# ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF MARKETING MANAGEMENT

**EFFECTS OF RELATIONSHIP MARKETING ON CUSTOMER LOYALTY: THE CASE OF AYAT SHARE COMPANY**

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**THESIS SUBMITTED TO SCHOOLS OF GRADUATE STUDIES OF ST.MARY'S UNIVERSITY IN PARTIAL FULFILMENTS OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF ART IN MARKETING MANAGEMENT**

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**ADDIS ABABA, ETHIOPIA**

# ST.MARY'S UNIVERSITY

# SCHOOL OF GRADUATE STUDIES

# FACULTY OF BUSINESS

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# DECLARATION

I, Asmelash G/egziabher Hailu, declare that the thesis entitled "Effects of Relationship Marketing on Customer Loyalty: The case of Ayat Share Company" is my original work. I have carried out the present study independently with the guidance and support of the research advisor, **Temesgen Belayneh (PhD).** Any other contributors or sources used for the study have been duly acknowledged. Moreover, this study has not been submitted for the award of any Degree or Diploma Program in this or any other Institution.


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**St. Mary's University, Addis Ababa**                                **JUNE, 2021**

# ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for

Examination with my approval as a university advisor

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**THANK YOU ALL.**

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**ASMELASH G/EGZIABHER**

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# Abstract

*The purpose of this study is to examine the effect of relationship marketing components-trust, commitment, conflict handling and empathy on customer loyalty in Ethiopian real estate industry specifically the case of AYAT S.C. A close ended questionnaire was developed and distributed to 125 sample real estate customers out of which 100 respondents gave a valid response and the hypotheses were tested. The student researcher used non-probability sampling technique to select sample respondents from the total population under the study. A quantitative method with deductive approach is chosen in this research. The findings show that relationship marketing dimensions have an effect on customer loyalty. All the independent variables are positively and directly related to customer loyalty particularly in AYAT S.C and in general in Ethiopian real estate industry. The relationship between relationship marketing and customer loyalty is found to be significant. Therefore, AYAT S.C should make the whole system on work with satisfying customers' needs and want to create customer loyalty. And also, they are expected to invest more on attracting new customers and retaining the existing ones with regard to relationship marketing to increase customer loyalty.*

**Key Words:** Relationship marketing, Loyalty, Compliant Handling, Empathy, Commitment, Trust.

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# LIST OF ABBREVIATIONS AND ACRONYMS

**SPSS:** Statistical Package for the Social Sciences

**CRM:** Customer Relation Management

**ANOVA**: Analysis of Variance

**RM:** Relationship Marketing

**TQM:** Total Quality Management

# CHAPTER ONE: INTRODUCTION

## 1.1. Background of the Study

Over the course of the past few years, the real estate industry in Ethiopia has witnessed a shift in focus from simply providing houses to providing both quality care and service. Now more than ever, individuals demand a high level of information, personalization and autonomy when making their house buying decisions. Customer satisfaction has become so critical because it is a motivating factor in real-estate customer retention, evidenced by customer is the only source of the companies' present profit and future growth. And also creating loyal customers is at the heart of every business (Keller and Kotler, 2012).

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

In an ever expanding and rapidly changing environment, companies cannot maintain attitudes characterized by attracting customers or expanding in new markets. The key success factor to survive in mature markets relies on sustaining long-term relationships with stakeholders (De madariaga and Valor, 2007). The challenge all marketers face today is in finding ways of increasing customer loyalty and retention. Transforming indifferent customers into loyal ones and establishing a long-term relationship with customers is critical for organizational success (Bhardwaj, 2007).

In recent years, there has been a refocusing of marketing away from customer acquisition to that of customer retention. If the company is intended to benefit from retaining customers, customers also seek benefit from giving their loyalty to the company (Mudie and Pirrie, 2006). To achieve all the above mentioned goals of customer loyalty, firms devised a new strategy known as relationship marketing (Mudie et al, 2006). Several authors defined relationship marketing (RM) in different ways. Morgan and Hunt (1994), conceptualized relationship marketing as, "all marketing activities directed toward establishing, developing and maintaining successful relational exchanges". On the other hand, Mudie et al, (2006), defined RM as "Relationship marketing is a philosophy of doing

business, strategic orientation that focus on keeping and improving current customers rather than acquiring new customers". This definition encompasses the planned action of a given organization to focus on building relationship with the existing customers than acquiring new ones. However, it is not to mean that a company which adopts relationship marketing strategy doesn't want to acquire customers. This new philosophy of marketing idea was first seen on marketing literature on 1983 (Parvatiyar and Sheth, 2000). After its idea of conception by berry in 1983, relationship marketing got the attention of several researchers. However, still now the field is growing in attention and underpinnings which can contribute for relationship building. Beginners may think it as only retention marketing. However, its goal is far from retention marketing (Mudie et al, 2006).

Well managed organizations work hard to develop relationships with desirable customers and to grow the volumes of business that they conduct. Several studies are revealing the importance of relationship marketing than traditional or transactional marketing, because it may cost a firm five to six times as much to attract a new customer as it does to retain an existing one. In addition, common wisdom suggests that long-term customers have the strongest and highest-paying relationships (Palmatier, 2008).

The new paradigm has several debating studies and still now there is no conceptually agreed definition and boundary about relationship marketing (Parvatiyar et al, 2000). The traditional marketing approach advocates the marketing mix principles and the quest for market share dominance through mass marketing techniques and focus on new customer acquisition. This approach has guided managers for decades, implementing their marketing strategies. Several studies developed the trust, commitment, conflict handling and a few studies also raised empathy, and gratitude as building blocks of relationship marketing (Anabila et al., 2012; Ndubisi, 2005; Ndubisi and Madu, 2009; Parvatiyar and Sheth, 2000; Morgan and Hunt, 1994; Kaur et al, 2012).

This study focused on relationship marketing dimensions from customers 'perspective and their effect on customers 'loyalty by considering Ayat Share Company as a case study.

## 1.2. Statement of the Problem

In real estate market, consumers have more choices, more information and higher expectations than ever before. To move consumer from trial to loyalty, relationship marketing need to deliver on their value preposition, as well as dislodge someone else from the consumer's existing preference set.

Interactions and ongoing relationships are crucial for organizations to meet the dynamic needs of customers and counter competition through developing long-term relationships with stakeholders (Hunt and Lambe, 2000). As the competitive environment becomes more turbulent, the most important issue the sellers face is no longer to provide good quality products or services, but also to keep loyal customers who will contribute long-term profit to organizations. To compete in such swarming and interactive marketplace, marketers are forced to look beyond the traditional 4Ps of marketing strategy, and particular to relationship marketing. In this context, the benefits of long-term retention of existing customers, such as increased profitability, reduced costs in relation to the individual customer and word of mouth referrals from satisfied customers, become important (Gilmore, 2003). Retaining customers requires careful and creative work and planning which satisfies customers. Service becomes more efficient when employees learn about what customers expect and how best to meet customer needs (Clow and Kurtz, 2003). Although, zero defections should be the goal of all organizations, in reality, it probably will not be achieved. It requires finding out switching factors, calculation of customers life time value (Clow et al, 2003), customers loyalty rate, and building lasting consumer relationship management (Kotler P. et al., 1999). Due to the above mentioned reasons, it is imperative to apply the modern paradigm shift in marketing called relationship marketing. Grönroos (1994) pointed out that relationship building and management are a vital corner stone for service industries. This is achieved by a mutual exchange and fulfillment of promises. Such relationships are usually but not necessarily long-term. Establishing a relationship with a customer can be divided in to two parts to attract the customer and to build relationship with that customer so that the economic goals of that relationship are achieved (Grönroos, 1994). It is not a time to market in a transactional basis.

With respect to the practices of relationship marketing in the Ethiopian context, limited research works witnessed and majority in the context of service rendering firms, rather in the real estate sector. According to Robson (2012) and Shimeles (2011), the practice of RM is in infant state in Ethiopia. Even in the cases where little attempts have been made to implement RM, the practices are found to be misunderstood and undermined that they are not paid attention to. The researchers also

suggested that the practice needs to follow the scientific methods and should be supported by the Information and Communication Technology (ICT) (Robson, 2012; Shimeles, 2011).

Therefore, this study attempts to examine the effect of RM in developing loyal customer, along with the assessment of the performance of RM practices at Ayat real estate. In general, the study examines the effects of RM dimensions on customer loyalty in the context of AYAT S.C.

## 1.3. Research Questions

This study conducted to identify the underlying effect of relationship marketing on customer loyalty of Ayat Share Company in a real estate service category and the main research question of the study is ―What factors affect the loyalty of Ayat share company customers? Under this research question, the following specific research questions were addressed.

1. How does trust affect customer's loyalty in the case of ayat real estate?
2. To what extent empathy had influence on customer's loyalty in the context of ayat real estate?
3. Does commitment have effect on customer loyalty in the context of Ayat real estate?
4. To what extent conflict handling affect customer loyalty in the case of ayat real estate?

## 1.4. Objectives of the Study

### 1.4.1. General objective of the study

The general objective of this study is to investigate the influence of relationship marketing dimensions on customers 'loyalty.

### 1.4.2. Specific objectives of the study

The specific objectives of this research were as follows:

1. To assess the effects of trust on customer loyalty.
2. To identify the effect of empathy on customers loyalty.
3. To examine the effect of commitment on customer loyalty.
4. To identify the effect of conflict handling on customers loyalty.

## 1.5. Research Hypothesis

H1: Trust has a significant and positive effect on customers 'loyalty in ayat real estate.

H2: Empathy has a significant and positive effect on customers 'loyalty in ayat real estate.

H3: Commitment has a significant and positive effect on customers 'loyalty in ayat real estate.

H4: Conflict handling has a significant and positive effect on customers 'loyalty in ayat real estate.

## 1.6. Significance of the Study

The purpose of this study is to determine the effects of relationship marketing which most heavily influence consumers' loyalty of Ayat real estate, as well as to make recommendations to real estate marketers based upon the conclusions reached. This study also hoped to provide beneficial insights to public policy makers who desire to give consumers more control in the real estate decision making process. Very little research has been performed in recent years as to consumers' loyalty of real estate decision process. As such, the significance of this study is not only that it produces findings which support decades-old conclusions, but that it also provides insights which are not presently in the literature.

Furthermore this study is highlighted when one considers the substantial costs involved in relationship marketing and the increasing managerial focus on maximizing customers' value in more cooperative and long-lasting relationships. Customer loyalty and customer retention are the most important challenges faced by most of the Chief Executive Officers across the world (Ball, 2004). At the same time, it is also found that effective relationship marketing strategy helps the organization to understand customers' needs, so that organizations can serve their customers better than their competitors, which finally leads to cost reduction and customer loyalty (Gaurav, 2008). Cultivating loyal customers can lead to increased sales and customer share, lower costs, and higher prices (Zeithaml, Berry, and Parasuraman 1996). According to Reichheld (1996) a 5% improvement in company's customer attrition rate can push company's profits 75% higher. Thus, this study has a theoretical contribution in the area of service purchase decision and consumers loyalty criteria in the context of Ethiopian market. Furthermore, the study gives insight for other researchers to explore and investigate more in the area, in a broader scope and wider context.

## 1.7. Scope of the Study

The current study aimed to underlying effects of relationship marketing on customer loyalty in the case of Ayat share Company. The population of the study is limited to Addis Ababa capital city of Ethiopia and convenience sampling systems used to select sample respondents. This sampling system and geographical limitation is not only chosen because of time, access and cost restriction, but also it is believed that a considerable number of company customers are available in Addis Ababa and company customers come to the company office to sattle scheduled payments .

## 1.8. Limitation of the Study

Ayat Share Company has different companies under the share company such as Ras hotel, Gelan marble, mozvoled Furniture Company, and ayat real estate. So the study will focus only on the effects of relationship marketing on customer's loyalty at ayat real estate.

Also, the researcher employs a convenience sampling system to select the sample respondents, the final result of the study may not generalize the total population as it doesn't give equal opportunity for the whole population to be selected as a sample.

The study has limited itself on assessing only effects of relationship marketing on customer loyalty but customer's loyalty is affected by many other variables including Personality factors, role variables, motivation, aptitude and organizational factors. In terms of the universe of the study, it is limited to single industry (Ayat real estate). Even within Ayat real estate the study is limited only to the marketing and sales Division.

## 1.9. Organization of the Study

The content of this research have five chapters. The first chapter includes the research background, problem statement and research questions, objective of the study, research hypothesis, significance of the study, scope of the study, limitation of the study and definition of terms. This followed by the discussion of concepts and theories related to the area of study (chapter two, literature review). The third chapter describes the research design, participants of the study, the data source, data collection and analysis techniques and procedures. The fourth chapter deals with the interpretation and discussion of the findings. Finally, in the last chapter, conclusion and recommendations are included.

## 1.10. Definition of Terms

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

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

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

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

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

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

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

# CHAPTER TWO: LITERATURE REVIEW

This chapter provides an insight to readers about the theoretical and empirical view of the topics under study. In line with the objectives of the study, the chapter covers topics related to relationship marketing, customer loyalty, customer retention, conflict handling, trust, empathy, commitment. In addition to this, the present chapter includes issues related with consumers 'decision-making, consumers 'behavior with high involvement products and consumers loyalty. Furthermore, the conceptual framework of the study is presented at the end of this chapter.

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

## 2.1 Theoretical literature review

### 2.1.1 Relationship Marketing: Thought and Practice

Marketing's early bias for distribution activities is said to be evident as the first marketing courses were focused on effectively performing the distributive task (Bartels, 1976) and that early marketing thinking centered on efficiency of marketing channels (Cherrington, 1920; Shaw, 1912; Weld, 1916 & 1917). Later the institutional marketing thinkers viewed the phenomena of value determination as fundamentally linked to exchange because of their grounding in institutional economic theory (Alderson, 1954; Duddy and Revzan, 1947). Although institutional thought of marketing was later again modified by the organizational dynamics viewpoint and marketing thinking was influenced by other social sciences, exchange remained the central dogma of marketing (Alderson, 1965; Bagozzi, 1974, 1978 & 1979; Kotler, 1972).

After World War II, a shift from distribution functions to understanding consumer behavior could be seen as marketing focus began to shift from distributive functions to other aspects of marketing. With the advent of market research, producers, in an attempt to influence end consumers, began to

direct and control the distributors regarding product merchandising, sales promotion, pricing, etc. Thus repeat purchase and brand loyalty gained prominence in the marketing literature (Barton, 1946; Churchill, 1942; Howard and Sheth, 1969; Sheth, 1973; Womer, 1944). Notions like market segmentation and targeting were then developed as tools for marketing planning, and as a result the marketing concept evolved and consumer, not distributor, became the focus of marketing attention (Kotler, 1972). After that, producers adopted administered vertical marketing systems so that they gain control over the channels of distribution (McCammon, 1965). Nevertheless, marketing orientation was still transactional as its success was measured in such transactional terms as sales volume and market share. It was only in the 80s that marketers began to emphasize customer satisfaction measures to ensure that they were not purely evaluated on the basis of transactional aspects of marketing and that sale was not considered as the culmination of all marketing efforts (Sheth and Parvatiyar, 1999).

The practice of RM is said to be very old enough. Gummesson (2008: 328) mentioned "RM/CRM are new terms, but represent an old phenomenon." and Sheth and Parvatiyar (1995b) also state that it has historical antecedents going back into the pre-industrial era. Much of it was due to direct interaction between producers of agricultural products and their consumers, and craftsmen who often developed customized products for each customer. Such direct interaction led to relational bonding between the producer and the consumer. It was only after industrial era"s mass production society and the advent of middlemen that there were less frequent interactions between producers and consumers leading to transactions oriented marketing. The production and consumption functions got separated leading to marketing functions being performed by the middlemen.

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

TQM. Other programs such as Just-in-time (JIT) supply and Material-resource planning (MRP) also made the use of interdependent relationships between suppliers and customers (Frazier, Spekman, and O"Neal, 1988).

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

Fueled by new technology and growing availability of advanced product features and services, customer expectations are changing almost on a daily basis. Consumers are less willing to make compromises or trade-off in product and service quality. In the world of ever changing customer expectations, cooperative and collaborative relationship with customers seem to be the most prudent way to keep track of their changing expectations and appropriately influencing it (Sheth and Sisodia, 1995). These and many other reasons have currently made RM very prominent.

## 2.1.2. What is Relationship Marketing?

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

A narrow perspective held by Bickert (1992) is that relationship marketing is database marketing emphasizing the promotional aspects of marketing linked to database efforts. Another narrow viewpoint is to consider relationship marketing only as customer retention in which a variety of after-marketing tactics is used for customer bonding or staying in touch after the sale is made (Vavra, 1991). A more popular approach with recent application of information technology is to focus on individual or one-to-one relationship with customers, which integrates database knowledge with a long-term customer retention and growth strategy (Peppers and Rogers, 1993).

On the other hand, Shani and Chalasani (1992: 44) define relationship marketing as "an integrated effort to identify, maintain, and build up a network with individual consumers and to continuously

strengthen the network for the mutual benefit of both sides, through interactive, individualized and value-added contacts over a long period of time". The individual account concept in industrial markets to define relationship marketing is also taken by Jackson (1985: 2) as "marketing oriented toward strong, lasting relationships with individual accounts". In other business contexts, Doyle and Roth (1992), O'Neal (1989), Paul (1988), and have proposed similar definitions of relationship marketing.

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

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

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

Gummesson even makes his perspective broader and defines RM as "interaction in networks of relationships" (2008: 5). He explains the three core concepts in his definition – relationships require

at least two parties who are in contact with each other (The basic two-party relationship of marketing, the dyad, is that between a supplier and a customer); a network is a set of multi-party relationships, which can grow into enormously complex patterns; in the relationships, the simple dyad as well as the complex networks, the parties enter into active contact with each other known as interaction.

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

## 2.1.3. Relationship Marketing versus Transaction Marketing

According to Jackson (1985a, b), RM is often presented as the opposite to transaction marketing, the one-shot deal. In transaction marketing, the fact that a customer has bought once does not forecast the probability for repurchase, not even if a series of purchases have been made. A customer may repeatedly use the same supplier because of high switching costs, but without feeling committed to the supplier or wanting to enter a closer relationship. Transactions lack history and memory and they don't get sentimental. Peck et al. (1999) summarizes the comparison between RM and Transaction Marketing and describes the shift to RM as put below in Table 2.1.

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

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

**Table 2.1 Description of the shift from Transaction Marketing to RM**

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

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

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

Compared with traditional or transactional marketing, relationship marketing is more concerned in building customer relationships in order to achieve long-term mutual benefits for all parties involved in the exchanges (Kotler & Armstrong, 2010). They also argued that relationship marketing essentially means developing customers as partners, where an approach is different from traditional transaction.

## 2.1.4. Relationship Marketing Dimensions

- **Trust**

Trust, which exists when one party has confidence in an exchange partner's reliability and integrity," is a central component in all relational exchanges (Morgan and Hunt, 1994). As Dwyer, Schurr, and Oh (1987) argue, trust is important because it provides a basis for future collaborations. Trust is also defined as one party's belief that its needs will be fulfilled in the future by actions undertaken by the other party (Anderson and Weitz, 1989). In social psychology a consensus emerges that trust consists of two essential elements, trust in the partner's honesty and trust in the partner's benevolence. Honesty is the belief that one's partner stands by its word. Benevolence is the belief that one's partner is interested in the company's welfare and will not take unexpected actions which will negatively impact the company (Geyskens and Steenkamp, 1995). It seems that if artners in a relationship trust each other more they are more emotionally involved and less consciously weighing the benefits against the costs of that relationship (Wetzls et al., 1998). Kramer (1999) posited that trust has both thinking and feeling aspects to it and that trust is socially oriented. He defined trust as the rational choice based on recognizing the motivations of others. Mishra (1996) posited that there are four dimensions of trust (i.e., reliability, openness, competence, and concern) and found that communication is critical for demonstrating all aspects of trust (Mishra et al., 2008). They argued that even when the environment is changing, the customers would believe that the producer will take customers interests into account instead of doing anything harmful to the development of relationship. They conceptualized organizational trust by proposing three core elements as: trustee"s ability, trustee"s kindness and trustee"s integrity. Cumulative process in a relationship was considered to construct trust on the basis of a party"s capability of implementing its obligations continuously. Trust is considered so important to long-term relationships and enhancing customer loyalty. Many authors have suggested that customers" trust has a significant role in building long-term relationship and achieving customer loyalty (Berry, 1983; Kotler & Armstrong, 2010). According to Clow & Kurtz (2003), the key to developing a customer relationship competitive advantage is not merely obtaining a contractual agreement, it is developing mutual trust. They argue that the customers must be able to trust the seller and know that he or she will provide the service when needed at the service quality level desired and the seller must be able to trust and work with the customer in a mutually beneficial relationship. This relationship involves both parties sharing information and working together to solve problems. The primary action in gaining customer acceptance of service process modification is to develop customer trust (Clow & Kurtz, 2003). They

pointed out that service modifications are much easier to accomplish if customers trust the service providers. Service providers must understand customer habits and know how, when, and why customers purchase the service. The more the producer knows about the customer‟s use of product, the easier the change will be to implement. The results of Taylor, Celuch and Goodwin (2004) suggest that trust is consistently the most important antecedents to customer loyalty.

- ## Commitment

Commitment is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Morgan and Hunt, 1994). These authors defined commitment as an enduring desire to maintain a valued relationship. This implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial. They also suggested when commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received and highly committed firms will continue to enjoy the benefits of such reciprocity. In the relationship marketing area, Berry (1983) maintains that relationships are built on the foundation of mutual commitment. He also argued that a common theme emerges from the literature on relationship that parties identify commitment among exchange partners as key to achieving valuable outcomes for themselves, and they endeavor to develop and maintain this precious attribute in their relationships. Therefore, commitment is central to all the relational exchanges between the firm and its various partners. As for commitment, to be a critical factor in building customer loyalty, conducting a study of accommodating to customers‟ needs, tailoring products to requirements, and being generally flexible in customer relationships is needed (Ndubisi,2007). He also indicated that companies should recognize the influence of service commitment in keeping loyal customers, and act accordingly. They must also show genuine commitment to customer relations. Morgan and Hunt (1994) viewed that a committed partner wants the relationship to endure indefinitely and is willing to work at maintaining it. Lacey (2009) suggests that committed customers are not just expected to maintain current purchasing activities, but to increase both the level and proportion of their purchasing activities over time. He argued that customers who remain within a firm are more likely to increase business volume in the future. Based on this study, through the level of customer participation the highest spending customers receive the greatest rewards. Committed customers are positive in both attitude and behavior and they are described as delighted with the brand. They may

be dependent upon to make continuing purchases and getting engaged in positive and delighted word-of-mouth exchanges with other potential customers.

Committed customers are resistant to competitors" attempts to persuade them and likely to be willing to extend their business with the brand, and to evolve their relationship with the brand over a period of time (Rowley, 2005).More specifically, they hardly consider other brands. Information search and the decision-making associated with switching is regarded as too labor intensive, and switching, in general, is regarded as too risky. Such loyal customers are very susceptible to marketing communications from brands to which they are loyal, and can even communicate the messages surrounded in those marketing communications to other actual or potential customers. Clearly, every business would wish to convert as large a proportion as possible of their customers into committed loyal. They are the true loyal, they add value to the brand, and are almost as enthusiastic as the seller to continue the relationship with the seller. Both sides recognize the mutual benefits of the relationship, in minimizing risk.

## - **Conflict handling**

In interpersonal communication, conflict occurs when an individual perceives incompatibility between his or her own personal goals, needs, or desires and those of the other party. In dealing with conflict, people use different strategies to accomplish their goals. Dwyer (1987) defined conflict handling as the ability of each supplier to minimize the negative consequences of manifest and potential conflicts. Conflict handling helps the supplier to avoid any potential conflict, solve that particular conflict before it creates problems and provides it with the ability to discuss the solution openly when the problem arises. Conflict handling requires cooperative behavior from exchange partners. According to Evans and Beltramini (1987), in a negotiation setting, cooperative versus competitive intentions have been found to be linked to satisfactory problem solution. In short, good conflict resolution will result relationship quality positively. Conflict handling is an important relationship builder. Even though it is difficult to achieve zero defects in product all the time, but it is so important that companies put in place effective conflict resolution or problem solving mechanism. A major problem which had been resolved satisfactorily may leave in its wake a happy and loyal customer, but may be minor issues, if not handled carefully, will result in defection. A more excellent approach, for example proactive in planning and implementations, includes identifying potential conflicts, solving conflict before they manifest, avoiding potential conflict and blocking them. These efforts could bring a better relationship and loyalty to the particular firm (Ndubisi, 2007). Ndubisi and Wah (2005) found a significant relationship between conflict handling

and customer loyalty, indirectly through trust and perceived relationship quality. As mentioned earlier, the ability of the product or service provider to handle conflict well will also directly influence customer loyalty. Clow & Kurtz (2003) identified and explained the four types of conflict faced by customers.

### I. Employee – Customer conflict

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

### ii. Customer – Role conflict

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

### iii. Customer – Organization conflict

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

### iv. Customer-Customer conflict

Conflicts sometimes arise among customers. Such conflicts are very familiar in service sectors but not in manufacturing sectors. Conflicts among customers may arise when they are served simultaneously or when one customer is served in the presence of other customers. They might also sometimes occur among customers who have different expectations. A customer who wants quick,

speedy service may be aggravated at the customer in front of him who wants to talk and wants personalized service. Handling conflict among customers is difficult. Employees of all types of services should be trained on how to handle and how to minimize conflicts among customers. Yekunoamlak (2004) conducted survey and proved that to maintain good relationship with customers, the way customers are handled such as proper acts of frontline employees and proper customer service are significantly important for customer loyalty. He also suggested that proper complaints handling and efficient service failure recovery procedures are considered as very important factors for customer satisfaction by many customers.

- **Empathy**

According to Ndubisi (2004) Empathy is the capacity to share and understand another's state of mind or emotion. This author also pointed out that the basic idea of empathy should be characterized by looking at the expressions of the customers facially or from their body movement, or by hearing their tone of voice, which may convey immediate sense of how they feel. Empathy is also often characterized as the ability to put oneself in the shoes of another, or in some way experience the outlook or emotions of another being within oneself. Empathy has the added value of reducing reliance on legal governance, since exchange partners who are governed by the principle of empathy are more likely to treat others in the manner they would like to be treated. Clow and Kurtz (2003) define empathy as the ability of a person to identify the feelings or thoughts of another. This skill is necessary because customer contact personnel serve as the interface between customers and the organization. If customers have special requests or problems, they want employees to understand the problem from their point of view. Zeithaml and Bitner (2003) argued that it is difficult to imagine an organization would deliver caring, individualized attention to customers independent of its employees. According to these authors empathy implies that employees will pay attention, listen, adapt, and be flexible in delivering what individual customers need.

## 2.1.5. Customer loyalty

Customer loyalty is one of the most important goals of implementing RM activities. Oliver (1997) defined customer loyalty as a deeply held commitment to re-buy a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior. Similarly, Kunoe (1994) (in Hougaard and Bjerre, 2009: 67) defines customer loyalty as "…the seller's perception of the consumer's positive attitude to the product manifested by re buying". This

is to say that loyalty is something a company strives to attain, not something that can just be requested or assumed. It must be earned.

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

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

A. The product must be perceived as superior by a large enough segments of the firm's customers in order to be profitable.

B. The product must be subject to respect (or focused commitment).

C. The product must have the ability to be embedded in a social network.

## 2.1.6. Customer Retention

To underscore the need for customer retention in RM, Gummesson (2008: 25) says that "the beginning of a relationship is often romantic and passionate. It is when the passion phase fades that the real work of building a relationship starts." Similarly Peck et al. (1999) reinforces the idea by explaining that few companies claim to have achieved the appropriate balance between acquiring

and retaining customers. The reason for this, as they put it is that there is a real danger in placing too much focus on marketing activities directed at new customers. They say too much by way of financial resources may be used in acquisition; although these valuable customers are lost because too little subsequent effort is given to retaining them. "if customer service does not meet customer expectations, it is unlikely that a customer will be retained and the reputation of a company may be damaged by adverse word-of-mouth publicity" (Peck et al., 1999: 44). This indicates that a great deal of attention needs to be paid to customer retention if relationship marketing programs have to be successful.

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

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

## 2.1.7. Customer loyalty and customer retention

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

delight and customer loyalty. Companies are now realizing that losing a customer means losing more than a single sale. It means losing the entire stream of purchases that the customer would make over a lifetime of patronage.

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

## 2.2. Empirical Review

Relationship Marketing and Customer Loyalty

The basic philosophies of relationship marketing are based on the assumption that company-customer interactions and strategies can earn and keep the loyalty of customers (Berry, 1995). Gummesson (1999) defines relationship marketing as a continuation of the mutual relationship between a service provider and a customer who will lead to for relationship marketing of profitability. Therefore, banks, as the financial service providers, can retain profitable customers and increase their loyalty by planning in their marketing strategies (Kim, Park, & Jeong, 2004).

Prior studies confirm Relationship Marketing that service companies have received incredible benefits of loyal customers (Bagherzad, Chavosh, and Hosseinikhah, 2011). MooRelationship Marketingan, Zaltman, and Deshpandé (1992) stated that customer loyalty was an intention to keep a valued relationship.

Yim, David and Chan (2008) defined customer loyalty as a highly deep commitment to keep on purchasing a product or service in the future regardless of the fact that there are situational factors

and marketing efforts, which have been potential to create switching behavior. In the Banking sector, it is the main job of manager and marketers to create and develop customer loyalty if they want to maintain their company and increase its profitability.

Numerous studies have shown positive links between loyalty and Relationship Marketing profitability (Anderson et al., 1994; Hallowell, 1996; Reichheld, 1996; Silvestro and Cross, 2000). Nonetheless, not all loyal customers are profitable (Storbacka, 1994). According to Reinartz and Kumar (2002), the overall link between loyalty and profitability in many industries is questionable for two reasons:

1) A relatively large percentage of long-term Relationship Marketing customers are only marginally profitable, and

2) A relatively large percentage of short-term Relationship Marketing customers are highly profitable.

It is noteworthy, however, that Reinartz and Kumar's (2002) findings from four industries (high technology, postal service, retail food and direct brokerage) still indicate that a larger proportion of the long-term Relationship Marketing customers than of the short-teerm Relationship Marketing customers exhibit high profitability, and a larger proportion of the high-profitability customers than of the low-profitability customers are long-term Relationship Marketing customers. Thus, the theory of an overall positive connection between customer loyalty and profitability cannot be rejected.

As noted by Anderson and Mittal (2000), customer relationship profitability arises through the acquisition and retention of "high quality" customers with low maintenance costs and high revenue. In the context of retail Banking, