



ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

DEPARTMENT OF MARKETING MANAGEMENT

The effect of relationship marketing factors on customer loyalty: A study on pharmaceutical retailers and their suppliers at Addis Ababa city.

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Addis Ababa

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A Thesis Submitted to

The Department of Marketing Management

Presented in Partial Fulfillment of the Requirement for

Degree of Master of Marketing Management

Advisor: Hailemariam Kebede

Statement of Certification

This is to certify that Muluken Yimam Amede has carried out his research work on the topic entitled

The effect of relationship marketing factors on customer loyalty: A study on pharmaceutical retailers and their suppliers at Addis Ababa city.

The work is original in nature and is suitable for submission for the reward of the M.Sc Degree in Marketing Management.

Advisor: Hailemariam Kebede-----

Statement of Declaration

I, Muluken Yimam Amede, have carried out independently a research work on the effect of relationship marketing factors on customer loyalty: A study on pharmaceutical retailers and their suppliers at Addis Ababa city as a partial fulfillment of the requirement for the M.SC program in Marketing Management with the guidance and support of the research advisor.

This study has not been submitted for any degree in this University or any other University.

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2.Name _____ **Signature** _____ **Date** _____

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Abstract

Competition in the pharmaceutical market is intense since most innovative products are duplicated by generic pharmaceutical product manufacturers. In other hand continuous supply of these vital products to consumers is more than doing a business for profit. Relationship marketing approaches are important in doing business and satisfying customers in the pharmaceutical sector. The objective of the study is to examine the effect of relationship marketing factors of quality service, communication, trust, commitment and financial factors effect on customer loyalty in the pharmaceutical business to business(between retailers and their suppliers) sector. A conceptual framework was used to see the relationship between relationship marketing variables and customer loyalty. A quantitative approach is chosen in this research. In order to collect primary data, a structured questionnaire was adopted and was given to the retail pharmacists taken as a sample. The SPSS version 20.00 for windows was used to process the primary data which was collected through questionnaire. The findings show that quality service factors, communication and financial factors have a positive and significant effect on customer loyalty. Whereas the hypothesis that trust and commitment factors have a significant effect on customer loyalty is not supported by the result of this study.

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Acronyms

CLV- Customer life time value

CRM- Customer relationship management

FMHACA- Food medicine and health care administration and control Authority

FMoH-Federal ministry of Health

IMP- industrial management and purchasing

NSPAPMD- National strategy and plan of action for pharmaceutical manufacturing development in Ethiopia

OTC- Over the counter

PFSA- pharmaceutical fund and supply agency

R & D-Research and development

SPSS-Statistical package for social sciences

WHO-World Health organization

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Chapter one

1. Introduction

This chapter presents the back ground of the study, statement of the problem and continuing to research questions, significance of the study, scope, and finally limitation of the study are addressed.

1.1 Background of the study

Morgan and Hunt (1994) defined relationship marketing as” a concept concerned with finding, developing and maintaining customer relationships through establishing long-term successful relationships and its importance has aroused from focusing on the customer lifetime value (CLV), and not the value of only a single transaction”.

Through relationship marketing strategies besides understanding important customer requirements firms can achieve increase in their market share, profitability and reduce the cost of serving them (Ndubisi and Wah 2005).

The proliferation of a vast variety of Generic pharmaceutical products in the international and local market and the rapid expansion of importing and distribution service in the pharmaceutical industry has led to a competitive market environment.

To stay viable and competitive on this demanding market situation, business firms are leveraging their valuable time and money on building long term, mutual relationships with their targeted customer groups aspiring to retain them and accomplish their business objectives (Bataineh et al. 2015).The desire to satisfy customers’ needs is a target for business and according to Ndubisi and Wah (2005) one of the methods for achieving these is through

building and maintaining firm customer relationship from which the firms could use the valuable information gained to completely detect and recognize customers demand and satisfy their needs.

Pharmaceutical products (Medicines) are of two types generally. Prescription drugs which are purchased using a prescription paper issued from a medical doctor and non-prescription over-the counter (OTC) drugs which are somewhat similar to consumer goods and can be purchased without a prescription from a pharmacy or drug store.

The pharmaceutical industry is characterized by a vast number of and peculiar nature of product varieties, a lot of participants comprising of pharmaceutical manufacturers (local and international), distributors (importers and wholesalers), retail pharmacies, physicians & pharmacists and the clients, the last but not the list, for whom the ultimate deliverables are directed to.

According to the survey (NSPAPMD 2005),the pharmaceutical market in Ethiopia is growing at a rate of 25% per annum and estimated to be worth of between 400 to 500 million \$ and is forecasted to reach just under 1 billion \$ by the year 2018. The majority of the players in the Ethiopian pharmaceutical sector are importers of finished pharmaceutical products covering around 80% of the supply whereas the local pharmaceutical and medical supply manufacturers cover the rest 20 % (NSPAPMD, 2005).

The flow of pharmaceutical products in the distribution network starts from the manufacturers, through importers and wholesalers to retailers who sell products straight to the final consumers. For locally manufactured products the manufacturers most of the time will directly deliver to wholesalers and

Pharmaceutical fund and supply agency (PFSA), an agency incorporated by the government of Ethiopia to run the procurement and distribution of

pharmaceuticals, medical supplies and medical equipment's made locally or imported from abroad to public institutions. For products which are manufactured around the globe importers estimated to be more than 200 in number (NSPAPMD 2005) will receive the delivery from their respective suppliers and distribute it to wholesalers, or public/private hospitals and sometimes directly to retailers.

The wholesalers, which receive different types of products from the bunch of importers, function as a doorway for products and services to be delivered to the retail units which serve the ultimate consumers.

As a result, pharmaceutical distributors should develop and implement customer relationship marketing strategies to ensure sustainable business opportunities and to optimize their relationship in the supply chain.

Since the introduction of the concept of relationship (relational) marketing at the end of 20th century a lot of research has been done on the impact of adopting relationship marketing strategies on customer satisfaction, customer retention and loyalty in developed world. However, we can say that a limited number of researches have been done on this theme in our country and to the knowledge of the researcher that no study has been done related to the pharmaceutical industry.

This research paper will examine relationship marketing factors of quality service, communication and financial factors effect on relationship quality of business partners and customer loyalty in the pharmaceutical industry.

1.2 Statement of the problem

Even though satisfying customers is supposed to be at the heart of business firms agenda, most of the local firms are concerned with making transactions and sale of their products to their customers. With the growing demands of customers beyond making mere transaction and as markets become more competitive and matured business companies are becoming aware of the growing need for establishing long term cooperative relationships with their targeted segments there by ensuring a sustainable business opportunity. Satisfying customers and building relationships opens the door to opportunities that result in successful and continuing relationships (Rust and Chug 2006).

As a result of steady economic growth and improvements in the healthcare infrastructure (NSPAPMD 2005), there is a growing demand for pharmaceutical products in Ethiopia. However, the need for these vital elements of the health care delivery service is not fully met by the combined efforts of the importers as well as the local manufacturers. According to a cross sectional survey done by Federal ministry of Health (FMoH) and World Health Organization (WHO) in 2003 the national average availability of drugs is between 70% and 90% at the public health facilities and private retail outlets respectively, while the ideal value is 100%. Affordability is also a big problem. For example , a single course of therapy for a common infectious disease at private retail outlets costs approximately 2.02 days' and 1.3 days' salary of the lowest paid unskilled government employee for adult and child products respectively(WHO 2003).

Even though this is undeniable truth of the country there is an evident growth in the share of generic medication, with increased production by

manufacturing plants in Ethiopia and supply from foreign manufacturers. This is attributed to the rapid increase in population and incidence of non-communicable diseases as well as to the nature of the local market which favors to low cost generic medicines.

