



College of Business and Economics

School of Commerce

Department of Marketing Management

**THE EFFECT OF RELATIONSHIP MARKETING PRACTICE ON CUSTOMER
LOYALTY- A CASE IN THE MOTOR AND ENGINEERING COMPANY OF ETHIOPIA
(MOENCO)**

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Addis Ababa, Ethiopia

Addis Ababa University

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Statement of Certification

STATEMENT OF CERTIFICATION

This is to certify that Yoseph Teweldebrhan has carried out his research work on the topic entitled “THE EFFECT OF RELATIONSHIP MARKETING PRACTICE ON CUSTOMER LOYALTY- A CASE IN THE MOTOR AND ENGINEERING COMPANY OF ETHIOPIA (MOENCO)” is his original work and is suitable for submission for the award of Master’s Degree in Marketing Management.

Advisor: Hailemariam Kebede (PhD)

June, 2023

Statement of Declaration

I, Yoseph Teweldebrhan, hereby declare that this thesis entitled “THE EFFECT OF RELATIONSHIP MARKETING PRACTICE ON CUSTOMER LOYALTY- A CASE IN THE MOTOR AND ENGINEERING COMPANY OF ETHIOPIA (MOENCO)” is my original work prepared under the guidance of my advisor, Hailemariam Kebede (PhD).

This research is presented as a partial requirement for the Master of Arts Degree Award in Marketing Management and it has not been previously submitted to any diploma or degree in any college or university.

I would like also to confirm that all the sources of materials used in this study has been properly acknowledged.

Yoseph Teweldebrhan

June 2023

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Acronyms

Moenco- The Motor and Engineering company of Ethiopia

RM- Relationship Marketing

CRM- Customer Relationship Marketing

4P- Product, Price, Place and Promotion

Table of Contents

CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.2 Statement of Problem	2
1.3 RESEARCH QUESTIONS	4
1.3.1 Main research question	4
1.3.2 Sub research questions.....	4
1.4 Objectives of the study	4
1.4.1 General Objective of the Study	4
1.4.2 Specific Objectives of the Study	4
1.5 Significance of the Study.....	5
1.6 Scope of the Study	5
1.7 LIMITATIONS OF THE STUDY.....	6
1.8 Definition of Terms	6
1.9 Organization of the Research	7
CHAPTER TWO	8
2. REVIEW OF RELATED LITERATURE	8
Introduction	8
THEORETICAL REVIEW	8
2.1 The Theoretical Origins of Relationship Marketing	8
2.1.1 Neo-classical Microeconomic Theory	8
2.1.2 Transaction Cost Theory	9
2.1.3 Relational Contracting Theory	10
2.1.4 Social Exchange Theory.....	11
2.1.5 Equity Theory.....	11
2.1.6 Political Economy Theory.....	12
2.1.7 Resource Dependence Theory.....	12
2.1.8 Resource-Advantage Theory.....	13
2.1.9 Institutional Theory.....	14
2.2 Evolution of Relationship Marketing	14

2.3	Relationship marketing dimensions.....	16
2.3.1	Trust.....	16
2.3.2	Commitment.....	17
2.3.3	Conflict Handling.....	18
2.3.4	Perceived Value.....	19
2.3.5	Empathy.....	20
2.4	Customer Loyalty.....	21
2.5	Customer loyalty in the automotive sector.....	22
2.6	Review of Empirical Studies.....	23
2.6.1	The Relationship between Trust and Customer Loyalty.....	26
2.6.2	The Relationship between Commitment and Customer Loyalty.....	27
2.6.3	The Relationship between Perceived Value and Customer Loyalty.....	28
2.6.4	The Relationship between Conflict Handling and Customer Loyalty.....	29
2.6.5	The Relationship between Empathy and Customer Loyalty.....	30
2.7	Conceptual Framework.....	30
CHAPTER THREE.....		32
3.	RESEARCH METHODOLOGY.....	32
3.1	Introduction.....	32
3.2	Description of the Study Area.....	32
3.3	Research Design.....	33
3.4	Research Approach.....	33
3.5	Population and Sampling Technique.....	33
3.6	Data source and Type.....	34
3.7	Data collection instruments.....	34
3.8	Research Ethics.....	34
3.9	Data analysis methods.....	35
3.10	Pilot study.....	35
CHAPTER FOUR.....		36
DATA PRESENTATION, ANALYSIS AND DISCUSSION.....		36
4.1.	Introduction.....	36
4.2.	Reliability Test.....	36
4.3.	Demographic Profile of Respondents.....	37

4.4. Length of company’s service Usage.....	39
4.5 Descriptive statistics of CRM dimensions and Customer Loyalty.....	40
4.5.2 Descriptive statistics of Perceived Value	40
4.5.3 Descriptive statistics of Commitment.....	41
4.5.4 Descriptive statistics of Conflict Handling	42
4.5.5 Descriptive statistics of Empathy.....	43
4.5.6 Descriptive statistics of Customer Loyalty.....	44
4.6 Correlation Analysis	44
4.6 Assumptions.....	46
4.6.1 Test of Normality	46
4.6.2 Test for Multicollinearity	47
4.7 Multiple Regression Analysis	48
4.8 Hypothesis Testing and Discussion	52
CHAPTER FIVE	56
SUMMARY, CONCLUSIONS AND RECOMMANDATIONS.....	56
5.1 Introduction	56
5.2 Summary of Findings.....	56
5.3 Conclusion.....	57
5.4 Recommendation	58
5.5 Recommendation for future study	58
References	60
Appendix.....	73

List of Tables

Table 4.2.1 Reliability statistics	36
Table 4.2.2 Customer Relationship Marketing dimensions Reliability Statistics	37
Table 4.3.1 Summary of demographic profile of respondents	38
Table 4.4.1 Length of company's service Usage	39
Table 4.5.1 descriptive statistics if Trust	39
Table 4.5.2 Descriptive statistics of Perceived Value	40
Table 4.5.3 Descriptive statistics of commitment	41
Table 4.5.4 Descriptive statistics of Conflict Handling	42
Table 4.5.5 Descriptive statistics of Empathy	42
Table 4.5.6 Descriptive statistics of Customer loyalty.....	43
Table 4.6.1 Correlation Analysis	44
Table 4.7.1 Normality Test	45
Table 4.7.2 Multicollinearity Test	46
Table 4.8.1 Model Summary	47
Table 4.8.2 Analysis of Variance (ANOVA)	48
Table 4.8.3 Regression Coefficients	49
Table 4.9.1 Summary of Hypothesis Test	51

List of Figures

Figure 2.1: Conceptual framework of the research	31
Figure 4.6.1: Normal Q-Q plot of Customer loyalty	46

Abstract

This research sought to explore the influence of relationship marketing practice on customer loyalty in the context of the Motor and Engineering Company of Ethiopia (MOENCO). The independent variables examined were trust, commitment, perceived value, conflict handling, and empathy, while customer loyalty was the dependent variable. A convenient sampling method was utilized, and data was collected through a Google Forms questionnaire from 357 respondents. The resulting data was analyzed using SPSS version 27. Overall, the results of the study indicated that there was a significant positive relationship between relationship marketing practice and customer loyalty. Commitment, perceived value, conflict handling and empathy had a substantial impact on customer loyalty. In contrast, Trust had a less modest effect. These findings provide important insights into the importance of relationship marketing strategies in enhancing customer loyalty in the motor and engineering sector in Ethiopia. The study highlights the significance of the customers' perceived value of the company's products and services in creating customer loyalty. It also reinforces the need for companies to develop and maintain a high level of trust with their customers through a genuine commitment to customer satisfaction. The study also emphasizes employing effective conflict management strategies and displaying empathy towards customers. These findings have practical implications for management in the motor and engineering industry as they provide an understanding of the importance of relationship marketing practice in creating customer loyalty. The recommendations from this research can inform strategies aimed at improving customer retention rates, increasing customer satisfaction, and driving sales growth.

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

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

From a historical standpoint, relationship marketing's development as a distinct academic field of marketing in the 1980s and 1990s becomes clearer. According to researchers, RM marks a "paradigm shift in marketing" from its prior emphasis on "transactions," where businesses employ the "4P model" to control marketing-mix variables (Grönroos, 1994; Sheth and Parvatiyar, 2000).

Marketing techniques have been increasingly transaction-focused during the past years. The movement away from a narrow emphasis on sales transactions toward a focus on the connections that businesses have with their customers and other stakeholders is the key trend in late marketing strategy, though (Bruhn, 2003; Gummesson, 1999).

The relationship and impact of relationship marketing on customer loyalty are an interesting and important area of research for companies aiming to increase customer retention. The concept of relationship marketing focuses on developing quality, mutually beneficial partnerships between the customer and the business in order to promote customer loyalty. According to some theories, relationship marketing can provide increased access to profitable customers, facilitate price negotiation, and create much stronger customer-seller relationships (Morgan & Hunt 1994).

Recently, a growing body of literature has examined the impact that relationship marketing has on customer loyalty (Ruiz et al., 2012; Garrow & Chen 2018). Many researchers have found evidence that customers who engage in a more interactive and personalized relationship with their providers have greater levels of trust and satisfaction with their supplier (Beard & Johnson 1997; Sandberg 2000; Tsiros & Mittal 2000). Studies suggest that these perceived benefits are then translated into increased loyalty behaviors from customers (Kumar et al., 2004), such as repeat purchase rates and willingness to pay premiums for enhanced services.

1.2 Statement of Problem

Relationship marketing utilizes strategic tools to create and nurture relationships with customers. It focuses on long-term customer relationships rather than short-term transactional ones (Gummesson, 2017). It goes beyond providing products and services by striving to build meaningful connections with customers, which leads to building customer loyalty and brand advocacy for the company's offerings (Kotler & Keller, 2016).

Customer loyalty is an enduring commitment that customers have toward a particular product or service. It is created when the suppliers go beyond meeting their customers' needs by engaging them in creative ways, forming strong bonds between both the service and customer that cause the customer to remain loyal to the product or service (Lilien et al., 2008). This can be seen as evidence of effective relationship marketing being able to transform customers into loyalists.

The rise of digital technology has caused a shift in customer relationships, as traditional business models have paved the way for modern relationship marketing approaches. The changing landscape of today's consumers—one in which customer loyalty is highly valued—has highlighted the importance of understanding the effects of relationship marketing on customer loyalty and related measures, such as trust, commitment, perceived value, conflict handling and empathy. While there is an increasing body of research that has investigated the connection between these two concepts (e.g., Eroglu et al., 2010; Ferrell & Gresham 2013), more studies are still needed to uncover ways in which relationship marketing can help to cultivate stronger relationships with customers, leading to greater loyalty and customer satisfaction.

There are also few studies in the field of CRM and its effect on loyalty that focus on the customer service sectors, and the some of these studies are summarized as follows. ;

Girma Dibekulu (2017) has studied effects of customer relationship marketing on customer loyalty in case of construction machinery rental service and implied that relationship marketing dimensions

such as, trust, commitment, empathy and conflict handling are an important determinant of customer loyalty of Resco-Rental.

In 2019, Asrat Assefa explored the impact of relationship marketing on customer loyalty within the Commercial Bank of Ethiopia, focusing on Burayu branches. The study aimed to analyze how the five dimensions of relationship marketing (trust, commitment, perceived value, empathy, and conflict handling) affected customer loyalty. The statistical findings revealed a positive and substantial influence of relationship marketing, as represented by these dimensions, on customer loyalty. Assefa advised that the Commercial Bank of Ethiopia should prioritize the customer perceived value dimension, as it has the most significant impact on loyalty. However, given the differences between the banking and automotive sectors, it is challenging to apply the study's findings to the automotive industry. Further research would be required to determine the potential effects of relationship marketing within the automotive sector.

As an employee at MOENCO, the researcher had the opportunity to engage in discussions with various representatives from the company's sales department, such as the sales director, retail sales manager, and tender and fleet sales manager, concerning automotive-related business matters within the organization. Through these conversations, it became apparent that the managers perceive a decline in the company's current client base, potentially due to its customer relationship practices. As a result, determining which relationship marketing aspects influence the creation of loyal customers could be valuable for enhancing and promoting loyalty within the company. This understanding underscores the significance of conducting this particular study.

Moreover, In 2019, MOENCO underwent a reorganization, establishing a distinct CRM department. Consequently, this research aimed to offer valuable insights into the process of cultivating loyal customers and identify key areas for enhancement based on the five dimensions of relationship marketing: trust, commitment, perceived value, empathy, and conflict resolution.

Additionally, to the best of the researcher's knowledge, there have been no studies published on the use of RM in the automotive industry, particularly in the context of Ethiopia and MOENCO. Through examining the impact of customer relationship marketing practices on customers' loyalty across five

dimensions of relationship marketing, namely trust, commitment, perceived value, conflict handling, and empathy in the case of the motor company. This research attempts to fill the practical gap of the company and contribution to the advancement of the body of knowledge of the current literature, and be used as a documented study for industry members.

