or weak?

23 What do you suggest the industry to increase customer loyalty?

Thank you for your cooperation.