The importers and wholesalers of pharmaceutical products have a vital role to play in the distribution network and in serving the consumers through the retailers.

The importers select products demanded by the local market which are manufactured by international companies, register them by regulatory authorities and process the logistics to avail them to the local market.

The wholesalers aggregate a range of products from different importers and local manufactures and make them available to retail pharmacies thereby minimizing the cost of searching for products and providing convenience for their customers, i.e. retailers.

The distributors are also expected to provide essential information on product attributes (like quality, shelf life, packaging and quantity in a pack) and the price of different brands of the same product, stock availability and new product information to the retail pharmacies.

However, according to respondents of a brief exploratory research done by the researcher and self-observation the expected levels of services are not adequately provided by the distributors to their customers (i.e. the retail outlets). First certain type of important pharmaceutical products available on the international market could not be made available either by the government or private sector to the national market due to either economic or business reasons. Unfair product price, problems of distribution due to logistic reasons and ineffective communication are also obstacles to the distributors. With insufficient amount of financial capacity

and resources, inadequate manpower and with poorly organized systems the wholesalers are also restricted to serve a small percentage of their customers. These restraints are disturbing the retail pharmacies from better serving the ultimate users of the service and developing their business opportunity.

Relationship marketing concept is the focus of this research and it should be an important concern with management because of the nature of the current business environment i.e. the market is becoming more competitive and matured and customer power has increased in the market. To be a winner in the long run companies should be able to build long lasting relationships with their essential customers and achieve greater customer satisfaction and loyalty which necessitates to focus on relationship marketing strategies.

Establishing a long term mutual relationship with targeted customer groups through effective relationship marketing benefits the business through increased profitability, reduced costs in relation to the individual customer and word of mouth referrals from satisfied customers (Gronroos, 1994).

1.3 Research questions

Based on the problems stated above, the researcher is inspired to address the following questions.

1. To what extent do quality service factors affect customer loyalty?
2. To what extent do communication factors affect customer loyalty?
3. To what extent does financial factor affect customer loyalty?
4. To what extent does trust affect customer loyalty?
5. To what extent does commitment affect customer loyalty?

1.4 Objectives of the study

1.4.1 General objective of the study

The general objective of this study was to find out that to what extent relationship marketing factors affect customer loyalty.

1.4.2 Specific objectives of the study

The specific objective of the study was:

1. To find out to what extent quality service factors affect customer loyalty.
2. To find out to what extent communication factors affect customer loyalty.
3. To find out to what extent financial factors affect customer loyalty.
4. To find out to what extent trust affects customer loyalty.
5. To find out to what extent commitment affects customer loyalty.

1.5 Significance of the study

There are a lot of pharmaceutical importers, wholesalers and retailers in Ethiopia which cooperate to serve the ultimate consumers. Pharmaceutical importers, wholesalers and retailers will be benefited from the result of this research paper.

The importance of this paper is partially due to the absence of similar paper on the subject. The finding of this research will help Marketing managers and executives working at the importers and wholesalers to see how significant are the different factors of relationship marketing to retailers in improving relationship quality and keeping them loyal. And accordingly they will work on the important factors to improve their interaction with their customers.

The retailers will also benefit from this study. They will better understand the importance of factors of relationship marketing in optimizing their business relationship with their suppliers.

Another group who will benefit from this research will be those who are interested to study the pharmaceutical business sector. They can use this research as a reference to further deeply investigate the same target in the future.

1.6 Scope of the study

Customer loyalty can be evaluated using different variables. However, this paper has investigated relationship marketing factors of quality service, communications, financial factors, trust and commitment effect on customer loyalty in the pharmaceutical business to business setup.

This study has investigated the business interaction and relationship between pharmaceutical distributors (i.e. importers and wholesalers) and retail pharmacies. Data was collected from a sample of retail pharmacies excluding drug stores. Drug stores were excluded from this study because they are few in number in the city and there are items that these drug stores are not allowed to hold and sell to their customer. Geographically, the research involved retailers located at Addis Ababa city because of ease of accessibility and lack of time.

1.7 Definition of terms

1.7.1 Conceptual definition of terms

Customer loyalty: is the behavioral outcome of a customer's preference for a particular brand or a selection of similar brands, over a period of time, which is the result of an evaluative decision-making process.

Finished pharmaceutical products- is a” medicinal product which has undergone all stages of production, including packaging in its final container.”(Gerhard, N., 2009)

Generic pharmaceutical products- is “a drug containing the same active ingredient as a drug already approved and which is interchangeable with the original product which is no longer covered by patents or other legal regulations.” (Gerhard, N., 2009)

Pharmaceuticals: - of, relating to, engaged in pharmacy or the manufacture and sale of drugs.

Prescription: - an order paper of medicines for the client to be purchased from legal pharmacy (drug store) issued by licensed medical doctors (prescribers)

Relationship marketing: is a facet of customer relationship management (CRM) that focuses on customer loyalty and long-term customer engagement rather than shorter-term goals like customer acquisition and individual sales.

1.7.2 Operational definition of terms

Wholesalers- for the purpose of this study a wholesaler mean a trader who purchases pharmaceuticals from importers and resale the products to retailers.

Importers- are those business companies who represent manufacturers around the globe and import products manufactured by these companies and distribute it to traders in the local market.

Retailers – are business units who receive products from wholesalers and sometimes directly from importers and sell it consumers with the appropriate product information and instructions.

Chain pharmacies- are those retailers who do have more than one branch as an expansion of the business in addition to the first retail outlet.

1.8 Organization of the study

This study paper is organized into five chapters. The first chapter introduces the study background and research context followed by the research problem.

The second chapter deals with review of related literature and the theoretical framework showing the relationship between independent variables and the dependent variable

Chapter three is dedicated for the methodological part. It explains about the nature of the study, the sampling design and techniques applied; the sources of data and data collection method and the means of data analysis applied to execute the study.

The fourth chapter deal with the analysis of the study findings and discussion as well as the testing of the hypothesis proposed in chapter two.

Finally, the fifth chapter is about concluding, recommending and giving some directions for future research.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter presents literatures related to the constructs of the study. It is organized in three categories containing the theoretical review (which talks about what the concepts are and what they contain), the empirical review (which reviews journals related to the study) and finally the conceptual framework and hypothesis.

2.2 Theoretical review

2.2.1 Relationship marketing

Relationship marketing is a broader concept and is concerned with establishing a profitable, long term mutual relationship with customers via creating a life time value for customers.

Relationship marketing is a new theoretical field and as such there is no clear consensus about what the concept entails (Grönroos, 2006a). Here are some definitions.

“Relationship marketing is the understanding, explanation, and management of the ongoing collaborative business relationships between suppliers and customers” (Hunt et al. 2006).

“Relationship marketing is to identify and establish, maintain, and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met; and this is done by a mutual exchange and fulfilment of promises” (Grönroos 1996).

Changes both in the supply and demand side have caused to the increase in the strategic importance of a relationship- oriented approach of marketing (Gronroos 2007; Sheth and Parvatiyar, 1995, 2000). Among these changes mentioned by the authors are:

- (i) The tendency for a lesser effectiveness of mass-market approaches,
- (ii) The advances in the field of new technologies, in terms of communication and information, production and logistics,
- (iii) The high level of competition seen in the increasing number of available brands
- (iv) The growing importance of services,
- (v) The emergence of new business models based on partnerships and networks, fostered by the process of globalization.

Philip Kotler describes the importance of the relationship approach to stakeholders as:

if . . . companies are to compete successfully in domestic and global markets, they must engineer stronger bonds with their stakeholders, including customers, distributors, suppliers, employees, unions, governments, and other critical players in the environment. Common practices such as whipsawing suppliers for better prices, dictating terms to distributors, and treating employees as a cost rather than an asset, must end. Companies must move from a short-term transaction- orientated goal to a long-term relationship- building goal.

According to Gummesson 1996: Morgan and Hunt 1994, the conceptual origins of relationship marketing can be found in essentially four areas: supply chain

and marketing channels, organizational marketing, services marketing, and database and direct marketing. Since the introduction of the concept of relationship marketing by Berry in 1983 many scholars have further developed the concept and tested empirically. The broad concept of relationship marketing has been theorized related to themes like building profitable and sustainable long term relationship with customers (de Wulf et al. 2001), increasing customer retention ,developing and maintaining trust and commitment between sellers and customers (Gaur and Xu 2009) achieving more customer satisfaction and high customers loyalty (Gaurav 2008).

2.2.2 Dimensions of relationship marketing

Relationship marketing concepts are broad and relevant in any business service area. To list some, the concepts has been theorized and tested by different scholars related to banking service, financial services and insurance companies (Basheer 2013) as well as in the pharmaceutical sector.

2.2.2.1 Quality service

Services can be seen as economic activities that create added value and provide benefits for customers (consumers or organizations). Most of products are requiring some elements of service (Andrey 2003). Marketing as interaction between an organization and its customers is basically about exchange relationship where quality and customer services are vital in the process (Christopher et al. 2002).

Consistent availability of products, timely delivery of ordered quantity and continuous professional support are important elements of the service in the pharmaceutical supply chain. According to Ravald and Gronroos (1996) from a relationship marketing perspective products should be seen as a “value

carrier” where the basic issue is what the company is capable of maintaining not simply what offering they make available to the customer.

2.2.2.2 Communication

Communication involves exchanging information with clients in a language they understand, listening to their appeals and responding applicably (Andrey 2003). Common areas of customer communication involve product information including timely info on availability, explanation on specific issues or providing guidance like pointing supplier who has a stock of needed products.

According to Ndubisi and Wah (2005) from relationship marketing perspective communication implicates trusted information exchange on delivery problems, quality problems and fulfilling promises in the entire cycle of customer and communicators interaction.

Effective communication is also helpful in minimizing the occurrence of potential conflicts and their manifestations as well as in creating solutions when problems arise (Andrey 2003).

2.2.2.3 Financial factors

Fair price for products/service offered and allowing a credit sales scheme for customers are important in building and maintaining relationship in price sensitive markets.

Christopher, Payne and Ballantyne (2002) elaborated pricing in their book ‘Relationship marketing: Creating stake holder value’.

Price is not simply the immediate out-of pocket cost, but also includes all those preliminary and ongoing costs that may be involved – the so-called life-cycle costs – as well as ‘risk’ costs if things go wrong. Equally, the total benefit package includes not just the benefits that flow

from the functional attributes of the product, but those that flow from the related service attributes as well.

According to Berry L.L. (1995) relationship marketing can be practiced on three levels: level one where the primary bond is financial followed by social and structural bonding respectively.

The first level of bonding depends on basically pricing inducements to secure customer loyalty. However the potential of using pricing schemes for long lasting competitive advantage is low because it can be easily imitated and customers interested in such type of bonding are vulnerable to competitors' marketing campaigns (Berry L.L. 1995).

2.2.2.4 Trust

According to Morgan and Hunt (1994) trust is a key mediating variable that is central to relational exchanges and establishing trust with an exchange partner can transform a business relationship into a successful industry. They define trust as a phenomena existing "when one party has confidence in an exchange partner's reliability and integrity."

2.2.2.5 Commitment

Commitment on the ongoing relationship is a useful indicator of the strength of business relationship and also an important construct in measuring customer loyalty and rebuying tendency (Morgan and Hunt 1994).

Commitment has been defined by Moorman et al. (1992) as "an enduring desire to maintain a valued relationship". According to Gundlach et.al 1995 commitment has three components: an instrumental component which is expressed in terms of investment, affective commitment or physiological

attachment and a temporal dimension indicating that the relationship exists over time.

2.2.3 Customer loyalty

Oliver 1999 defined customer loyalty as “a deeply held commitment to rebuy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts are having the potential to cause switching behavior.”

Securing loyalty of targeted customer is a fine source of competitive advantage for a company and an important intangible asset. Businesses employ different marketing strategies to target different market segments and improve customer loyalty.

Dick and Basu 1994 suggest that customer loyalty has both an attitudinal and behavioral dimension. And accordingly customers who are behaviorally loyal to a firm display more favorable attitudes towards the firm, in comparison to competitors.

2.3 Empirical review

Even though the conceptual foundations of relationship marketing are not fully developed as yet (Sheth and Parvatiyar 2000), basically there are two current schools of thoughts related to relationship marketing concept: the Nordic School and the IMP Group (Brito 2008).

According to Brito (2008) the Nordic school of thought has emerged from works on the field of services and customer loyalty and satisfaction. Prominent names in this approach are from northern Europe and take account of

Christian Grönroos, Evert Gummesson and Richard Normann (Brito 2008 & Gummesson and Grönroos 2012).

The second school of thought, IMP (industrial management and purchasing), has emerged from business to business marketing area of study at universities of Uppsala(Sweden) and Manchester(United Kingdom)(Brito 2008). Members in this school of thought, not precisely concerned with services marketing, have provided ideas to services marketing development via their work on relationships, networks and interaction. Prominent names from this school are Håkan Håkansson, Lars-Gunnar Mattsson, Jan Johanson, Geoff Easton, David Ford, Peter Turnbull and Luís Araújo (Brito 2008).

2.3.1 Quality service

According to Grönroos (1990), quality can be classified into two categories. First, there is technical quality which relates to the quality of the result or outcome of the service, i.e. what the customer is actually receiving from the service. Second, functional quality relates to the manner in or process by which a service is provided, i.e. how the service is delivered.

Ravald and Gronroos (1996) from a relationship marketing perspective products should be seen as a “value carrier” where the basic issue is what the company is capable of maintaining not simply what offering they make available to the customer.

2.3.2 Communication

Mohr and Nevin, 1990 defined communication as the glue that holds together a channel of distribution. Communication refers to formal and informal exchanging and sharing of meaningful and timely information between buyers

and sellers (Sin et al., 2005). Indeed, communication plays an important role in the formation of cooperation and trust (Anderson and Narus, 1990). Communication is an effective relationship building strategy that helps resolve disputes, align goals, and uncover new value creating opportunities (Morgan and Hunt, 1994).

2.3.3 Financial factors

Berry and Parasuraman (1991) claimed that financial relationships are developed by the companies which offer the price incentives in order to encourage the customers to purchase the products or services.

2.3.4 Trust

For a strong relationship to exist, it must be mutually beneficial (Czepiel 1990). Relationship marketing is built on the foundation of trust (Crosby, 1990) and it is critical to the formation of service-based relationships because of the intangibility of services. A betrayal of this trust (by the supplier or service provider) can lead to customer dissatisfaction and defection. Gronroos (1990) asserted that the resources of the seller – personnel, technology and systems – have to be used in such a manner that the customer's trust in the resources involved and, thus, in the firm it is maintained and strengthened.

2.3.5 Commitment

A customer's aim to stick with a supplier in future is essentially based on positive experience and positive evaluation with the past relationship. A business relationship which a customer considers as important enough to warrant maximum efforts at maintaining it (Morgan & Hunt, 1994) leads to commitment. Social exchange theory argues that the intention to stay with an

exchange partner depends on how the partners perceive reward and cost (Homans, 1958).

2.3.6 Customer loyalty

According to George and Stavros (2013) customer loyalty has consistently been recognized as a key determinant of customer retention. As suggested by Reichheld and Sasser (1990) firms that aim to achieve superior performance and gain long term profitability should focus on customer loyalty. Customers who are loyal toward the firms' products or services tend to repurchase more often and spend more money.

Table 2.1 Review of related journals

S.no	Researchers	Topic	Methodology and Major findings
1	Adoyo et al.(2012)	The Relationship between Customer Service Quality and Customer Loyalty among Retail Pharmacies in Western Kenya	This study used a descriptive sample survey in design. The findings of this study indicated that relationship quality dimensions namely trust, service quality, satisfaction and commitment have significant positive effect on the ultimate outcome customer loyalty.
2	Ndubisi and Wah (2005)	Factorial and discriminant analyses of the underpinnings of relationship	A field survey of bank customers in Malaysia was conducted using a questionnaire. The results show that five key dimensions, namely: competence,

		marketing and customer satisfaction	communication, conflict handling, trust, and relationship quality, discriminate between customers in terms of perceived relationship quality and customer satisfaction. Moreover, overall bank-customer relationship quality discriminates between satisfied customers and those who are not.
3	Ndubisi (2007)	Relationship marketing and customer loyalty	A field survey of bank customers using questionnaire derived from previous studies was used for this study. The findings of this study have shown that Trust, commitment, communication and conflict handling have a significant effect and predict a good proportion of the variance in customer loyalty. Moreover, they are significantly related to one another.
4	Bataineh et al.(2015)	The Effect of Relationship Marketing on Customer Retention in the Jordanian's	This study used a descriptive sample survey of retail pharmacies. The results of this study have shown that relationship marketing has an effect on relationship quality which leads to customer

		Pharmaceutical Sector	retention. The results of the effect of relationship quality on customer retention, showed a significant and positive effect of satisfaction and commitment on customer retention, while trust has insignificant effect on customer retention.
5	Szalkai (2004)	Relationship marketing in the pharmaceutical market- Analysis of the Hungarian case	A descriptive survey study was conducted to assess Hungarian hospital pharmaceutical market procurement system. According to the study result in addition to physician's influence in the decision process, financial factors – price and discounts – are the most convincing at the drug procurement.
6	Ulaga and Eggert (2006)	Relationship value and relationship quality: Broadening the nomological network of Business-to-business relationships.	A two-stage research design was used. First in depth-interviews were conducted followed by a mail survey study. The study findings have shown that relationship value displays a stronger impact on satisfaction than on commitment and trust. Value also directly

			impacts a customer's intention to expand business with a supplier.
7	Bahri- Ammari(2016)	The effect of CRM implementation on Pharmaceutical industry's profitability. The case of Tunisia	A survey research design was used in this study. The results show that there are significant relationships between CRM and quality perception, satisfaction and loyalty. However, there are no significant relationships either between CRM and retention or between CRM and profitability.
8	Jambulingam et al. (2009)	How fairness garners loyalty in the pharmaceutical supply chain. Role of trust in the wholesaler-pharmacy relationship	A survey data was used to test the relationship between pharmaceutical wholesalers and retailers. The findings of this paper show the importance of both procedural and distributive aspects of fairness on the part of pharmaceutical wholesalers as perceived by the pharmacies. Each aspect of fairness plays a more prominent role for fostering a particular type of trust, which, in turn, leads to loyalty.

2.4 Conceptual framework and Hypotheses

2.4.1 Conceptual frame work

The researcher has encountered different models while reviewing literature for this study.

For the purpose of this research the researcher has selected a model used by Bataineh, Al-Abdallah, Salhab and Shoter in 2015 in studying the effect of relationship marketing factors on customer retention. The model is modified by the researcher to fit for the purpose of this study.

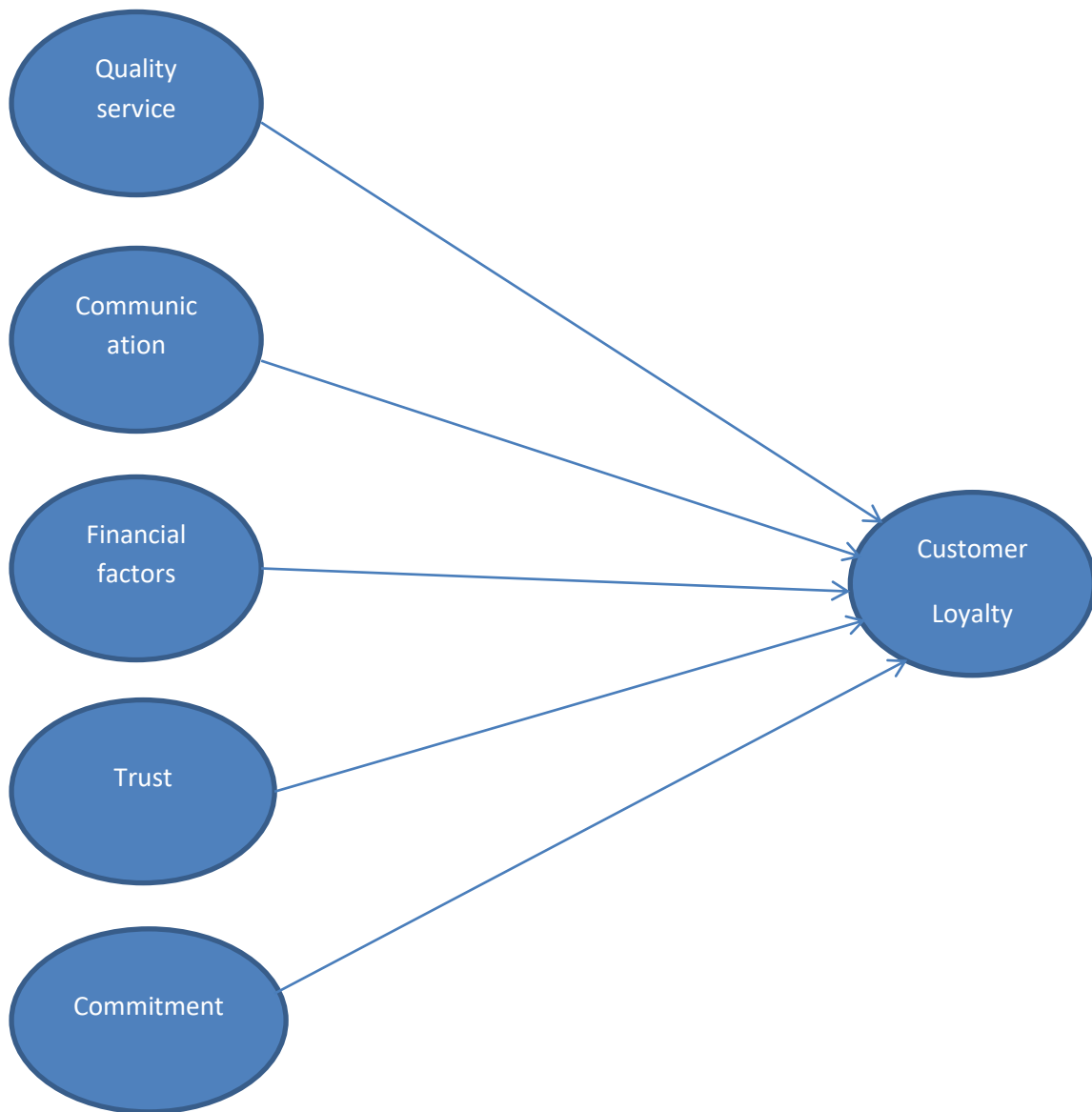


Figure 2.1 Conceptual model i.e. an adapted model used by Bataineh et al. (2015)

2.4.2 Hypotheses

H1: Quality services have a positive and significant effect on customer loyalty.

H2: Communication has a positive and significant effect on customer loyalty.

H3: financial factors have a positive and significant effect on customer loyalty.

H4: Trust has a positive and significant effect on customer loyalty.

H5: Commitment has a positive and significant effect on customer loyalty.

Chapter three

3. Research design and methodology

3.1 Introduction

This chapter presents the research approach, research design, research method, population and sampling, data collection instruments, reliability and validity, data analysis techniques and ethical considerations.

3.2 Research approach

This research study is a quantitative type of study where the hypothesis was tested empirically. The researcher has followed a deductive approach in conducting this research.

This research approach was selected because the deductive approach is suitable to answer the research question raised and to test the hypotheses.

3.3 Research design

A research design is the general plan of how a researcher will go about answering his/her research question(s) and accomplishing the research purpose. As a result a research design can be exploratory, descriptive or descripto-explanatory.

Exploratory study is useful to find out what is happening, to seek new insights; to ask questions and to assess phenomena in a new light. Descriptive design is used to provide an accurate and valid representation of the variables that are relevant to the research questions. While, explanatory research is used to identify any causal link between and among variables of the research problem.

The researcher has employed both descriptive and explanatory research design to pursue the objectives of this study.

3.4 Sampling design

3.4.1 Target population

The study populations for this research were executives of retail pharmacies that are directly involving in the day to day business interaction with their suppliers, i.e. the wholesalers and the importers and working either at community pharmacies or private hospital pharmacies at Addis Ababa city. The retailers at Addis Ababa city were selected by the researcher because they are easily accessible and convenient for data collection. The total list of currently functional retail outlets was found from Addis Ababa city FMHACA bureau.

3.4.2 Sampling frame

The sampling frame for this study was the list of all retail outlets in all sub-cities of Addis Ababa which were found to be 473 based on the 2009E.C census by the city FMHACA bureau.

3.4.3 Sampling technique

The sample population for this study was selected by using a stratified random sampling method. The base of stratification was the sub-cities. The retail outlets in each sub cities were taken as strata among which the samples were selected using a proportionate stratified sampling technique.

3.4.4 Sample size

The sample size was calculated using a simplified formula developed by Slovin's (1967) taking a 95% of confidence level and 0.05% level of precision.

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

Where n is the sample size, N is the population size and e is the level of precision.

When this formula is applied to the population size of 473 we get the sample size.

$$n = \frac{473}{1 + 473(0.05)^2}$$

$$n = 217 \text{ (sample size)}$$

3.4.5 Sampling procedure

First the retail outlets to be sampled were divided into groups, i.e. into 10 sub cities, private hospital pharmacies and 1 additional group of retail outlets which are directly controlled by the city FMHACA bureau. Then the number of samples were determined from each stratum proportionally and finally selected using a random number table (simple random sampling procedure). Accordingly the number of samples from each stratum was as follows:

Table 3.1 Number of Samples per each Stratum

Sub cities	Number retail outlets	Number of Sample selected
Yeka	54	$\left(\frac{54}{473}\right) \times 217 = 25$
Lideta	24	$\left(\frac{24}{473}\right) \times 217 = 11$
Akakikality	19	$\left(\frac{19}{473}\right) \times 217 = 9$
Kolfe	58	$\left(\frac{58}{473}\right) \times 217 = 27$

Nefasselklafto	61	$\left(\frac{61}{473}\right) \times 217 = 28$
Addis ketema	26	$\left(\frac{26}{473}\right) \times 217 = 12$
Gulele	18	$\left(\frac{18}{473}\right) \times 217 = 8$
Arada	25	$\left(\frac{25}{473}\right) \times 217 = 11$
Bole	62	$\left(\frac{62}{473}\right) \times 217 = 28$
Kirkos	32	$\left(\frac{32}{473}\right) \times 217 = 15$
Hospital pharmacies	32	$\left(\frac{32}{473}\right) \times 217 = 15$
outlets controlled directly by A.A FMHACA	62	$\left(\frac{62}{473}\right) \times 217 = 28$

3.5 sources of data

3.5.1 Primary source

The source of the primary data to be collected for this research was found from executives working at the selected retail outlets using a questioner.

3.5.2 Secondary source

Secondary data for this study was collected from recent documents and reports related to the study subject.

3.6 Data collection method

The research methodology used is a quantitative method; hence survey study was used as a research technique. Questionnaire is the best survey instrument to collect quantitative data as it is relatively cheap and easy to administer.

Hence survey was used to collect primary data from sample organizations through structured questionnaire.

3.7 Data collection instrument

The research is a descriptive and explanatory type of study. As a result the study has involved quantitative or statistical data. Data was collected from executive pharmacists working at private retail pharmacies using survey through structured questionnaire. Government institutions were not included in this study because most of the times they do not purchase pharmaceuticals from importers and wholesalers and as a result they were not appropriate to be included as a study sample.

A questionnaire is a type of survey where respondents write answers to questions posed by the researcher on a question form. A number of respondents are asked identical questions, in order to gain information that can be analyzed, patterns found and comparisons made. This is to make the research to the point and avoid unnecessary concepts being raised which will make the research unable to measure the constructs under study.

The questionnaire has three sections. The first section will cover the demographic profile of the participants like age, sex and place of work. Sections two and three are structured on a likert scale of 1-5 to show their degree of agreement or disagreement to the sentences about the constructs under study. The questions for the research construct are developed by the researcher by consulting literatures. Previous studies about the same construct under study were taken and the questions were modified to fit for the purpose of this study.

3.8 Data analysis methods

Descriptive statistics like mean and frequency distribution were used to compute the collected data. Simple and multiple linear regression as well as statistical tests were carried out by using Statistical Package for the Social Sciences (SPSS 20). Regression analyses were conducted to determine by how much percent the independent variable i.e. relationship marketing dimensions explain the intermediating variable i.e. relationship quality and dependent variable which is customer loyalty. Hypotheses tests were conducted to test whether there is a positive and significant relationship between the independent and dependent variables.

3.9 Validity and Reliability

3.9.1 Validity

Validity is concerned with whether the findings are really about what they appear to be about. Validity is defined as the extent to which data collection method or methods accurately measure what they were intended to measure.

In judging the validity of a measure we can consider three basic kinds. Face validity, content validity and construct validity.

Face validity is the extent to which a measurement method appears “on its face” to measure the construct of interest.

In this study a face validity test was conducted by distributing the questioner to 20 executives working at retail pharmacies and questions which were irrelevant based on the comments were eliminated.

In addition, to ensure reliability and validity of the measurement in this study, data was collected from reliable sources (i.e. from executives) that are

involving in day to day business interaction with the suppliers and are well experienced.

3.9.2 Reliability

To evaluate the research instruments, reliability is one of the major criteria. Reliability estimates the consistency of the measurement or simply, the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects. Reliability is essentially about consistency.

It is preferred that outcomes (and covariates) be assessed with relatively little measurement error. Other things being equal, unreliability increases unexplained variation within groups and reduces the power of the analysis.

In this study the Cronbach Alpha coefficient was used as indicator to test internal consistency of the measurement scale

3.10 Research Ethics

Ethics must be applied in all stages of the research cycle: at the time of literature review, data collection, data analysis and reporting. Researches must be conducted honestly and reliably, hence deception must be avoided in conducting research.

Accordingly in this study the purpose of the research was clearly indicated in the first page of the questionnaire to get informed consent of respondents. Hence data were collected from respondents based on their willingness to participate. Responses of participants were analyzed without making any change and the result was reported directly. Moreover, data collected from

respondents was not used for any purposes other than the academic purpose (this study) and was kept confidential.

Chapter four

4. Data presentation, analysis and Interpretation

This chapter presents the data analysis including the sample and response rate, descriptive statistics, factor analysis, Chi-square goodness of fit test- for categorical variables, reliability test, hypothesis testing and the discussion.

Furthermore, in this study, the causality relationship analysis were conducted via simple linear regressions and multiple linear regressions and tested by using p- value.

217 questionnaires were distributed to private Retail pharmacies found in Addis Ababa city and 194 of them were returned.

4.1 Sample and response rate

Table 4.1 distribution of questionnaires to Target pharmacies per each Stratum

Stratum	Distributed questionnaires	Returned questionnaires	Unreturned questionnaires	Improperly filled
Yeka	25	22	3	0
Lideta	11	8	3	0
Akaki kaliti	9	9	0	0
Kolfe	27	25	2	0
Nefasselk lafto	28	24	4	0
Addis ketema	12	11	1	0
Gulele	8	7	1	0

Arada	11	10	1	0
Bole	28	25	3	0
Kirkos	15	14	1	0
Hospital pharmacies	15	14	1	0
outlets controlled directly by A.A FMHACA	28	25	3	0

4.2. Data Coding

After the data file was checked and adjusted, the coding phase was followed.

Consequently, the general information of the respondents was coded first. They include male coded as 1 and female coded as 2; age 1 to 5; pharmacy type 1 to 3; educational level 1 to 4 ;years of experience 1 to 3 and occupation 1 to 3 based on their order on the questioner.

The second part of the questionnaire, which dealt with the variables were coded with a five point scale. In this scale, strongly disagree was coded as 1 and strongly agree was coded as 5. The responses in between were coded as 2, 3 and 4.

5.3. Descriptive statistics of respondents profile

General information Variables of the respondents includes Gender, Age, pharmacy type, educational level, years of experience and occupation. These variables help to identify the background of the respondents and the result is summarized as below.

Table 4.2 descriptive statistics for general information variables

	Variables	Frequency	Percentage	Cumulative percentage
Gender	Male	109	56.2	56.2
	Female	85	43.8	100
Age	24-30	43	22.2	22.2
	31-37	79	40.7	62.9
	38-44	65	33.5	96.4
	45-51	5	2.6	99.0
	+52	2	1.0	100
Pharmacy type	Private hospital pharmacy	13	6.7	6.7
	Chain community pharmacy	15	7.7	14.4
	Independent community pharmacy	166	85.6	100
Educational level	BSc in pharmacy	151	77.8	77.8
	MA in pharmacy	9	4.6	82.4
	Doctor of pharmacy	2	1.0	83.4
	BSc in pharmacy +	32	16.5	100

	BA in business field			
Years of experience	4-10	112	57.7	57.7
	11-17	67	34.5	92.2
	Over 17	15	7.7	100
Occupation	Technical leader pharmacist	59	30.4	30.4
	Owner pharmacist	35	18	48.5
	Owner and technical leader pharmacist	100	51.5	100

Source: Researcher's survey finding, 2018

As we can understand from the above table the highest number of respondent pharmacies are independent community pharmacies (85.6%), whereas around half of the respondents (51.5%) are both owner and technical leader pharmacists. 56.2% of the respondents were found to be male and the remaining 43.8% of the respondents are female.

4.3.1 Goodness of fit (Chi-square) test for Categorical Variables

Chi-square test is a non-parametric technique (Gravetter and Wallnau, 2016) which allows answering questions about nominal variables (Smith et al., 2009), but they are also used with ordinal variables of few values and numerical variables that can be formed in to sub-ranges of values (O'Donoghue, 2012). The chi-square goodness of fit test is focused on testing a single categorical variable (O'Donoghue, 2012). Accordingly in this study a goodness of fit test is

performed for the variables Age, pharmacy type, educational level, years of experience and occupation.

Table4.3 Chi-Square goodness of fit Test Results

Tested variables	Chi-square Value	P-value
Age	124.144	< 0.001
Pharmacy type	238.217	< 0.001
Educational level	163.155	< 0.001
Years of experience	72.876	< 0.001
Occupation	33.412	< 0.001

The result is significant at $p \leq 0.05$ (at 5% significance level) which means the tested variables doesn't occur in equal probability among the sample population.

4.4 Factor Analysis

Factor analysis is a method used to reduce the data which creates observed variables that are linear combination of the original set with the aim to fewer the variables in the original set (Reynolds and Janzen, 2007). In this study factor analysis was performed using SPSS 20 software for identifying relevant factor variables for Customer loyalty.

Based on these result variables which have a factor loading ≥ 0.3 were selected.

Table 4.4 relevant indicators to customer loyalty

	Observed Variable	Loadings
1	Most of my suppliers provide us a fair level of professional support(qualfair)	0.94
2	Most of the professionals (sales team) of my suppliers have good product knowledge and are dependable (qualknldg).	0.93
3	Most of my suppliers will deliver the right type of products with the right quantity consistently (qualright).	0.69
4	Most of my suppliers will provide me information when there are new products/services (comnproduct).	0.96
5	Most of my suppliers will provide me with timely and trustworthy information (comninfo).	0.90
6	Information provided by my suppliers is most of the time accurate (comnaccur).	0.44
7	Most of my suppliers believe in me that I will pay my debt in time (fincpay).	0.52
8	Most of my suppliers consider my interests when problem arise (trustinterest).	0.91
9	I have confidence in the service of most of my supplier's (trustconf).	0.90
10	Most of my suppliers do not use opportunities that arise to profit at my firm's expense (trustoppo).	0.52
11	Most of my suppliers will definitely keep their promise (comtpromise).	0.74
12	The relationship with most of my suppliers is very much like being family (comtfamily).	0.62
13	I like more my current supplier's brands than others (loyallike).	0.97
14	I am pleased to buy my current suppliers products (brands) instead of other brands (loyalbrand).	0.72

4.5. Reliability test

Reliability is one of the major criteria for evaluating research instruments. Reliability measures the internal consistency of the model. In this research Cronbach's alpha was used to test the reliability of the measures for each of the sub scales.

The reliability check for the variables is presented in the table below.

Table 4.5 result of Cronbach's alpha test

S.no	Variable	Cronbach's alpha Values
1	Quality service	0.8474
2	Communication	0.8007
3	Financial factors	-
4	Trust	0.7917
5	Commitment	0.7196
6	Customer loyalty	0.8188

Source: Researcher's survey finding (2018)

High value shows high reliability, the alpha test value 0.7 can be applied as a threshold value (UCLA Institute for Digital Research and Education, 2016). Cronbach alpha value for financial factors couldn't be computed because too few variables are specified and SPSS cannot perform scale reliability test.

4.6. Assumption Testing for Regression analysis

Meeting the assumptions of regression analysis is necessary to confirm that the obtained data truly represented the sample and that researcher has obtained the best results (Haire et al., 1998). Three assumptions for regression analysis used in this study were discussed for the individual variables: multi-collinearity, linearity and Normality. In the following paragraphs, each assumption is explained.

4.6.1 Multi –Collinearity

Hill et al., (2003) explain that economic variables may move together in systematic ways when the data are the result of an uncontrolled experiment. Such variables are believed to have problems with collinearity or multi-collinearity rises, it will complicate the interpretation of the variables because it is more difficult to confirm the effect of any single variable, owing to their interrelationship (Hair et al., 1996). To assume no multi-collinearity exist between predictors, tolerance should be more than 0.2(Menard, 1995) and VIF should be less than 10(Myers, 1990).The statistics table below shows the tolerance and VIF showed that there was no multi-collinearity.

Table 4.6 multicollinearity test

variables	Tolerance	VIF
qualright	0.561	1.782
qualfair	0.221	4.519
qualknldg	0.225	4.437
comninfo	0.257	3.898
comnproduct	0.251	3.989

comnaccur	0.819	1.221
trustconf	0.330	3.029
trustinterest	0.328	3.052
trustoppo	0.761	1.315
comtpromise	0.877	1.141
comtfamily	0.877	1.141

Source: Researcher's survey finding (2018)

4.6.2 Linearity

The linearity of the relationship between the dependent and independent variable represented the degree to which the change in the dependent variable is associated with the independent variable (Hair et al., 1998). In a simple sense, linear models predict values falling in a straight line by having a constant unit change (*slope) of the dependent variable for a constant unit change of the independent variable (Hair et al., 1998). Conventional regression analysis will underestimate the relationship when nonlinear relationships are present, i.e., R² underestimates the variance explained overall and the betas underestimate the importance of the variables involved in the non – linear relationship (Malhotra et al. 2007).

The scatter plots of standardized residuals versus the fitted values for the regression models were visually inspected.

4.6.3 Normality of the Error Term Distribution

Table 4.7 distribution test

		Statistics						
		Qualr	qualfa ir	qualknld g	comninfo	comnpro	comna	finpay
N	Valid	194	194	194	194	194	194	194
	Missing	0	0	0	0	0	0	0
Skewness		-0.833	-2.058	-1.844	-1.785	-1.218	-0.306	-1.067
Std. Error of Skewness		0.175	0.175	0.175	0.175	0.175	0.175	0.175
Kurtosis		-0.537	2.880	2.350	1.792	1.185	-0.717	7.085
Std. Error of Kurtosis		0.347	0.347	0.347	0.347	0.347	0.347	0.347

Source: Researcher's Survey (2018)

The skewness value provides an indication of the symmetry of the distribution while kurtosis provides information about the peakedness of the distribution. A positive skewness value indicates right (positive) skew while a negative value indicates left (negative) skew. The higher the absolute value the greater the skewness (Tabachnick and Fidell, 2001). When we examine the skewness and Kurtosis of this data the Z value is out of the range of -1.96 and 1.96. Accordingly the data has an issue of skewness and Kurtosis (not normally distributed).

4.7 Regression Analysis

To indicate the causality of the relationship between the dependent & independent variables regression analysis was conducted.

4.7.1. The causality relationship between quality service and customer loyalty- simple linear regressions

Table 4.8 model summary

Model	R	R square	Adjusted R square	Std. Error of the Estimate
1	0.359	0.129	0.124	0.64258

Source: Researcher survey finding (2018)

Based on the above table, when average customer loyalty was regressed on the independent variable quality service, the independent variables contribute to statistically significant level p-value 0.000. And the coefficient of determination R² was found to be 0.129 which indicate that 12.9% of the variability of average customer loyalty was explained by the independent variable quality service.

Table 4.9 Regression Analysis of quality service and customer loyalty

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.Error	Beta		
(Constant)	4.594	0.197		23.278	0.000
avrqualser	-0.283	0.053	-0.359	-5.325	0.000

Source: Researcher's survey finding (2018)

As per the above table, the result of standardized regression equation (Beta weight) for indicators of quality service factors was -0.359.

Accordingly, the independent variable has a significant and negative effect on average customer loyalty.

4.7.2. The causality relationship between communication and customer loyalty- simple linear regressions

Table 4.10 model summary

Model	R	R square	Adjusted square	R	Std. Error of the Estimate
1	0.401	0.160	0.156		0.63077

Source: Researcher survey finding (2018)

Based on the above table, when average customer loyalty was regressed on the independent variable communication, the independent variables contribute to statistically significant level p-value 0.000. And the coefficient of determination R² was found to be 0.160 which indicate that 16% of the variability of average customer loyalty was explained by the independent variable average communication.

Table 4.11 Regression Analysis of communication and customer loyalty

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	5.260	0.282		18.636	0.000
avrcomn	-0.459	0.076	-0.401	-6.058	0.000

Source: Researcher's survey finding (2018)

As per the above table, the result of standardized regression equation (Beta weight) for indicators of communication factor was -0.401.

Accordingly, the independent variable has a significant and negative effect on average customer loyalty.

4.7.3. The causality relationship between financial factors and customer loyalty - simple linear regressions

Table 4.12 model summary

Model	R	R square	Adjusted square	R	Std. Error of the Estimate
1	0.347	0.121	0.116		0.64557

Source: Researcher survey finding (2018)

Based on the above table, when average customer loyalty was regressed on the independent variable fincpay, the independent variables contribute to statistically significant level p-value 0.000. And the coefficient of determination R² was found to be 0.121 which indicate that 12.1% of the variability of average customer loyalty was explained by the independent variable fincpay.

Table 4.13 Regression Analysis of financial factors and customer loyalty

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	5.381	0.356		15.135	0.000
fincpay	-0.435	0.085	-0.347	-5.131	0.000

Source: Researcher's survey finding (2018)

According to the above regression analysis table the financial factor fincpay has a negative and significant effect on average customer loyalty.

4.7.4. The causality relationship between trust and customer loyalty - simple linear regressions

Table 4.14 model summary

Model	R	R square	Adjusted square	R	Std. Error of the Estimate
1	0.419	0.231	0.185		0.68828

Source: Researcher survey finding (2018)

Based on the above table, when average customer loyalty was regressed on the independent variable trust, the independent variables contribute to statistically significant level p-value 0.000. And the coefficient of determination R² was found to be 0.231 which indicate that 23.1% of the variability of average customer loyalty was explained by the independent variable trust.

Table 4.15 Regression Analysis of Trust and customer loyalty

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.Error	Beta		
(Constant)	3.498	0.279		12.524	0.000
avrtrust	0.021	0.078	0.019	0.270	0.788

Source: Researcher's survey finding (2018)

Accordingly, the relative importance of independent variable trust in contributing to the variation of average customer loyalty was found to be insignificant at p-value <0.05.

4.7.5. The causality relationship between commitment and customer loyalty - simple linear regression

Table 4.16 model summary

Model	R	R square	Adjusted R square	Std. Error of the Estimate
1	0.359	0.129	0.125	0.64245

Source: Researcher survey finding (2018)

Based on the above table, when average customer loyalty was regressed on the independent variable commitment, the independent variable contributes to statistically significant level p-value 0.000. And the coefficient of determination R² was found to be 0.129 which indicate that 12.9% of the variability of average customer loyalty was explained by commitment.

Table 4.17 Regression Analysis of commitment and customer loyalty

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	5.401	0.346		15.611	0.000
avrcomt	-0.533	0.100	-0.359	-5.334	0.000

Source: Researcher's survey finding (2018)

Accordingly, the relative importance of independent variable in contributing to the variation of average customer loyalty was found to be significant for commitment. It has a negative and significant effect at p-value <0.05.

4.8 Hypothesis testing

Table 4.38 Summary of hypothesis testing

S.no	Hypothesis	Result	Reason
1.	H10: Quality services have a positive and significant effect on customer loyalty.	supported	$\beta=.053$ $P<0.05$
2.	H11: Communication has a positive and significant effect on customer loyalty.	supported	$\beta=.076$ $P<0.05$
3.	H12: financial factors have a positive and significant effect on customer loyalty.	supported	$\beta=.085$ $P<0.05$
4.	H13: Trust has a positive and significant effect on customer loyalty.	Not supported	$\beta=.078$ $P>0.05$
5.	H15: Commitment has a positive and significant effect on customer loyalty.	Not supported	$\beta=-0.359$ $P<0.05$

4.9 Discussion of findings

According to the findings of this research, the major types of pharmacy service providers in Addis Ababa city are independent community pharmacies and most of (77.8%) the technical managers of these pharmacies are BSc degree holders.

Based on the result of regression analysis average quality service has a significant but negative effect on customer loyalty.

Average communication also has a negative and significant effect on customer loyalty. Whereas the financial factor, 'the customer will pay his debt on time' has a positive and significant effect on customer loyalty.

Providing customers with a timely, trust worthy and accurate information, not using opportunities to profit at customers expense and building a business alliance with customers have a significant effect on establishing loyal customers in the business relationship: whereas the results of this study shows that quality service factors in general, openness to discuss discontent to each other, the believe that the customer will pay the debt in time, considering the interest of customers when problems arise, confidence in the service of suppliers, satisfaction in the service of suppliers , keeping promises made to customers and treating customers as a family have no significant effect on building loyal customer in the business relationship.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

In summary, providing customers with a timely, trust worthy and accurate information, not using opportunities to profit at customers expense and building a business alliance with customers have a significant effect on establishing loyal customers in the business relationship: whereas the results of this study shows that quality service factors in general, openness to discuss discontent to each other, the believe that the customer will pay the debate in time, considering the interest of customers when problems arise, confidence in the service of suppliers, satisfaction in the service of suppliers , keeping promises made to customers and treating customers as a family have no significant effect on building loyal customer in the business relationship.

5.2 CONCLUSION

The study was initiated to investigate the effect of relationship marketing factors on customer loyalty.

The regression result of customer loyalty shows that financial factors have the highest influence. The supplier believe that the customer will pay his debate in time has appeared to have a significant effect on loyalty reflecting that it is important to consider this factor to make customers loyal to the business relationship.

According to the study results factors of quality service, communication, financial factors and commitment has insignificant effect on customer loyalty

which is in contrast with previous research findings. Whereas the findings have shown that trust has a significant effect on customer loyalty in pharmaceutical business to business setup.

5.3 Recommendations

Depending on the findings of the study and conclusions made, the researcher came up with some important recommendations that can be used to improve the business relationship between suppliers and their customers.

To make the recommendations easily understandable and can be converted to implementation, it is presented in such a way that it specifically address the focus area for execution.

5.2.1 For suppliers of pharmaceutical products

Therefore, it is advisable that pharmaceutical suppliers give due emphasis on the quality of their service; timeliness, accuracy and trustworthiness of the information directed to their customers and be somewhat flexible in forcing customers to pay their debt in time.

The marketing managers and executives of pharmaceuticals importers and wholesalers should give do emphasis on these factors to improve the quality of their relationship and loyalty of customers.

5.2.2 For retailers of pharmaceutical products

The retailers can also benefit from the findings of this research. It is good to identify and prioritize the important factors affecting their business relationship with their suppliers. Accordingly the researcher believes that this

study has given an insight on important factors to consider in maximizing the success of their business relationship with suppliers.

5.3 Research limitation and areas of future research

This research has considered only retailers located in Addis Ababa city and retailers in other parts of the country were not included.

In addition, data for this study was collected from the customer side of the relationship. The findings of the research would have been more concrete if it has included data from the suppliers of pharmaceutical products.

Future researchers shall include representative retailers from all parts of the country and also from supplier's side.

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6. Appendices

6.1 Research instrument

Annex – Questionnaire

Dear respondent,

My name is Muluken Yimam. I am doing a paper for the fulfillment of a Master's degree in the Arts of Marketing Management. I am studying relationship marketing factors that affect business relationship between a retailer and its suppliers. I kindly request your cooperation in filling this questionnaire. The information you provide will only be used for the results of the study and it is strictly confidential. Please do not write your contact details on the questionnaire. Thanks for your cooperation.

I. General information.

Please encircle the appropriate response.

1. Gender

- A. Male
- B. Female

2. Age

- A. 24-30
- B. 31-37
- C. 38-44
- D. 45-51
- E. 52+

3. Pharmacy type

- A. Private Hospital pharmacy
- B. chain Community Pharmacy
- C. Independent community pharmacy

4. Educational level

- A. First Degree in Pharmacy
- B. Postgraduate in Pharmacy
- C. Doctor of pharmacy
- D. Having degree in business field in addition to pharmacy degree

5. Years of Experience

- A. 4-10
- B. 11-17
- C. Over 17

6. Occupation

- A. Technical leader pharmacist
- B. Owner pharmacist
- C. Owner and Technical leader pharmacist

Please select your degree of agreement or disagreement with the statements that follow. Please put a mark in one of the space that best describes your answers.

1= strongly disagree 2= Disagree 3= Neutral 4= Agree 5= strongly agree

II) Relationship marketing Variables

A. Quality service	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1. I prefer to trade with suppliers that have high quality products even if the price is high.					
2. I prefer to trade with a supplier that have a wider product range.					
3. Most of my suppliers will deliver order in the same day that I made the order.					
4. Most of my suppliers will deliver the right type of products with the right quantity consistently.					
5. Most of my suppliers provide us a fair level of professional support.					
6. Most of the professionals (sales team) of my suppliers have good product knowledge and are dependable.					
B. communication					
7. Most of my suppliers will provide me with timely and trustworthy information.					
8. Most of my suppliers will provide me information when there are new					

products/services.					
9. Information provided by my suppliers is most of the time accurate.					
10. We (I and my suppliers) can show our discontent towards each other through communication.					
C. Financial factors					
11. Price competition is a common phenomenon in pharmaceutical business.					
12. Most of my supplier's prices will not show a high level of fluctuation.					
13. Most of my suppliers will give me a fair price discount for items I purchase in large quantity.					
14. Most of my suppliers believe in me that I will pay my debt in time.					

D)Trust	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
15. Most of my suppliers' words and promises are reliable.					
16. I have confidence in the service of most of my supplier's.					
17. Most of my suppliers consider my interests when problem arise.					
18. Most of my suppliers do not use opportunities that arise to profit at my firm's expense.					
E)Commitment					
19. Most of my suppliers try hard to establish a long term business relationship with us.					
20. I want to remain as a customer with most of my suppliers because I genuinely enjoy my relationship with them.					
21. Most of my suppliers will definitely keep their promise.					
22. The relationship with most of my suppliers is very much like being family.					

III) Customer loyalty

F)Customer loyalty	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
23. I do business with the same suppliers that I used to in the past.					
24. I like more my current supplier's brands than others.					
25. I am pleased to buy my current suppliers products (brands) instead of other brands.					
26. I recommend my current suppliers for those who ask my advice.					
27. I say positive things about my current suppliers to other persons.					
28. I intend to buy products of my current suppliers in the future too.					

I sincerely appreciate your time and cooperation. Please check to make sure that you have not skipped any questions.

6.2 Interview questioner

This semi structured interview questioner is prepared for exploring the important relationship marketing factors between suppliers and retailers in pharmaceutical distribution industry and to formularize the research study. By doing so, the student researcher who is doing research for Master's Thesis will identify the unit of analysis among Importers, wholesalers and retailers residing in Addis Ababa.

I would like to express my Gratitude and Appreciation on behalf of myself for your support and assistance provided for me.

Specific Objectives of this data collection tool are:-

- To identify the unit of Analysis suitable to study relationship marketing factors that impact customer loyalty in the pharmaceutical industry. Whether it is between importers and wholesalers? Or between wholesalers and retailers?
- To see whether additional & important variables exist beyond those proposed for this study.
- To see the manifestations of existing business problem in the study area.

Key respondent information

Name-----

Educational level-----

Current work position-----

Experience (number of years in the current field of work) -----

1. Where, in the supply chain, do you think the competition level is high? Is it between Importers, between wholesalers, or between retail pharmacies? In which supply chain matrix does establishing a mutual business Relationship is highly mandatory for staying and be successful in the business?

2.Which type of products (pharmaceuticals, medical supplies and consumables including lab reagents or food supplements are mostly scares and are highly demanded by consumers

(Patients, private and public hospitals and clinics) and even by distributors? And accordingly which products (product categories) are highly sought and important in the business relationship?

3. In your opinion, what factors are important to establish a long lasting mutual business relationship between a supplier (Importers or wholesalers) and the retail pharmacies (i.e. importers or wholesalers)?

4. Which components of the service are really important for you that impact the quality of service you receive and have a positive implication on trust, commitment and satisfaction you have on your business partner or the service provided?

5. What business problems do you see that are affecting the mutual relationship between business partners in the supply chain (starting from Importers to retailers)? Would you suggest some manifestations or symptoms for these problems?