1.3 RESEARCH QUESTIONS

1.3.1 Main research question

The main research question for this study was the effect of customer relationship marketing on customer loyalty in MOENCO?

1.3.2 Sub research questions

The study attempted to provide answers to the following questions based on the problem statement mentioned:

- a) How does trust affect customer loyalty in MOENCO?
- b) How does commitment affect customer loyalty in MOENCO?
- c) How does perceived value affect customer loyalty in MOENCO?
- d) How does conflict handling affect customer loyalty in MOENCO?
- e) How does empathy affect customer loyalty in MOENCO?

1.4 Objectives of the study

1.4.1 General Objective of the Study

The general objective of this study was to examine the effect of relationship marketing practice on customer loyalty in The Motor and engineering company of Ethiopia (MOENCO).

1.4.2 Specific Objectives of the Study

1. To examine the effect of trust on customer loyalty in MOENCO.
2. To study the effect of commitment on customer loyalty in MOENCO.
3. To scrutinize the effect of perceived value on customer loyalty in MOENCO.
4. To examine the effect of conflict handling on customer loyalty in MOENCO.
5. To investigate the effect of empathy on customer loyalty in MOENCO.

1.5 Significance of the Study

The study of the effect of relationship marketing on customer loyalty in automotive industry is important, as it provides insights into how car manufacturers can maximize their relationships with customers for long-term loyalty. It also provides tips on how dealers can use relationship marketing to improve after-sales services and build trust among customers.

In today's highly competitive market, customer loyalty is key to building lasting relationships and encourages repeat business, which is becoming more difficult than before due to increasingly discerning consumers. Understanding the effects of relationship marketing on customer loyalty will help automotive companies better understand their target markets and create more personalized strategies for converting potential customers into loyal ones. Automotive companies must also keep up with the latest trends in order to remain competitive and to differentiate themselves from other players in the industry. Thus, the study has the following significance:

- a) This study would present the current influential dimensions on relationship marketing and its impact on customer loyalty in MOENCO's perspective.
- b) The findings of this study would be helpful to the company's management in determining how well the current RM practice is performing to maintain and build long-term relationships with customers.
- c) It provides insightful information and ground for further researchers on relationship marketing and its effect on customer loyalty.
- d) The study's findings would help the automotive sector understand ways to build and maintain profitable long-term relationships with customers through advanced customer relationship practices.

1.6 Scope of the Study

In MOENCO, one of the top automotive sales and after-sales service providers in the nation, the purpose of this study was to ascertain the impact of relationship marketing on customer loyalty. This study sought to evaluate the impact of relationship marketing on customers across five

relationship marketing dimensions. i.e. trust, commitment, perceived value, conflict handling and empathy' in the case of The motor and engineering company of Ethiopia only. Despite the fact that the field of relationship marketing is quite broad and necessitates research involving all companies in the industry at the national level, MOENCO S.C. has been the exclusive focus of this study due to time and resource limitations, and it consisted of branches located in Addis Ababa.

1.7 LIMITATIONS OF THE STUDY

This research has only assessed the impact customer relationship marketing on customer loyalty in MOENCO from customer perspective and it will not include employees' perspectives. Thus, it may affect the completeness of the results of the study on relationship marketing practices of the company since it focused only on the customers' perspective. Even though the company has additional prospective clients in regional states around the nation, the study's population has been restricted to customers only based in Addis Ababa. The sampling method applied in the study was convenience sampling method which is somehow subject to bias. Other Ethiopian automobile businesses has not been included in the study, which exclusively focused on MOENCO. Future studies must therefore adhere to the aforementioned restrictions in order to get better results.

1.8 Definition of Terms

Relationship Marketing: Relationship marketing is the practice of building long term relationships with customers and partners to achieve a greater customer value, improved customer loyalty and increased customer satisfaction. (Farneti, 2012).

Customer Loyalty: Customer loyalty is defined as a firmly held determination to repeatedly purchase or patronize a favored good or service in the future, leading to repeat same-brand or same-brand set purchases despite external factors and marketing initiatives having the ability to encourage switching behavior. . (Source: Kotler and Keller, 2010)

Trust: a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another. (Mayer, Davis & Schoorman, 1995)

Commitment: individual's binding intention towards an organization or partner over some period of time so that satisfaction, loyalty and trust develop (Fornell, 1992; Morgan & Hunt, 1994)."

Conflict Handling: the processes used by organizations to manage disagreements and extend productive customer relationships. Relationship marketing practices can be used to mitigate conflicts within customer relationships in order to increase mutual value for both parties, build trust, solve problems collaboratively, and develop more positive transactions without deteriorating customer loyalty (Almeida et al., 2017).

Perceived Value: the degree to which customers perceive the benefits they receive, in terms of quality and satisfaction, compared to the cost they pay for a product or service" (Xue et al., 2017).

Empathy: the capability to share, understand and appreciate the feelings of another from a relationship marketing perspective. Through understanding emotions and motivating customers to act on behalf of their needs, companies can strengthen customer relationships by recognizing their emotional states (Kim et al., 2012; Dwivedi et al., 2013).

1.9 Organization of the Research

The study is broken up into five chapters. The context of the study, the problem statement, the research questions, the study's goal, its scope, and its limitations are all included in Chapter 1. Review of related literature in the field of relationship marketing was covered in chapter two. The research methodology that was employed to perform the study is described in Chapter 3. The compiled facts are summarized, examined, and appropriately interpreted in chapter 4. The research finding's conclusion and recommendation are presented in Chapter 5.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

Introduction

The second chapter of the study will present relevant literature as well as the study's theoretical framework. The chapter starts with an analysis of theoretical writings on relationship marketing and its elements, then moves on to an analysis of empirical research on how relationship marketing aspects affect consumer loyalty, and then develops the conceptual framework for the study.

THEORETICAL REVIEW

2.1 The Theoretical Origins of Relationship Marketing

Here, varieties of theoretical bodies are briefly reviewed to help readers comprehend the principles of relationship marketing. .

2.1.1 Neo-classical Microeconomic Theory

Neo-classical microeconomic theory is a broad term referring to the modern application of economic microeconomic analysis, which emphasizes the study of individual behavior in various markets, and its long-run effects on income distribution and welfare. This theory is based on the principles put forth by classical economists such as Adam Smith, Johan von Thünen, David Ricardo and Karl Marx.

Neo-classical microeconomic theory has been largely influential in determining public policies that influence public well-being in modern economics today. For example, it has been used to analyze how government taxation systems incentivize certain behaviors while discouraging others (Kesselman et al 2017). Other applications include examining employment trends within urban areas (Glaeser 2019) and assessing development aid policies with regards to income inequality between developing countries (Davenport et al 2017).

2.1.2 Transaction Cost Theory

Costs of transactions refer to the costs associated with bringing about and maintaining an exchange between two or more parties (Williamson, 1985). Transaction cost theory provides insight into how firms are formed and structured – the size of their organization, the way they use governance mechanisms for coordination, and even what products they produce. In its simplest terms, transaction cost theory suggests that a firm's internal investments in resources to facilitate production or exchanges can sometimes be cheaper than buying or exchanging those same inputs from outside firms. Thus, the transaction cost of engaging in economic activities can affect firms' strategic decisions such as whether to keep certain operations “in-house” or whether to attempt to acquire opportunities externally (Gulati & Singh 1998). Several distinct properties of transactions make transaction costs important to consider when making organizational decisions: irreversibility (Mahoney & Pandian 1992), asset specificity (Williamson 1985), uncertainty (Binswanger 1980), limited rationality (Simon 1991), boundedness of information sets (Rao & Ruefli 2000) and frequency of transactions.

The Transaction Cost Theory (TCT) proposes that the decision to internally conduct a business operation or outsource it to an external provider depends on the relative transactional costs associated with each course of action. It emerged as a major area of research in economics in the 1970s and 1980s, primarily through the works of economist Oliver Williamson 1975. Since then many researchers in strategy and other management fields have used this theory to explain firms' decisions regarding their organization structure.

Over decades' various extensions were made upon initial models proposed by Coase, providing more refined insights into 'make-or-buy' decisions under certain situations; as well as thinking about how governance structures affect incentives for both buyers and sellers when entering into long term contractual relationships.

2.1.3 Relational Contracting Theory

Relational contracting theory is a conceptual framework for analyzing and understanding the widely studied contractual environment, in particular the contracting relationships between two or more parties. This theory suggests that when conditions permit, relational ties are established to facilitate, regulate, and sustain the exchange process within contractual arrangements. The basis of this type of contract is that it "typically involves a long-term contractual arrangement between the parties based on mutual trust and commitment to the performance of specific, co-developed goals and objectives" (Flanagan & Gammie, 2015).

The reliability of the model has been strongly supported by research proposing updated versions for a new generation of contracts. Examples include Chattopadhyay et al., (2004) examining how knowledge integration motivated by relationship building affects contract performance; Ackema et al., (2011) studying the impact of relational norms on contracting decisions; Walsh (2006) exploring interactive decision making enabling real time communication among parties prior to concluding agreements; Kim et al., (2009) analyzing relationship intensity necessitating joint problem solving approaches. Moreover many other empirical studies have proven their worth such as those of Lebas et al., (2007) revealing why failing contracts often result from mismanagement rather than partner related issues; Dingus et al.,(2010) comparing virtual teams (where team members are dispersed geographically), physical teams (single location); Shin & Limayem (2008) explaining post-contractual commitments driving supplier integration towards achieving competitive advantage ; Shull & Shuttleworth (2011) observing difficulty experienced when attempting to modify contractual agreements normally reserved for long term partnerships.

In conclusion Relational Contracting Theory provides an academically robust framework for furthering our understanding of contemporary contractual arrangements. This understanding is critical for organizing and maintaining successful contractual relationships in today's complex globalized economies especially so given their propensity for rapid change requiring flexible responses from our legal systems.

2.1.4 Social Exchange Theory

Social exchange theory is a sociological and psychological framework that describes the development, maintenance, and dissolution of social relationships (Homans, 1950; Thibaut & Kelley, 1959). It views relationships as exchanges between individuals that involve both a benefit to each party, either tangible (e.g., money or rewards) or intangible (e.g., satisfaction from interpersonal interaction). The theory proposes that people are motivated by utility-maximizing behavior in which they seek rewards for themselves and minimize costs incurred (Blau, 1964).

The key components of social exchange theory include the concept of equity – when parties have similar rewards and costs – commitment to the relationship – based on past behaviors – trust – based on expectations of future behaviors -and power – based on control over resources. This theory has been applied extensively to research in psychology and sociology, covering topics such as organizational communication (Klimoski & Palmer, 1996), cross-cultural communication (Havlena & Holak, 1991), interpersonal attraction (Graziano & Raulin, 1993), family dynamics (Fulmer & Davis-Lamelinda 2002), online communication (Walther, 1992) and even economic behavior (Smith & Walker 1978).

The use of SET began in the 1950s with psychologist John Thibaut and sociologist Harold Kelley focusing on how people form relationships and maintain them based on rewards (positive consequences) and costs (negative consequences). They argued that humans are motivated by things like praise, affection, security, respect, as well as economic rewards and punishments like money or loss of status. As such, these influences determine how two parties form relationships and how long those relationships last.

2.1.5 Equity Theory

Equity Theory, developed by J. Stacy Adams in 1964, is a model of motivation which encompasses the idea that social comparison directly influences how positive or negative emotions are experienced. It states that all individuals have a desire to perceive themselves as achieving fairness

and equity in their interpersonal relationships and situations. This theory focuses on people's sense of balance and their primary motivation, which is to maximize personal gain; that it is driven by the cognitive comparison of one's own input-outcome ratio with outcomes of other peers (homogeneous/heterogeneous)

2.1.6 Political Economy Theory

Political economy is rooted in the foundational works of Adam Smith's *The Wealth Of Nations* (1776), John Stuart Mill's *Principles Of Political Economy* (1848) and Karl Marx's *Das Kapital* (1867). These classic texts postulated that capital flows through markets whilst trading partners strive to promote their collective economic interests. This economic research was significantly advanced by David Ricardo who introduced Ricardo's Law of Comparative Advantage in 1817 which stated that a country would benefit more from international trade if they focus on producing goods where they have natural advantages relative to other countries.

Subsequent strands of development in political economy include Vernon W. Ruttan's theories on induced innovation (1971) and economic growth; Amartya Sen's concept of development as freedom (1999); Arnold Harberger's theories on dualistic economies; Thomas Piketty's pioneering work on income inequality among nations (2013); and Dani Rodrik's examination of global multinationals dominating industrial sectors across multiple countries (2015).

2.1.7 Resource Dependence Theory

Resource dependence theory was developed by Jeffrey Pfeffer and Gerald R. Salancik in their 1978 book titled *The External Control of Organizations: A Resource Dependence Perspective*. In this seminal work, they argued that organizations are dependent on the environment for resources that allow them to function. Since these resources generally come from outside sources, decisions must be made about how to access them and the extent of their influence on the organization's functioning.

The resource dependence perspective has been used by multiple scholars as a framework for understanding organizational dynamics throughout the intervening years since its first presentation; indeed, it remains an important underlying concept today across multiple disciplines (Kawamura & Sheridan 2005; Fund & Yücel 2011). It has been applied in fields such as strategic management (Griffith et al., 2014), international relations (Smith 2006) and marketing (Gronroos 2009). Applications within each area vary depending upon the specific needs of research questions posed within various contexts but the authors found common underlying concepts among them all which echoed resource dependency perspectives –primarily emphasizing interdependence within power structures between actor groups or entities accessing mutual material/non-material assets shared inside/between networks or partnerships/alliances as well as concerns over dynamics of survival amidst competition striving towards dynamic adaptation based on varying degrees of access / control with externalized actors than can serve competitive advantage or, imbalanced weight that could lead towards non-negotiated restrictions for cooperation if not properly mediated through internal governance practices or externally via investment into contracts/agreements externalized pertinent asset control oversight considerations (Griffith et al., 2014).

2.1.8 Resource-Advantage Theory

The theory was developed in the mid-1980s by Professors Jay B. Barney, Kenneth G. Smith Jr., and William Hesterly III using a combination of conceptual ideas derived from managerial practice and empirical American studies on competitive strategy. According to them, a number of elements are necessary for competitive advantage: a firm's superior resource position, core skills and capabilities, organizational strength, strategic choices and business model innovation. Through a dynamic interaction between these elements, firms can gain the upper hand over their rivals in terms of cost structure or product differentiation.

As opposed to other strategic frameworks such as Porter's 5 Forces Model which aimed primarily at understanding the structure of industries, Resource-Advantage Theory focuses more on uncovering the inner workings of organizations through exploration into internal dynamics and relationships between competitive components allowing managers to identify buildable advantages

unique to each individual entity over its competitors — threats posed by other participants notwithstanding — thus leading businesses towards sustainable profitability through superior optimization efforts alone rather than outcompeting others for gains in market share (Barney & Hesterly 2003).

2.1.9 Institutional Theory

Institutional theory is a broad theoretical framework used by scholars to explain social outcomes and behavior in the context of formal, informal and cultural rules, norms, and regulations. The key assumptions of institutional theory are often described as 'isomorphism' or 'norm-following': these assume that societal factors such as culture and history strongly influence organizational decisions and behaviors (Meyer & Rowan, 1991). Institutions can be viewed as systems composed of shared values, beliefs, history and the roles that members have in the system (DiMaggio & Powell 1983). While there is not one clear definition of institutional theory, it "assumes that environments external to organizations create pressures for organizations to take on certain characteristics" (Light 2008). This means that organizations will naturally act to conform to prevailing expectations both internally (by employees) and externally (e.g. through public opinion).

In essence, institutional theory helps explain why organizations behave the way they do. It suggests that firms operate within a given set of constraints provided by the surrounding environment: political systems, culture, values etc. The constraints "force organizations into similar shapes or forms" creating an incentive for them to follow the same pattern (Jones 2004).

2.2 Evolution of Relationship Marketing

Relationship marketing has come a long way since its inception, and many businesses have seen great success in their customer relationships. Relationship marketing is a term that refers to the process of establishing and nurturing long-term mutually beneficial connections between businesses and customers. It is based on creating strong trust between companies and customers and

understanding the needs, expectations, preferences, and values of individual customers. The goal is to use these relationships to increase satisfaction, loyalty, sales, profitability, repeat business, and referrals by fostering high-value relationships with existing and potential customers (Ahmed et al., 2015).

Firstly, relationship marketing evolved from transactional marketing with focus on exchange activities such as sale and purchase of goods or services between firms for profit. Transactional marketers focus on short term gains; however, relationship marketers plan towards developing long-term committed customer base as current strategy suggests that 'Price' models are no longer working while focusing totally on sales (Ahmadi et al., 2012).

In recent years there has been increased interest in relationship marketing due to major technological changes such as multiplatform access through social media platforms an internet access (eCommerce) which include offering personalized discounts and rewards programs have made it easier for firms to build lasting customer relationships (Sutanto & Nguyen 2019). Social media platforms allow direct dialogue with customers providing opportunity for updates about products or services being offered as well as handling queries by them. Companies also take advantage of technology enabled tools like CRM software to keep track of individual interactions with customers so they can better understand their needs over time (Angadi & Rakesh 2018).

The rapid advances in technology coupled with companies' demand for more efficient methods of delivering beneficial customer experiences continue to shape relationship marketing practices (McCarthy & Popovich 2003). Many organizations offer encouragement points like reward cards to drive higher return purchases from customers which in turn will assist organizations maximize their ROI figures from relationship marketing investments in customer segments thus consolidating continuing commitments from financial standpoint (Geldenhuis & Strydom 2013). In conclusion it can be stated that momentum for continuing advancements remain undiminished within this field.

2.3 Relationship marketing dimensions

2.3.1 Trust

The concept of trusting relationships has been around for some time. According to the research by Wang (2009) in relationship marketing, one of the key components is trust. He explains that trust can be described as a risk-shedding mechanism where buyers can rely on their sellers through communication, service quality assurance and guarantees of follow-through at all stages of the transaction process. By implementing trust into relationship marketing, companies would be better able to build stronger and more meaningful relationships with their customers based on mutual respect and understanding.

According to Gerson (2006), trust is essential for successful relational exchanges. He believes that customers become loyal when they form a trusting connection with an organization, which leads them to purchase its products or services repeatedly without substantial search costs and risk reduction efforts.

Dearing (2007) also points out that establishing trustworthy relationships strengthens customer loyalty towards a company due to enhanced communication between partners which increases commitment levels and builds stronger feelings of affinity between them.

Mowen, Succiessi & Bharadwaj (2005) suggest that different factors influence whether customers will place their trust in an organization or not. These involve elements like perceived compatibility between supplier values and customer values; utility directed towards meeting customer desires; knowledge-based capabilities; and satisfaction with past performance attributes. Their research suggests that these are important predictors of whether customers will place their trust in an organization or not; hence demonstrating their significance within the context of relationship marketing.

Building trust is critical for any business venture, but it requires effort in order to successfully create strong bonds with partners who can offer value in return for loyalty (Ismail & Thong 2003). Search engine optimization tactics are one way businesses achieve this goal, as it increases visibility by helping them reach larger audiences quickly and efficiently (Kumar 2008). Furthermore, social media

platforms allow companies to keep potential clients informed about product updates, new offerings and general information about their industry development (Verweire & Courtois 2009).

All in all, this literature review demonstrates that trust plays a central role within the dynamics of relationship marketing – from positively impacting customer behavior through providing insight into how businesses should develop strategies for building strong connections with those whom they depend upon for success.

2.3.2 Commitment

Commitment is a domain of relationship marketing that seeks to build strong ties between organizations and customers. According to Kohli, Jaworski and Kumar (1993), commitment represents an attitude developed through trust-building on the part of both parties concerned. This leads to an intentional involvement in a meaningful collaborative relationship whose result is mutually beneficial. Commitment within a relationship is seen as a long-term investment by both sides: customers have greater loyalty towards the organization because they have seen it over time, while the organization rewards loyalty with valued offerings such as discounts, exclusive access and other favors (Möller & Halinen, 2002).

Research has indicated that there are four dimensions of customer commitment associated with relationships with organizations: affective commitment; calculative commitment; normative commitment; and continuance commitment (Möller & Halinen, 2002). Affective commitment occurs when customers develop source loyalties based on personal motivations of how they feel about their buying experience (Kim et al., 2008). Calculative commitments are more rational in nature based on cost/gain analysis by the customer when considering future purchases (Kim et al., 2008). Normative commitments come from concepts of social obligations added to certain situations such as religious occasions or exchanging gifts among friends or family members (O'Malley & Tynan, 2000). Continuance commitments refer to feeling tied to an organization due to difficulty and costs involved in changing vendors or suppliers (Kim et al., 2008).

Each element of customer commitment has been studied further in terms of its specific impact on fostering successful long-term relationships between organizations and their customers. For example, Mokeyeva and Loebbecke (2006) found that strong affective outcomes are often connected with favorable performance results for organizations. Other studies have shown that customers value discounted prices and time savings but will stay loyal if they perceive stronger investments from the vendor side through personalized attention and support services (Johnston et al., 2009).

In summary, customer commitment plays an important role in helping foster successful long-term relationships between organizations and their customers.

2.3.3 Conflict Handling

Conflict handling is an important part of relationship marketing as it plays a critical role in managing customer relationships. Conflict can arise when customers or business partners disagree or fail to reach consensus on a particular issue, such as price, delivery times, service quality and other variables. Effective conflict resolution is needed to maintain strong business relationships and ensure customer satisfaction.

Relationship marketing theory focuses on seeking solutions that are beneficial for both sides of the argument, ensuring compromise is reached quickly and peacefully (Varsakelis & Katsikeas, 2006). This ensures longer-term customer–supplier relationships remain unharmed. On the other hand, this style may not work well if one party has more power than another (Jeong et al., 2019). In such cases, compromising may prove difficult as one side may be more adamant not to yield.

The passive approach facilitates businesses seeking external help from mediators or experts when conflicts arise with customers or partners (Raitanen et al., 2017). It aims to provide Neutral ground by removing emotion from complex negotiations so that fair decisions can be made based upon facts alone (Martin et al., 2019). Popular sources of mediation include government agencies, trade associations, consumer organizations and private mediator services (Chaney & Carroll 1995). However, this style may favor either one side’s opinion over another due to the external perspective

taken by these intermediaries (Daniel & Koo 2016).

In conclusion, both approaches have their own advantages and disadvantages for relationship marketing conflicts depending on the situation at hand. Companies should use these tools wisely but always strive for fairness for all parties concerned.

2.3.4 Perceived Value

Relationship marketing is a holistic approach to long-term customer relationships which can be used to enhance customer perceived value. Customer perceived value is the individual's appraisal of the utility received from a product or service based on expectations and actual experience with the product. It involves recognizing customers as individuals and focusing on delighting them with every interaction, stimulating loyalty and shared value creation by fostering meaningful relationships with them (Dwivedi, Rana, & Williams, 2017).

The core relationship marketing dimensions are trust, commitment, satisfaction, communication and networks. Intervention into these elements can result in positive development of customer perceived value from both a monetary and non-monetary perspective (Muddahir & Butt, 2011). For example, research suggests that building trust through effective communication not only increases customers' sense of assurance but also their perception that they are valued (Wang et al., 2020). Additionally, providing superior service quality shows customers that they are valuable enough for firms to invest resources which ultimately results in higher satisfaction (Wang et al., 2020; Turban & King, 2015).

It has been further proposed that delivering on promises provides evidence of reliability which leads customers to turn towards the firm more often as they recognize it as a trustworthy provider capable of delivering bundled outcomes (Muddahir & Butt). The conditioning of emotional responses such as attachment based on interactions has been demonstrated previously as well (Bergquist & Woodruff, 1994). Firms have taken this opportunity to make available options for customizing services for individuals which gives them an increased feeling of control by allowing them to interact at different levels or join reward programs which strengthen commitment. Increased involvement in activities may

lead to greater loyalty among engaged consumers by influencing overall satisfaction and perceived value from exchanges (Cui et al., 2013).

Overall, there is considerable evidence indicating that relationship marketing systems composed of diverse approaches including trust building efforts affect customer perceived values due to improved interactions resulting in enhanced loyalty outcomes. Given its potential lasting impacts implementing it effectively appears to be mutually beneficial for both customers who feel catered too and companies desiring sustained growth.

2.3.5 Empathy

Recent research suggests that customers value and appreciate empathy from brands more than tangible rewards (Dubé & Ozanne 2016). One study comparing 1284 customers found that those who experienced higher levels of salesperson empathy were eight times more likely to purchase the product or service (Rauyruen & Miller 2007). Additionally, studies have found that in B2B relationships where salespersons demonstrate high levels of empathy towards their clients, these types of client- firm interactions lead to stronger political commitment and trust building among buyers.

Moreover, technology has enabled firms to enhance their capacity for empathic behavior with customers by leveraging different communication methods like AI chatbots which allow for personalized interactions at scale. For example, Tesco supermarkets leveraged AI chatbots to provide automated replies in various markets such as Korea where cultural differences complicate personal conversations with customers ("Exploring Customer Engagement and Relationship Marketing Through Humanizing Technology: A Study with Chatbot Implementation In Korea" 2019). Additionally, some brands have also used virtual contact centers which allow customers to connect with agents virtually through video calls (Mazumdar 2017) which further enhances firm's ability for personalized interactions with customers.

Overall, it is clear that strong levels of empathy within relationship marketing has the potential to create deeper connections between brands and consumers ultimately leading to increased customer satisfaction.

2.4 Customer Loyalty

Customer loyalty can be defined as the tendency for customers to make repeated purchases from a company or stay loyal to its products and services over an extended period. Loyalty is typically demonstrated through repeat purchases, loyalty programs, and customer referrals. Companies prioritize cultivating customer loyalty because it leads to higher revenue growth, more satisfied customers, increased market share, and increased profitability (Hudes et al., 2012).

The ability to foster customer loyalty depends on how well a company designs and implements its customer service model (Mirzaei, 2017). Companies must provide excellent customer service that meets all of the needs of their customers while also providing them with added value by ensuring they feel appreciated every step of the way. Additionally, companies should focus on building relationships with their customers by leveraging personalization – such as addressing them by name or featuring offers tailored to their interests – in order to increase customer satisfaction (Rinallo, 2016). Companies should also consider utilizing loyalty programs or other rewards systems at checkout that encourage customers to return in order to achieve success in building customer loyalty (Grigorovici et al., 2017).

Companies are also increasingly using data collection techniques such as analytics tools in order to better understand their customers' wants and needs (Hudes et al., 2012). Big data analytics allow companies to accurately distinguish between loyal and non-loyal customers based on behavioral patterns; this understanding helps companies design strategies tailored toward improving the overall customer experience so that it is engaging and fulfilling enough for current customers (Mirzaei, 2017). With retailers and companies looking to acquire new customers while retaining existing ones, customer loyalty presents an invaluable asset in their quest to cultivate sustainable growth and thriving relationships with customers. There are various types of customer loyalty which serve as indicators of the strength of these relationships between consumers and companies. In this review, we will explore three main types of customer loyalty — Attitudinal Loyalty, Behavioral Loyalty, and Transactional Loyalty.

Attitudinal Loyalty is defined as a customer's willingness to form strong emotional connections with a particular brand or company based on the shared feelings or attitudes the two entities have towards each other (Cheung & Hui, 2011). The bond between the consumer and company is typically built over time through quality products/services which create familiarity, reliability, trustworthiness and a sense of value (Fornell et al., 1996).

Behavioral Loyalty refers to how customers repeat transactions with a specific brand because they find it more convenient or advantageous than using competitors' offerings (Heskett et al., 1993). This type of loyalty is driven not only by satisfaction but also by efficiency. Customers are willing to remain loyal if they can easily use what they already know without having to go through a complicated onboarding process required by competitors.

Finally, Transactional Loyalty revolves around incentives that reward customers for buying certain products — such as discounts and points buildup systems (Kumar et al., 2006; Smith & Williamms, 2006). It relies heavily on motivating customers with promotional benefits like free gifts for purchasing a certain amount or percentage off purchases made at checkout when meeting certain criteria (Erickson et al., 2007).

2.5 Customer loyalty in the automotive sector

Customer loyalty in the automotive industry is an important factor for dealers to build and maintain successful businesses. Automotive dealers rely heavily on repeat business from satisfied customers who will come back for more cars, service, and upgrades over time. As technology continues to evolve and consumer expectations change, creating customer loyalty programs becomes essential for dealerships in order to maximize customer retention and minimize marketing costs associated with generating new leads.

Dealerships can use customer loyalty programs to provide rewards or incentives such as discounts, discounts on future purchases, free maintenance services, bonuses for referring friends, or other benefits that recognize their relationship with customers over time. Some of the advantages of these

programs include better tracking of customer history and improved communication between the dealership and its customers. These promotions are usually tailored according to customer spending habits so only relevant offers reach the target audience.

Some studies have revealed that increasing customer loyalty levels can offer up to 10 times ROI when compared against acquiring new clients while at the same time driving more revenue from existing ones (Bluebird Auto Group Inc., 2019; Hopkins et al., 2006). It's also worth noting that increasing average transaction sizes also impacts revenue positively so there is incentive for automotive dealers to develop strategic methods for driving up sales through well designed loyalty programs (Goyal et al., 2020).

2.6 Review of Empirical Studies

The focus of relationship marketing and customer loyalty has shifted in recent years to the creation of long-term relationships and creating sustained value for customers by providing a consistent brand experience. It is no longer viewed as simply a static concept but rather as a dynamic, mutually-rewarding relationship between customers, organizations, and other stakeholders within the value chain. To accomplish this, companies must create personalized experiences, develop trust and show that they are looking out for their customers' best interests. Research indicates that cultivating such relationships leads to increased customer loyalty, improved sales results, heightened competitive advantage and better financial outcomes (Lam et al., 2016; Oever et al., 2018).

Studies have identified several key components which enhance every stakeholder's relationship with an organization (Shahin & Emami 2020). These include understanding customer needs on an individual level; delivering high quality goods or services; building strong connections through effective communication channels; establishing collaborative win-win relationships with partners across the value chain; creating long-term loyalty programs and incentives; utilizing digital technologies to provide easy access to products and services; resolving conflicts swiftly by providing efficient solutions; actively collecting feedback from stakeholders so they know they are being heard; maintaining high ethical standards throughout all operations; facilitating ongoing dialogue between

management team members and employees. Additionally, companies should be focusing on developing cross-functional coherence in order to ensure strategy alignment (Tijhuis & Van derVul 2013).

By leveraging these strategies, organizations can form stronger bonds with their customers resulting in higher customer loyalty levels. Over time this will lead to greater profits for the firm due to enhanced repeat purchases of loyal customers (Bitner et al., 2013). Further research recommends that companies should also look towards strengthening their relationship marketing efforts by fostering trust through personalization (Algarni & Khorshid 2014); leveraging big data analytics tools in order to better understand customer preferences (Ganesan 2012); improving segmentation capabilities to better target market segments with specific messages that fit the profile of those segments (Gruca & Rego 2005); consistently changing up marketing activities so as not bore consumers (Lapierre et al., 2015) among others. Improving organizational agility is another beneficial area many firms overlook when implementing their relationship marketing strategy as it allows them react quickly when adjustments are needed due to market conditions or events beyond their control (Chopra & Meindl 2018).

The relationship between trust and customer loyalty is strong and widely researched in the relationship marketing literature. Olkkonen and Groenroos (2006) found a significant positive effect of trust on commitment, which positively influences customer loyalty. Jauhari (2009) established that high levels of trust in a service provider acts as an enhancer for re-patronage intentions by customers, thus leading to their loyalty. Feng et al. (2015) concluded that trust increases the strength of relationships between service providers and customers, resulting in greater customer loyalty towards their brand or product.

Customer commitment has long been recognized by researchers in the relationship marketing domain to be an influential antecedent of customer loyalty. Ahmed et al. (2009) observed a strong positive association between customer commitment and increased customer loyalty, which further leads to more profits for organizations. Singh et al., (2010) found out that customers' purchase intention increases with higher levels of commitment due to past experiences with vendors; thereby leading to stronger ties and greater customer loyalty at lower transaction risks for the businesses in question.

Jiang et al. (2017) argued that effective conflict resolution could lead to high satisfaction among

customers, thus driving them towards higher levels of loyalty towards service providers; thus, it might be important for more mature relationships with longtime business partners in particular. Schulze et al., (2004) also proposed that customers are more likely to remain loyal when they perceive appropriate handling of conflicts by providers, thereby enhancing future piece of mind and risk reduction on multiple occasions.

As highlighted in Aljuboori et al., (2012), enhanced perceived value of customer's leads them towards greater satisfaction, delighting them psychologically by meeting their needs better than others do; hence it encourages increased levels of customer loyalty and higher chances of retention over rival's offerings. Furthermore, Hawari & Alyahya (2012) identified a correspondingly positive impact on customer perceived value arising out his study emphasizing its role as one of primary sources behind consumer buying behavior in modern markets; directing loyalties according to advantageous offerings by certain companies over time.

Studies have shown that companies offering services have seen improved level of engagement with consumer if empathy is used alongside rational problem solving approach towards the resolution for queries. At times, this goes over little willingness from businesses involved due to financial reasons, yet empathy is regarded highly from moral point view amongst consumers contributing significantly towards an increase in their loyal; y Gregoire & Reisser (2007). It was further revealed by Fornell & Wernerfelt (1987) that promise keeping greatly affects trust which resulted into loyal responses from clients owing to following up matters related it requirements properly thereby forming meaningful connections with target audience.

The study of Belay et al. (2018) shows that emotionally bonded customers are more loyal than those who lack loyalty towards the particular brand. When automotive companies develop trust based relationship with their clients, they tend to generate deep level of satisfaction among them making them loyal towards the company (Lazonder et al., 2018).

2.6.1 The Relationship between Trust and Customer Loyalty.

Numerous studies have consistently demonstrated a strong relationship between trust, customer loyalty, and positive outcomes. Customers who perceive a higher level of trust are more likely to exhibit positive behaviors towards the company and its products, including buying more often and referring the business to others (Haberberg & Rieple 2014; Moe & Fader 2005).

Trust has been consistently linked to customers' purchase behavior and consequent loyalty (Swaid&Wathiq 2011; Yadav et al. 2015). For instance, Swaid and Wathiq (2011) found that in the electronic commerce context high levels of trust correlate highly with an increased likelihood of purchasing products from the same vendor. This is further supported by Yadav et al. (2015), who found that trust is an important factor for customer loyalty, as customers become willing to make repeat purchases when they perceive higher levels of trustworthiness in a business.

Trust is a key factor in driving customer loyalty, as it can contribute to an individual's decision to choose and remain with a company. Trust strengthens the relationship between the customer and the business, making customers feel secure and content in their relationship. Customers who trust a company are more likely to commit to them in the long-term (Caves et al., 2018; Bloemer et al., 1998).

Building upon research by Caves et al. (2018), trust's effect on customer loyalty is created from two components—emotional bonds between customers and businesses and high confidence of worthiness. Emotional bonds involve loyalty coming from familiarity, respect for organizational values, or feeling of connectedness (Caves et al., 2018). High confidence of worthiness comes from believing that a business provides value and fulfills their commitments. This component encompasses conditions such as integrity and competency towards customers (Caves et al., 2018; Girgis & Theotokis, 2016).

The presence of trust between customers and businesses increases the likelihood that customers will remain loyal over time (Bloemer & de Ruyter 1998; De Wulf & Odekerken-Schröder 2003). Furthermore, research has found that higher levels of trust correspond with individuals being more likely to repurchase products or refer companies to other consumers (Gerpott et al., 2009).

Overall, building strong trust relationships with customers should be seen as essential by companies

wishing to increase loyalty because it leads to greater commitment (Expertus 2017). Therefore, businesses should focus on creating positive experiences, excellent service quality and effective communication in order to generate trust-based relationships with their target audiences, which will result in increased satisfaction and loyalty.

In light of the above review of previous studies, the following hypothesis was formulated:

H1: *Trust has a significant and positive effect on customers' loyalty of MOENCO*

2.6.2 The Relationship between Commitment and Customer Loyalty

The relationship between customer commitment and loyalty has been widely studied in the fields of marketing and consumer behavior. Customer commitment typically refers to a customer's willingness to make long-term investments, engage in repeat purchases, be active promoters and exhibit brand loyalty. Customer loyalty is often defined as an emotional connection whereby the customer develops positive feelings towards a particular product or service.

Analysis of research conducted over the last 20 years indicates that commitment always preceded loyalty and can even cause it instead of being a consequence of it. Committed customers have been found to support organizations through active involvement by attending opinion polls, participating in advertising campaigns, providing feedback on social networking sites, giving early warnings about potential customer complaints or problems and volunteering operational improvement ideas (Zablah et al., 2004). Such committed consumers become loyal customers when they eventually develop relationships with a company which in turn cultivates their trust and appreciation for its products or services (Homburg et al., 1996).

From the customer's point of view, building commitment requires identification with a product such that it meets their needs better than similar products offered by competitors. Loyalty is therefore only established if this initial bond continues to grow as the customer's experience warrants it (Jensen & Oliva 2014). It has also been suggested that customers differentiate between short-term program loyalty (based on incentives and promos) versus long-term brand loyalty which may include emotional attachment (Oztekin & Alden 2010).

Customer commitment usually results from creating an effective service delivery system that

supports customized services based on personal preferences (Bitner et al., 1997; Crosby & Stephens 1987); implementing relationships marketing programs such as promotions, discounts and rebates; obtaining suggestions from customers regarding improved services; keeping customers informed about new products/services/benefits; using cross-selling opportunities to increase sales volume; establishing relational contracts based on trust where possible; resolving issues without fail; refraining from strong tactics like imposing unwanted fees or commissions etc. (Hartline & Ferrell 2008).

In conclusion, studies suggest that customer commitment leads to customer loyalty when sustained over time. Companies must continuously monitor their services to ensure high levels of customer satisfaction which will foster loyalty and higher returns.

In light of the above review of previous studies, the following hypothesis was formulated:

H2: *Commitment has a significant and positive effect on customers' loyalty of MOENCO*

2.6.3 The Relationship between Perceived Value and Customer Loyalty

Research has long shown that customer loyalty is driven by perceived value. Perceived value can be described as the global assessment of a product or service by a customer. It reflects the amount of benefit a customer perceives to gain from a purchase compared to the costs associated with it (Chen, Chen & Tsai, 2018). Customers base their decisions on perceived value, which in turn leads to increased customer loyalty.

The notion of perceived value was first proposed by William J. Stanton in 1950. He argued that marketing activities should not focus on selling products with physical attributes alone but also on selling products with perceived benefits (Stanton, 1950). This has since been developed over time and research now suggests that there is an inseparable link between perceived value and customer loyalty (Jannoo et al., 2018).

Relationships between perceived value and loyalty have been studied using different approaches such as through empirical studies involving survey methods (Wong et al., 2008; Mathur & Mathur, 2010; Breevaart et al., 2013), experiments (Ravald & Gronroos 1996) and mathematical models (Kumar &

Zuiderveen Borgesius 2002). Common themes highlighted in these approaches include reduced prices or better offers contributing to positive outcomes for customers driving their brand preference thereby enhancing loyal behaviors overtime (Wong et al., 2008). Additionally, emotional attachment to brands has been found as another factor impacting loyalty after evaluating the perception of quality, brand image and service quality together (Mathur & Mathur 2010).

In summary, research suggests there is a strong relationship between perceived values and customer loyalty – customers who perceive greater returns consider the experience more reliable generating higher levels of admiration for the product which eventually becomes reflective in their repurchase behaviors thus making them become increasingly loyal customers over time.

In light of the above review of previous studies, the following hypothesis was formulated:

H3: *Perceived Value has a significant and positive effect on customers' loyalty of MOENCO*

2.6.4 The Relationship between Conflict Handling and Customer Loyalty

One empirical study found that the speed and quality of conflict resolution were two of the most important factors contributing to customer loyalty, which was measured by repeat purchases (Meijerink, et al., 2007). Another study also identified that customers valued being listened to, having their problems taken seriously as well as obtaining quick solutions when experiencing conflicts (Matthae & Schwertner, 2015). Additionally, another empirical study revealed that customers felt their relationships with businesses strengthened due to their experiences of successful conflict resolution (Gangolly & Tao 2018). This suggests that providing good conflict management combined with dignified treatment could have a positive impact on customer's view of the organization.

Businesses must ensure they are adequately prepared to handle potential conflicts in order to enhance customer loyalty. Communication styles used when responding should reflect the company's values and demonstrate respect for customers (Bartlett et al., 2011). Issues should be addressed promptly and efforts should be made for all parties involved to feel satisfied with the outcome so as not exceed expectations.

In light of the above review of previous studies, the following hypothesis was formulated:

H4: *Conflict Handling has a significant and positive effect on customers' loyalty of MOENCO*

2.6.5 The Relationship between Empathy and Customer Loyalty

The relationship between empathy and customer loyalty has been an area of significant research for businesses as loyal customers are generally more profitable than new ones. In general, empathy increases customer trust, which results in stronger loyalty from both current and potentially new customers.

one study found that when a consumer is treated empathically they tend to stay loyal to the company they are fulfilling their needs from. Moreover, this increase in consumer loyalty can be seen most clearly when there is an ethical component involved due to feelings of responsibility or guilt if we were to break the bond created with our consumer thus the consumer chooses rationality over self-interest and chooses the familiar route instead of attempting something novel or risky for them (MacDonald et al., 2014). This feeling also frequently results in recommending said company which builds trust externally leading to further success within companies.

In conclusion, studies have indicated that empathy can have a positive effect on employee performance and ultimately increase customer loyalty towards businesses through building trust and facilitating interpersonal relationships between customers and CSRs of these businesses.

In light of the above review of previous studies, the following hypothesis was formulated:

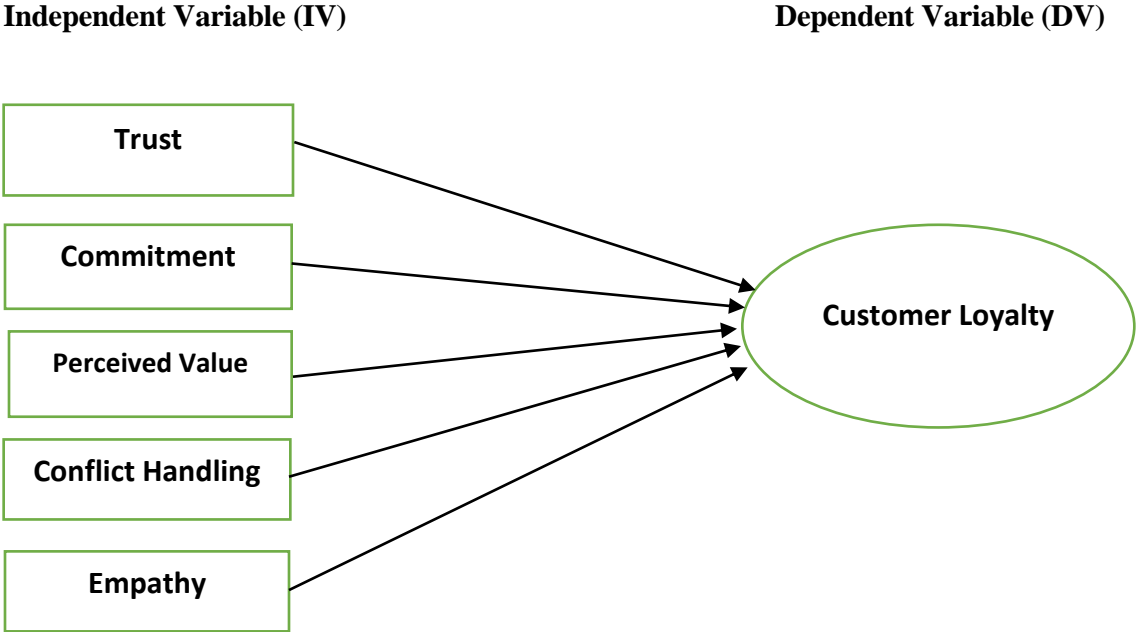
H5: *Empathy has a significant and positive effect on customers' loyalty of MOENCO*

2.7 Conceptual Framework

The suggested framework for this study is shown in the chart below. The suggested framework was modified from research on (Hunt et al., 2006). The purpose of this study is to examine the effect of relationship marketing on customer loyalty. There are five independent variables that were used to study the effect of relationship quality on customer loyalty.

Based on relationship marketing theory there are relational factors such as trust, commitment, perceived value, conflict handling, and empathy that influence customer loyalty. Relationship marketing theory concerned on relational factors and their influence on relationship marketing

outcomes like customer loyalty and relational contracting (Hunt et al., 2006). The researcher used the framework developed by (Hunt et al., 2006).as it is without modification. The theoretical framework of the research is as shown below:



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

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Introduction

The methods employed for this research were presented in this chapter. It includes the steps taken to carry out this study, such as the Study Description, design and method of the research, Data sources and types, study participants, data collection tools, ethical considerations, and data analysis.

3.2 Description of the Study Area

The Motor and Engineering Company of Ethiopia (MOENCO) was established in January 1959 in the heart of Addis Ababa, around the area commonly known as Mexico, a small garage with a capital of 200,000 Ethiopian birr.

The founding members were Mr. YD Lappine, Imperial Insurance Company, Ato Menassie Lemma (The then Governor of National Bank another members)

Nine years later, MOENCO took over the authorized TOYOTA dealership right from the Japan based company Toyota Motor Corporation (TMC) where Inchcape, a London based international organization, become a major shareholder and injected additional capital.

This was a milestone moment in the firm's journey to become the MOENCO of today. Today the major shareholder Inchcape Plc manages MOENCO.

MOENCO has now more than 1,000 staffs including support staff which are continuously trained and enrolled in skill development programs to ensure that we build the capability to provide outstanding customer service. (www.moencoethiopia.com.et)

3.3 Research Design

Descriptive and explanatory research was used to characterize a specific phenomenon's status or one of its aspects. It can advance causal analysis and aid in understanding a subject. It seeks to explain the current situation and interpret what it is (Kothari, 2004). Therefore, the study has applied descriptive and explanatory type of research because it describe and explain which relationship marketing practices impact MOENCO's customer loyalty.

3.4 Research Approach

This research has applied quantitative research approaches. Quantitative research is depending on a quantity or amount's measurement. It is applied to phenomena that have a quantifiable expression. (Kothari, 2004). Quantitative research aims to collect, examine, and quantify statistical data.

3.5 Population and Sampling Technique

The target Population for this study were customers of MOENCO in Addis Ababa. The student researcher has used a non-probability sampling technique, specifically a convenience sampling technique, to choose the study's sample population. Because it is difficult to reach all of MOENCO's customers within a given period to collect data, it is preferable to gather information from nearby customers.

Consequently, The proper sample size has been determined by five criteria: population variability (about p), maximum permitted error (E), confidence interval (Z), and probability that the population will not occur (q). Thus, the Cochran equation is used to determine sample size (1963).

$$n=(z^2*p*q)/e^2$$

Where; Z- the critical table value of the confidence level (z=1.96)

p- the population variability (p=0.5)

q- the probability of the population not to be occurred (q=1-p=0.5)

e- the maximum allowed error i.e. (e =0.05)

Because this enables for the highest sample size and the lowest error ($q=0.5$), the researcher has utilized a maximum permissible error of 5% at a confidence interval level of 95% and a moderate population variability interval of 0.5($p=0.5$).

$$n = (1.962^2 * 0.5 * 0.5) / 0.0025 = 385.$$

Consequently, 385 clients has been chosen for the study.

3.6 Data source and Type

Primary data was gathered by questionnaire. Whereas, secondary information was gathered from previous studies, Internet and libraries.

3.7 Data collection instruments

Cohen (2011) claims that a questionnaire is a set of questions created to elicit statistical data from respondents in order to achieve research goals. It enables the researcher to gather the pertinent data required to respond to a research question or conduct model hypothesis testing. As a result, Questionnaire was used as instrument for data collection for this study, and consisted close-ended questions. As a result, a questionnaire with closed-ended questions was utilized as the tool for gathering data for this study.

3.8 Research Ethics

This research proposal is based on previous studies that have already been done on relationship marketing and customer loyalty at different sectors in time. Therefore, I have attempted to identify the authors and researchers who have conducted research and who have produced theories regarding relationship marketing in my literature review.

3.9 Data analysis methods

Data analysis entails looking at, classifying, tabulating, testing, or otherwise combining quantitative evidence to address the study's goal (Yin, 2003). The most recent version of the statistical analysis program SPSS (Statistical Package for the Social Sciences) has been used. The data analysis has been provided using descriptive and inferential statistics techniques, such as frequency distributions, mean, standard deviation, table, graph, and reliability analysis.

3.10 Pilot study

The researcher's pilot study is an important element in any research process since it allows for the feasibility test of the research design and the identification of potential issues prior to the collection of actual data. To assess how the respondents could perceive the questionnaire in this instance, the researcher created a questionnaire and distributed it to 22 members of the target audience of MOENCO customers. However, the response rate presented some difficulties for the researcher, delaying the pilot test. It is crucial to remember that several variables, like the method of data collecting and the characteristics of the target audience, might have an impact on response rates.

The researcher conducted the pilot test at the MOENCO's to gather feedback from the respondents and determine whether the questions were simple to comprehend in order to address the problem of understanding the questions. The use of concise explanations placed before each variable to provide the conceptual framework would have improved the understanding of the questions by the responders. After the pilot research was completed, several modifications have been made to assure the reliability and validity of the instrument. Furthermore, adjustments have also been made based on the comments from the research advisor before it received final approval to be utilized in this study.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1. Introduction

The presentation of data, analysis, and interpretation are all covered in this chapter. The Motor and Engineering Company of Ethiopia's customers were sent questionnaires via Google forms in order to gather the data and draw conclusions. Out of 385 questionnaires submitted to Moenco customers, 357 were returned and used in the study, while 28 were invalid, or 92.6 percent, of the total. Therefore, 357 completed responses considered as the basis for the analysis. Strongly agree, agree, neutral, disagree, and strongly disagree were the five measures used to design the surveys. .

4.2. Reliability Test

The dependent and independent variables, relationship marketing characteristics and customer loyalty, underwent a reliability test. The table below displays the study variables Cronbach's alpha values. The reliability coefficient of the study variables was higher than the threshold of 0.60, as was shown (Nunnally, 1978). Given that, Cronbach's Alpha in Table 4.2.1 is 0.952; we may conclude that the questionnaire's reliability is quite high.

Table 4.2.1 Reliability statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
0.952	31

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

As shown below in Table 4.2.2 all constructs or dimensions of customer relationship marketing are appropriately reliable. The instrument's consistency and dependability were demonstrated by the results of the Cronbach's alpha test for each CRM architecture and customer loyalty.

Table 4.2.2 Customer Relationship Marketing dimensions Reliability Statistics

Items	Number of items	Cronbach's Alpha
Trust	6	0.860
Perceived value	4	0.874
Commitment	5	0.839
Conflict Handling	6	0.825
Empathy	5	0.829
Customer Loyalty	5	0.815
Overall reliability	31	0.952

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

4.3. Demographic Profile of Respondents

A key aspect of conducting research includes understanding the demographic profiles of respondents. It enables researchers to spot potential bias and learn how variables like age, gender, education, occupation, and income might affect respondents' responses. I look at the demographics of the respondents who took part in our study in this research paper. We discuss the age range, gender distribution, educational level, occupation, and monthly income of our respondents based on a sample of 357 participants. To interpret the research findings and comprehend the potential implications of my work, this information offers helpful context.

Table 4.3.1 Summary of demographic profile of respondents

S.N	Demographic Variables	Frequency (N)	Percent %	
1	Gender	Male	258	72.30%
		Female	99	27.70%
		Total	357	100.00%
2	Age	20-39	338	94.70%
		40-59	13	3.60%
		60 and above	6	1.70%
		Total	357	100.00%
3	Education Level	Degree	160	44.82%
		Post Graduate	197	55.18%
		Total	357	100.00%
4	What is your occupation Center	Government Sector	10	2.80%
		Private Sector	314	87.96%
		Own Business	20	5.60%
		Student	11	3.08%
		Other	2	0.56%
		Total	357	100.00%
5	How Much is your Monthly income?	Below 5000	10	2.80%
		5000 - 14999	95	26.61%
		15000 - 24999	129	36.13%
		25000 and above	123	34.45%
		Total	357	100.00%

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

As shown in Table 4.2 In terms of gender, there are more male respondents (72.3%) than female respondents (27.7%).

The respondents are mainly between the ages of 20-39, accounting for 94.7% of the sample. The second highest age range is 40-59, which makes up 3.6% of the sample, and 1.7% of the respondents are 60 and above years old.

Regarding the highest educational level obtained, the majority of the respondents (55.2%) have obtained a postgraduate, and 44.8% have a bachelor's degree.

When it comes to occupation, the private sector has the highest representation with 87.96% of the sample, followed by own business (5.6%) and student (3.1%). The government and other sector is the smallest group with only 2.8% and 0.56% of the respondents respectively.

In terms of respondents' monthly income, the largest percentage (36.13%) earn between 15,000 and 24,999 followed by those earning 25,000 and above (34.45%), (26.61%) earn between 5000 and 14999. A much smaller percentage of respondents earn below 5,000 (2.8%).

4.4. Length of company’s service Usage

Table 4.4.1 Length of company’s service Usage

	Frequency	Percent
Below 1 year	67	18.8
1 - 3 Years	131	36.7
3 - 5 Years	79	22.1
5 - 7 Years	24	6.7
above 7 years	56	15.7
Total	357	100.0

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

The data on the above table 4.4.1 shows the duration of service usage of respondents for a company, and includes the number of respondents and the percentage of total respondents for each duration category.

From 357 respondents in the survey, majority of the respondents (36.7%) have used the company’s service from 1-3 years followed by (22.1%) of respondents which used the service for 3-5 years and (18.8%) below 1 year. A smaller percentage of respondents (15.7%) and (6.7%) have used company’s service for above 7 years and 5-7 years respectively.

4.5 Descriptive statistics of CRM dimensions and Customer Loyalty

4.5.1 Descriptive statistics of Trust

Table 4.5.1 descriptive statistics if Trust

Descriptive Statistics Trust			
	N	Mean	Std. Deviation
The company always does what it promised to do	357	3.44	1.057
I am confident on the financial status of the company	357	3.87	1.091
I feel safe in all of my transactions with the company	357	4.08	0.967
The company is trustworthy during every interaction process	357	4.04	0.858
The company provides consistent quality services at different time	357	3.69	1.179
Given my experience, the company can be trusted Completely	357	3.86	0.974

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

Based on the data, the highest mean scores were observed for the statements "I feel safe in all of my transactions with the company" with mean 4.08 and SD 0.96 and "The company is trustworthy during every interaction process," with mean 4.04 and SD 0.85 indicating that these attributes are highly valued by the respondents. The statement "The company always does what it promised to do" had the lowest mean score among all the questions with mean 3.4 and SD 1.05, suggesting some level of inconsistency perceived by the respondents.

4.5.2 Descriptive statistics of Perceived Value

Table 4.5.2 Descriptive statistics of Perceived Value

Descriptive Statistics of Perceived Value			
	N	Mean	Std. Deviation
Compared to alternative dealers, the Company offers attractive service costs.	357	3.00	1.004
The Company charges me fairly for similar services	357	3.00	1.063
The Company provides more free services compared to alternative dealers	357	2.72	1.024
Comparing what I pay to what I might get from other competitive dealers, I think the Company provides me services with good value	357	3.38	0.971

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

The mean scores indicate that customers generally view the company positively in terms of offering attractive service costs and fair pricing, as reflected by scores of 3.00 for both variables, indicating a neutral perception. Meanwhile, their perception of the company providing more free services than alternative dealers is slightly lower, with a mean score of 2.72, indicating a slight negative perception.

However, the customers' perception of overall value provided by the company is relatively positive with a mean score of 3.38, indicating that on average customers perceive the value received from the company to be good compared to alternative dealers regarding the overall service package, which includes pricing and free services.

It is worth noting that the standard deviation values, which are measures of variability, are relatively low for all items (ranging from 0.971 to 1.024) suggesting a high level of agreement among the respondents.

4.5.3 Descriptive statistics of Commitment

Table 4.5.3 Descriptive statistics of commitment

Descriptive Statistics of Commitment			
	N	Mean	Std. Deviation
The company offers personalized services to meet customers need	357	3.36	0.975
The company is flexible in serving my needs	357	3.21	1.043
My relationship with the company is very important to me	357	3.65	0.843
My relationship with the company is worth my effort to maintain	357	3.62	0.855
My relationship with the company makes me very Committed to continue with it	357	3.67	0.799

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

The first statement "The company offers personalized services to meet customers need" has a mean score of 3.36 and a standard deviation of 0.975. It suggests that the majority of customers agree that the company provides personalized services, and the variation in their responses is relatively low.

The second statement "The company is flexible in serving my needs" has a mean score of 3.21 and a standard deviation of 1.043, which implies that customers have a slightly lower level of agreement with the statement as compared to the previous one, and there is more variation in their responses.

The mean scores of the remaining three statements are higher than the first two and indicate greater levels of commitment. The third statement "My relationship with the company is very important to me" has the highest mean score of 3.65, followed by the fourth statement "My relationship with the company is worth my effort to maintain" at 3.62. Both have a relatively lower standard deviation, indicating a stronger level of agreement among respondents.

The final statement "My relationship with the company makes me very committed to continue with it" has a mean score of 3.67, which is the highest among all the five statements. The standard deviation of this statement is also the lowest, indicating a strong level of agreement among respondents.

4.5.4 Descriptive statistics of Conflict Handling

Table 4.5.4 Descriptive statistics of Conflict Handling

Descriptive Statistics Conflict Handling			
	N	Mean	Std. Deviation
The company is responsive to my complaints	357	3.34	1.030
The company has the ability to openly discuss solutions when problems arise	357	3.43	1.007
The company listens to customers' for solving problems	357	3.48	1.010
The company clearly communicates its policy to customers (right and responsibility of customers)	357	3.39	1.021
The company clearly communicates about how and where to complain in case of a problem	357	3.48	1.015
The company gives a prompt response for complaints to avoid potential conflicts	357	3.33	1.018

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

The Mean values on the above table 4.5.4 suggest that the respondents generally agree with the given statements, with the highest mean being for "The company listens to customers' for solving problems" at 3.48 and the lowest mean being for "The company gives a prompt response to complaints to avoid potential conflicts" at 3.33.

The Standard Deviation values suggest that there is some variability in people's opinions about these statements, with the largest Standard deviation being for the statement "The company gives a prompt

response to complaints to avoid potential conflicts" at 1.018, which implies that responses are more spread apart from the mean for this statement compared to others.

4.5.5 Descriptive statistics of Empathy

Table 4.5.5 Descriptive statistics of Empathy

Descriptive Statistics			
	N	Mean	Std. Deviation
The employees of the company understand my specific needs	357	3.62	0.986
The Company employees give individualized attention to customers	357	3.61	1.018
The company shows a sincere interest in solving my problem	357	3.52	1.032
The working hours of the company are flexible and convenient to me	357	3.36	1.037
The company has guidance signs indicating what kind of services are offered on each counter (window)	357	3.57	1.094

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

As demonstrated on the above table, the highest mean score (3.62) was given to the statement "The employees of the company understand my specific needs." The statement with the lowest mean score (3.36) was "The working hours of the company are flexible and convenient to me."

The standard deviation values ranged from 0.986 to 1.094, indicating a moderate to high level of variability in customer responses. Overall, the company seems to be doing a decent job in providing individualized attention and showing interest in customer problems but needs to improve in terms of flexibility in working hours.

4.5.6 Descriptive statistics of Customer Loyalty

Table 4.5.6 Descriptive statistics of Customer loyalty

Descriptive Statistics Customer Loyalty			
	N	Mean	Std. Deviation
This company comes first to my mind whenever I look for companying services.	357	3.74	1.034
My intention to use the services of this company would not be changed	357	3.50	1.016
The company shows a sincere interest in solving my problem	357	3.59	1.107
I do not like to change to another company because I value the company due to product/service it provide me.	357	3.50	1.067
I am a loyal customer to the company	357	3.63	1.005

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

The data represents customer loyalty, as measured by a survey of 357 customers. The mean and standard deviation are reported for five different statements about the company, each assessing a different aspect of customer loyalty. The first statement, "This company comes first to my mind whenever I look for companying services," has a mean score of 3.74 out of 5, indicating that customers generally think of this company first when they need services. The standard deviation of 1.034 suggests that there is variability in how strongly customers feel about this statement. The other statements show similar patterns, with mean scores ranging from 3.50 to 3.63 and standard deviations ranging from 1.005 to 1.107. Overall, the data suggests that customers have positive attitudes towards the company and are generally loyal to it.

4.6 Correlation Analysis

Correlation analysis is a statistical method that is used to determine the association between two variables. It measures the strength and direction of the relationship between two variables. This statistical method helps to identify whether two variables are positively related, negatively related, or unrelated. The result of correlation analysis is usually expressed through a correlation coefficient, which ranges from -1 to +1. A value of -1 indicates a perfect negative correlation, 0 indicates no correlation, and +1 indicates a perfect positive correlation between two variables.

The Pearson correlation coefficient measures the strength and direction of a linear relationship between two variables.

Table 4.6.1 Correlation Analysis

Correlations							
		Trust	Perceived Value	Commitment	Conflict Handling	Empathy	Customer Loyalty
Trust	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	357					
Perceived Value	Pearson Correlation	.328**	1				
	Sig. (2-tailed)	0.000					
	N	357	357				
Commitment	Pearson Correlation	.433**	.351**	1			
	Sig. (2-tailed)	0.000	0.000				
	N	357	357	357			
Conflict Handling	Pearson Correlation	.562**	.292**	.601**	1		
	Sig. (2-tailed)	0.000	0.000	0.000			
	N	357	357	357	357		
Empathy	Pearson Correlation	.482**	.301**	.603**	.760**	1	
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		
	N	357	357	357	357	357	
Customer Loyalty	Pearson Correlation	.487**	.576**	.716**	.660**	.662**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	
	N	357	357	357	357	357	357

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

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

The data shows several correlations between different variables. Trust has a positive correlation with perceived value (.328) and a stronger correlation with commitment (.433). Conflict handling has a strong positive correlation with trust (.562) and even stronger correlations with commitment (.601) and empathy (.760). Empathy also has a positive correlation with trust (.482) and stronger correlations with commitment (.603) and conflict handling (.760). Customer loyalty has the strongest correlations with commitment (.716) and perceived value (.576), as well as positive correlations with conflict handling (.662) and empathy (.660). Overall, these correlations suggest that trust, perceived value, commitment, conflict handling, empathy, and customer loyalty are all related to one another. Positive relationships between these variables may indicate that if a company wants to improve

customer loyalty, they should focus on building trust, increasing perceived value, and improving conflict management and empathy.

4.7 Assumptions

4.7.1 Test of Normality

Table 4.7.1 Normality Test

Descriptive Statistics						
	Trust	Perceived Value	Commitment	Conflict Handling	Empathy	Customer Loyalty
N	357	357	357	357	357	357
Skewness	-0.827	0.157	-0.513	-0.626	-0.540	-0.171
Kurtosis	0.654	0.154	0.117	-0.290	-0.240	-0.525

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

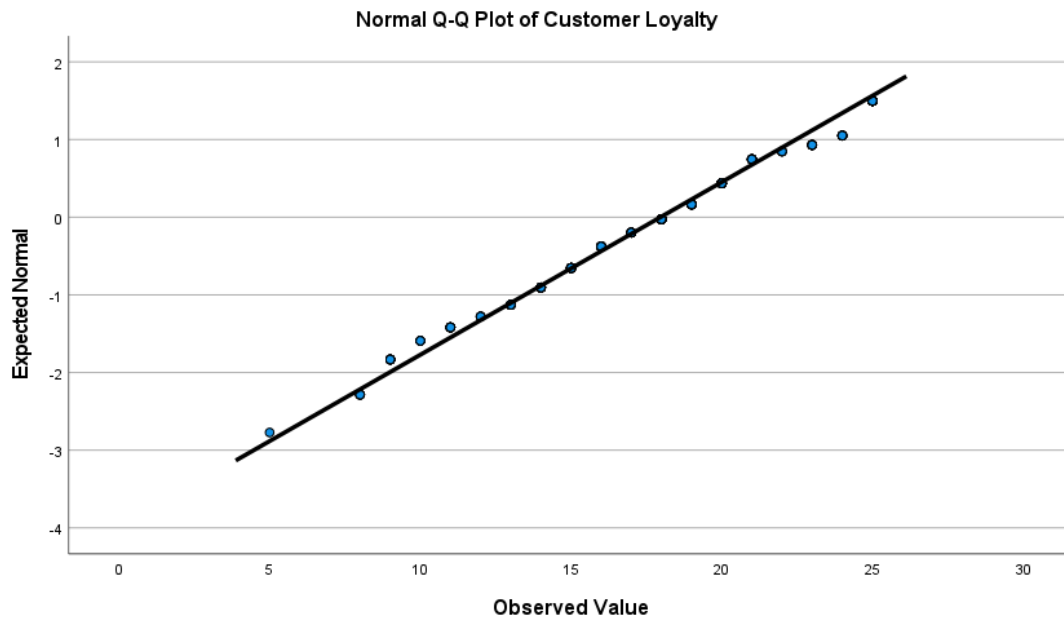
The above table 4.6.1 presents the results of descriptive statistics, skewness, and kurtosis of six variables: Trust, Perceived Value, Commitment, Conflict Handling, Empathy, and Customer Loyalty. Skewness measures the degree of asymmetry of the distribution of a variable, while kurtosis measures the degree of peakedness of the distribution.

According to the table, except perceived value, all five variables have negative skewness, indicating that their distributions are slightly skewed to the left, while perceived value skewed to the right. Overall, they are close to being symmetric. The values of skewness range from -0.827 (for Trust) to -0.171 (for Empathy).

The kurtosis values indicate that the distributions of the variables are all approximately normal. Trust, Commitment, and Empathy have negative kurtosis values, indicating that their distributions are slightly platykurtic (flatter) than the normal distribution. Perceived Value, Conflict Handling, and Customer Loyalty have positive kurtosis values, indicating that their distributions are slightly leptokurtic (more peaked) than the normal distribution.

Overall, the results of the normality test suggest that the distributions of the six variables are approximately normal, which is a desirable property for conducting statistical analyses such as correlation and regression.

Figure 4.6.1 Test of normality Q-Q plot



Source: SPSS descriptive analysis result based on questionnaire survey, 2023

The above normal Q-Q plot under fig. 4.1. has also supported Normality by displaying that all the points lied in position with the diagonal straight-line starting from the bottom left to top right corners.

4.7.2 Test for Multicollinearity

Table 4.7.2 Multicollinearity Test

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Trust	0.646	1.548
	Perceived Value	0.835	1.197
	Commitment	0.560	1.785
	Conflict Handling	0.354	2.827
	Empathy	0.386	2.593

a. Dependent Variable: Customer Loyalty

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

The table provides the collinearity statistics for a regression model that predicts customer loyalty based on five independent variables: trust, perceived value, commitment, conflict handling, and empathy.

The tolerance values range from 0.354 to 0.835, which indicates that there is some degree of multicollinearity among the independent variables with the highest VIF value 2.827 for conflict handling. However, all the VIF values are less than 5, which generally indicates that multicollinearity is not a significant issue in this model.

Overall, these results suggest that the model is relatively stable and that the independent variables are not highly correlated with each other.

4.8 Multiple Regression Analysis

Table 4.8.1 Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.843 ^a	0.711	0.706	2.43725
a. Predictors: (Constant), Empathy, Perceived Value, Trust, Commitment, Conflict Handling				

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

The model summary on the above table 4.7.1 provides some important insights into the regression model being analysed.

Firstly, the R value of .843 indicates a strong positive correlation between the predictor variables (Empathy, Perceived Value, Trust, Commitment, and Conflict Handling) and the outcome variable. This suggests that these predictor variables are good indicators of the outcome variable.

Secondly, the R Square value of 0.711 indicates that 71.1% of the variance in the outcome variable can be explained by the predictor variables. This is a relatively high amount of variance explained, which suggests that the model is a good fit.

Thirdly, the Adjusted R Square value of 0.706 is similar to the R Square value but takes into account the number of predictor variables in the model. This value suggests that the model is still a good fit even when accounting for the number of predictor variables.

Finally, the Std. Error of the Estimate value of 2.43725 indicates the average distance that the observed values fall from the regression line. Lower values of this parameter indicate a better fit of the model.

Overall, the model summary suggests that the predictor variables are good indicators of the outcome variable and that the model is a good fit for the data. However, it is difficult to draw any conclusions about the specific relationships between the predictor variables and the outcome variable without more information about the nature of the data and the research question being addressed.

Table 4.8.2 Analysis of Variance (ANOVA)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5117.523	5	1023.505	172.302	.000 ^b
	Residual	2085.003	351	5.940		
	Total	7202.527	356			
a. Dependent Variable: Customer Loyalty						
b. Predictors: (Constant), Empathy, Perceived Value, Trust, Commitment, Conflict Handling						

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

The table above shows the results of an ANOVA for Customer Loyalty. The model includes five predictors: Empathy, Perceived Value, Trust, Commitment, and Conflict Handling. The ANOVA table shows that the model is significant, with a p-value of .000. This means that at least one of the predictors in the model is significantly associated with Customer Loyalty.

The regression model itself explains a substantial proportion of the variation in Customer Loyalty, with an R-squared value of approximately 0.71. The F-statistic, which tests the overall significance of the model, is highly significant ($F(df=5, 351)=172.302, p < .0001$), indicating that the model provides a better fit than a model with no predictors at all.

The table also shows the amount of variance in Customer Loyalty that can be explained by the regression model (5117.523), the amount of unexplained variance (2085.003), and the total amount of variance (7202.527). The mean square for the regression model (1023.505) indicates the average amount of explained variance for each degree of freedom.

Overall, the ANOVA table suggests that the model is a good fit for the data and provides valuable insight into the factors that are associated with Customer Loyalty.

Table 4.8.3 Regression Coefficients

Regression Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.120	0.780		-3.998	0.000
	Trust	0.023	0.032	0.026	0.721	0.471
	Perceived Value	0.448	0.043	0.328	10.434	0.000
	Commitment	0.463	0.049	0.363	9.470	0.000
	Conflict Handling	0.162	0.041	0.189	3.907	0.000
	Empathy	0.210	0.052	0.188	4.067	0.000

a. Dependent Variable: Customer Loyalty

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

The above table 4.7.3 shows the regression coefficients for a model with Customer Loyalty as the dependent variable and Trust, Perceived Value, Commitment, Conflict Handling, and Empathy as independent variables.

The table provides information on the unstandardized coefficients, standardized coefficients (beta), t-values, and statistical significance (sig.) for each independent variable. The constant represents the intercept of the regression model.

The results show that Perceived Value, Commitment, Conflict Handling, and Empathy are all statistically significant predictors of Customer Loyalty, with standardized coefficients (beta) of 0.328, 0.363, 0.189, and 0.188, respectively. Trust, on the other hand, is not a significant predictor of Customer Loyalty, as indicated by its statistically non-significant p-value (0.471).

Overall, this analysis suggests that perceived value, commitment, conflict handling, and empathy are more important predictors of customer loyalty than trust as its p-value is much higher (0.471).

The regression coefficients shown in Table 4.7.3 above were used to calculate the model's regression equation and to determine how much each independent variable contributes to the dependent variable. The regression equation of the model and the amount that each independent variable contributes to the dependent variable were calculated using the regression coefficients displayed in

Table 4.7.3 above. The constant value was shown to be -3.120 with the following values: TR= 0.023, PV= 0.448, CO= 0.463, CH= 0.162, and EM= 0.210 The Conflict Handling and Trust contributions with the highest and lowest levels, respectively. The regression model was created using these values for each independent variable's coefficient. The regression model was created using these values for each independent variable's coefficient as below.

$$\text{Customer Loyalty} = -3.120 + 0.023(\text{TR}) + 0.448(\text{PV}) + 0.463(\text{CO}) + 0.162(\text{CH}) + 0.210(\text{EM}).$$

However, as specified by the sig. values of each being less than 0.05, perceived value, commitment, conflict handling and empathy were appear to be significant among all independent variables at 95 percent confidence level. The model's equation was altered to read as follows:

$$\text{Customer Loyalty} = -3.120 + 0.448(\text{PV}) + 0.463(\text{CO}) + 0.162(\text{CH}) + 0.210(\text{EM}).$$

Based on table 4.7.3, trust has a very weak stand to explain and predict customer loyalty, even though trust still has a positive effect on customer loyalty with β value 0.023(2.3%) which is close to 0. This means that trust when increases by one unit, customer loyalty increases by 0.023 controlling for the other variables (PV, CO, CH and EM) constant.

Whereas, perceived value can explain and predict customers' loyalty positively. When perceived value increases by one unit, customer loyalty will increase by 0.448(44.8%) controlling for the other variable (CO, CH, TR and EM) unchanged.

As indicated in the table 4.7.3, commitment has positive effect on customers' loyalty. As commitment increases by one unit, customer loyalty increases by 0.463(46.3%) controlling for (PV, TR, CH and EM) constant. And also Conflict handling can explain and predict customers' loyalty positively. When Conflict handling increases by 1%, the dependent variable, customer loyalty increases by 0.162(16.2%) controlling for the other variables (PV, CO, CH and EM). Finally, Empathy has also positive effect on customers' loyalty. As Empathy increases by one unit, customer loyalty increases by 0.210(21%) controlling the other variables (PV, CO, CH and EM) constant.

4.9 Hypothesis Testing and Discussion

In this study, the student researcher had developed five hypotheses derived from the related literature review to check whether these five predictors (Trust, Perceived Value, Commitment, Conflict Handling and Empathy) had significant relationships with Customer Loyalty. The researcher compared these hypotheses against the p-values analyzed using the regression method as follows.

Table 4.9.1 Summary of Hypothesis Test

Hypothesis	Beta (β)	Sig. ($P < 0.05$)	Result
H1: There is significant relationship between trust and customer loyalty.	.023	.471	Rejected
H2: There is significant relationship between perceived and customer loyalty.	.448	.000	Supported
H3: There is significant relationship between commitment and customer loyalty.	.463	.000	Supported
H4: There is significant relationship between conflict handling and customer loyalty.	.162	.000	Supported
H5: There is significant relationship between empathy and customer loyalty.	.210	.000	Supported

Source: SPSS descriptive analysis result based on questionnaire survey, 2023

H1: Trust has a significant and positive effect on customers' loyalty of MOENCO

Based on the results presented in table 4.7.3, Trust generated a p-value of 0.471, which was greater than 0.05 at 95% confidence level. Therefore, the hypothesis was rejected.

Studies like Olkkonen and Groenroos (2006) found a significant positive effect of trust on commitment, which positively influences customer loyalty and Jauhari (2009) established that high levels of trust in a service provider acts as an enhancer for re-patronage intentions by customers, thus leading to their loyalty. However, this study could not find quantifiable significance association and disprove the above scholars' argument in MOENCO case. In other words, trust did not provide enough evidence of significance based on the statistical analysis. This may be resulted from the current vehicle importation ban imposed by national bank of Ethiopia and overall foreign currency shortage that challenged the company's capability to maintain customer trust by keeping promises.

In the context of the automotive industry, there is ongoing debate about the significance of trust in consumer loyalty. While some argue that factors like product quality, price sensitivity, and switching costs have a greater impact on loyalty than trust alone, it is important to acknowledge that trust remains widely recognized as a crucial factor in building customer loyalty, albeit with variations depending on industry, market segment, and consumer preferences.

One perspective suggests that the quality of products or services offered by the automotive industry plays a larger role in determining consumer loyalty than trust alone. Studies have emphasized the importance of reliability, safety, performance, and functionality (Khedhaouria, 2020). Customers prioritize these attributes when considering their loyalty to a particular brand.

Price sensitivity is also highlighted as a significant influence on customer loyalty. Affordability and value for money are suggested to take priority over trust in a brand or company (Lichtenstein et al., 2004). This implies that customers are more likely to remain loyal to a brand if it offers competitive pricing and perceived value.

Furthermore, switching costs are considered a potential factor that can influence customer loyalty despite varying levels of trust. Financial investments, emotional attachment, or inconvenience associated with transitioning to another brand can act as barriers, maintaining customer loyalty (Sichtmann, 2007). This implies that trust is not the sole determining factor in customer loyalty and that other factors can influence consumer decision-making.

However, it is important to recognize that trust is still widely acknowledged as a crucial factor in building customer loyalty, and its importance may vary depending on the industry, market segment, and consumer preferences. Trust enables customers to feel confident in a brand's promises and its ability to fulfill their expectations.

H2: Commitment has a significant and positive effect on customers' loyalty of MOENCO

Based on the results presented in table 4.7.3, Commitment showed a p-value of 0.463, which was less than 0.05 at 95% confidence level. Therefore, the hypothesis was accepted, and it was confirmed that Commitment had a positive significant effect on Customer Loyalty. That is, a one percent change in Commitment resulted in a 46.3% change in effect of Customer Loyalty. This factor has shown a

strong and significant effect of customer loyalty with a beta value of 46.3% with $p < 0.00$, keeping other variables remaining constant. The organization's commitment towards providing and maintaining satisfactory service and customer experience has illustrated strong bond with customer loyalty. Different scholars have also regarded these conclusions; Ahmed et al. (2009) observed a strong positive association between customer commitment and increased customer loyalty, which further leads to more profits for organizations. According to (Morgan & Hunt, 1994) Commitment has binding intention towards an organization or partner over some period of time so that satisfaction and loyalty develops.

H3: Perceived Value has a significant and positive effect on customers' loyalty of MOENCO

Based on the results presented in table 4.7.3, Perceived Value showed a p-value of 0.448, which was less than 0.05 at 95% confidence level. Therefore, the hypothesis was accepted, and it was confirmed that Perceived Value had a positive significant effect on Customer Loyalty. Which implies, a one percent change in Perceived Value resulted in a 44.8% change in effect of Customer Loyalty.

Perceived Value has also demonstrated with a strong significance Moenco's Customer Loyalty. The regression analysis result for perceived value and customers' loyalty shows that 44.8% of the variance R square in customers loyalty has been significantly explained by customer perceived value. Similarly, (Jannoo et al., 2018) suggests that there is an inseparable link between perceived value and customer loyalty. Aljuboori et al., (2012), enhanced perceived value of customer's leads them towards greater satisfaction, delighting them psychologically by meeting their needs better than others do; hence it encourages increased levels of customer loyalty and higher chances of retention over rival's offerings Hence, as companies increase their perceived value, there is a high possibility of converting their customers to loyal once.

H4: Conflict Handling has a significant and positive effect on customers' loyalty of MOENCO

Based on the results presented in table 4.7.3, Conflict Handling showed a p-value of 0.162, which was less than 0.05 at 95% confidence level. Therefore, the hypothesis was accepted, and it was confirmed that Perceived Value had a positive significant effect on Customer Loyalty. Which

implies, a one percent change in Perceived Value resulted in a 16.2% change in effect of Customer Loyalty.

The regression analysis result for conflict handling and customers' loyalty shows that 16.2% of the variance R square in customers loyalty has been significantly explained by conflict handling. A study conducted by (Meijerink, et al., 2007) have also found that the speed and quality of conflict resolution were two of the most important factors contributing to customer loyalty, which was measured by repeat purchases (Meijerink, et al., 2007). Jiang et al. (2017) argued that effective conflict resolution could lead to high satisfaction among customers, thus driving them towards higher levels of loyalty towards service providers. Therefore, as firms strive to properly and timely handle conflict with their customer, they are more likely to increase and sustain loyal customers.

H5: Empathy has a significant and positive effect on customers' loyalty of MOENCO

Based on the results presented in table 4.7.3, Conflict Handling showed a p-value of 0.210, which was less than 0.05 at 95% confidence level. Therefore, the hypothesis was accepted, and it was confirmed that Perceived Value had a positive significant effect on Customer Loyalty. This refers, a one percent change in Perceived Value resulted in a 21.0% change in effect of Customer Loyalty.

The other remaining factor that is included in the dimensions of relationship marketing is empathy. The regression analysis result portrayed that 21.2% of the variance R square in customers loyalty has been significantly explained by. This again demonstrated positive and strong relationship with customers' loyalty. Gregoire & Reisser (2007) mentioned Empathy is regarded highly from moral point view amongst consumers contributing significantly towards an increase in their loyal. Thus, consistently serving customers with empathy will enable firms to obtain and retain loyal customers.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a detailed analysis of the results obtained through the research study. The aim of this chapter is to interpret and critically evaluate the findings in relation to the research objectives and research questions. Additionally, this chapter provides recommendations for future research and practical implications for the relevant stakeholders. The discussion begins by summarizing the key findings and progresses into an in-depth analysis of the results. Through this chapter, the reader will gain a greater understanding of the research findings, their significance, and their practical implications.

5.2 Summary of Findings

The prime objective of the study is to examine the effect of relationship marketing on Customer loyalty for the case of MOENCO. Descriptive and explanatory research approach was used for this study purpose. Accordingly, 385 questionnaires were distributed through Google forms to customers of MOENCO and from the total distributed questionnaires 357 were reverted being appropriately filled out by customers. The respondents were asked to assess the company's relationship marketing practice and their intents to be loyal.

- The questionnaire consisting of 37 items were distributed to 385 respondents google forms link and 92.7% of the respondents have reverted with appropriate response, which was used as input for further analysis. The returned responses were confirmed for reliability using SPSS version 27. The results of Cronbach's alpha test reflected 0.952 which showed that the instrument is consistent and reliable.
- Based on the test of correlation among and between the dependent and independent variables using Pearson's correlation coefficient, all the values generated were positive. The correlation of Trust and Perceived value with the dependent variable were 0.487 and 0.576 respectively. Commitment, Conflict Handling and Empathy have obtained a correlation value of 0.716, 0.66, 0.662, respectively, with the dependent variable which is customer loyalty.
- Skewness and Kurtosis method has been adopted to test for normality and the test result was between +2 and -2 for both parameters.

- The result of multicollinearity, which has conducted using tolerance, has shown values above 0.10 and VIF value for all variables has indicated below 10.
- On the regression analysis part, Model summary has obtained R square value of 0.711 and adjusted R square of 0.706 whereas, ANNOVA value has shown F ratio of 172.3 and P value of 0.000.
- As per the P value result of the regression analysis for the first variable (0.471) for Trust while the other four variables Perceived value, Commitment, Conflict Handling and Empathy has scored P value of 0.000.
- Additionally, the Beta value of the regression analysis has indicated 0.023 for Trust, 0.448 for Perceived Value, 0.463 for Commitment, 0.163 for Conflict Handling and 0.21 for Empathy.

5.3 Conclusion

- Based on the Cronbach's coefficient alpha value, the data collection instrument used in this study is very reliable because it is above 0.7, which the minimum required score.
- According to the correlation test analysis, all variables were positively interrelated. Perceived value and commitment has the strongest relation with the Customer Loyalty, while trust shows relatively moderate relationship.
- The study was also tested for multicollinearity and indicated that it has low multicollinearity rate, which is in the acceptable range. Furthermore, the normality distribution of the data was tested by skewness and kurtosis and proven the distribution is normal.
- Based on the result of the regression model summary, an R square value of 71.1% which referred 71.1% Customer loyalty can predicted by the five relationship marketing dimensions while other factors take the remaining 28.9%.
- Additionally, the regression analysis has shown Commitment is the utmost variable to predict Customer Loyalty. Moreover, except trust, all the four relationship-marketing dimensions have positive and significant effect on Customer Loyalty..
- Regarding Trust this study could not find quantifiable strong significance association with customer loyalty, in MOENCO case.

As a result, the examination of this study point out all variables except trust has significant effect, whereas trust did not provide evidence of significance based on the statistical analysis.

5.4 Recommendation

Referring from the above conclusion made, the subsequent measures are suggested to The Motor and Engineering Company of Ethiopia (MOENCO) to internalize the study findings and review its relationship marketing practice accordingly.

- The study has portrayed commitment dimension has the uppermost influence on customer loyalty. Thus, MOENCO shall give high emphasis to Commitment on practicing relationship marketing across all its service interaction. Moreover, MOENCO shall enhance providing personalized services, flexibility and overall effort to sufficiently attend and satisfy customers.
- This study has also described perceived value was the second most significant factor affecting customers loyalty. Hence, MOENCO shall always present maximized value proposition and place it on customer mind.
- MOENCO shall also strive to enhance its conflict handling mechanisms and properly manage customer complaints. These can be attained by continuously training and improving employee's problem solving capacity. Furthermore, MOENCO shall always assure customers are well served with empathy as it has significant impact on creating and maintain loyal customers.

5.5 Recommendation for future study

This study has only focused on the five relationship marketing dimensions and their effect on customer loyalty on MOENCO, Addis Ababa. Future study shall incorporate shall incorporate MOENCO customers out of Addis Ababa, which are located in different parts of the.

Furthermore, future research could also investigate the role of the relationship between relationship marketing practices on customer loyalty on other companies in the automotive industry in Ethiopia. This could help to explicitly understand the effect of relationship marketing practices on customer loyalty, on overall automotive industry of Ethiopia.

Additionally, another future study can be conducted to compare the results obtained from convenient sampling to other forms of sampling to assess their impact on the validity and generalization of the findings. Moreover, data shall be collect through surveys and interviews to obtain both quantitative and qualitative insights into customer perceptions and behavior.

This will add to the body of knowledge on the practice of relationship marketing and how it can be used to enhance customer loyalty in different sectors and regions.

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Appendix

ADDIS ABABA UNIVERISTY COLLEGE

OF COMMERCE

DEPARTMENT OF MARKETING MANAGEMENT

Questionnaires prepared for customers of the Motor and Engineering Company of Ethiopia (MOENCO)

Researcher: **Yoseph T/Brhan**

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Dear respondents;

I would like to thank you in advance for taking your time to fill out this questionnaire as your input will be a key in developing my research on “The effect of relationship marketing on customers” loyalty in the Motor and Engineering Company of Ethiopia (MOENCO in partial fulfillment of the requirement of MA degree in marketing management in Addis Ababa University School of Commerce.

I kindly request you to spend some minutes of your time in filling the questionnaire. Any information which you provide will be kept confidential. Your genuine response is highly appreciated for the outcome of the project.

Thank you for your kind cooperation in filling the questionnaire.

General instructions

- ❖ There is no need to write your name
- ❖ In all cases where the options are available, please tick in the appropriate box

Thank you in advance!!

Part I

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. Occupation: Government sector Private sector Own Business
Student Others
5. Monthly income: Below Birr 5000 Birr 5000-14999 Birr 15000-24999
Birr 25000 and above
6. For how many years you have used the company's services? Below 1 year 1 -3 years
3- 5 years 5-7 years above 7 years

Part II: Please, indicate your opinion by marking () in the following table on the five point scale.

No	Item	Disagree	Neutral (3)	Agree(4)	Strongly agree(5)
	Trust				
1	The company always does what it promised to do				
2	I am confident on the financial status of the company				
3	I feel safe in all of my transactions with the company				
4	The company is trustworthy during every interaction process				
5	The company provides consistent quality services at different time				
6	Given my experience, the company can be trusted Completely				

	Perceived value				
7	Compared to alternative dealers, the Company offers attractive service costs.				
8	The Company charges me fairly for similar services with relative to other dealers				
9	The Company provides more free services compared to alternative dealers				
10	Comparing what I pay to what I might get from other competitive dealers, I think the Company provides me services with good value				
	Commitment				
11	The company offers personalized services to meet customers need				
12	The company is flexible in serving my needs				
13	My relationship with the company is very important to me				
14	My relationship with the company is worth my effort to maintain				
15	My relationship with the company makes me very Committed to continue with it.				
	Conflict handling				
16	The company is responsive to my complaints				
17	The company has the ability to openly discuss solutions when problems arise				
18	The company listens to customers“ for solving problems				
19	The company clearly communicates its policy to customers (right and responsibility of customers)				
20	The company clearly communicates about how and where to complain in case of a problem				

21	The company gives a prompt response for complaints to avoid potential conflicts				
	Empathy				
22	The employees of the company understand my specific needs				
23	The Company employees give individualized attention to customers				
24	The company shows a sincere interest in solving my problem				
25	The working hours of the company are flexible and convenient to me				
26	The company has guidance signs indicating what kind of services are offered on each counter (window)				
	Customer Loyalty				
27	This company comes first to my mind whenever I look for companying services.				
28	My intention to use the services of this company would not be changed				
29	I always recommend the company to someone who needs my advise				
30	I do not like to change to another company because I value the company due to product/service it provide me.				
31	I am a loyal customer to the company				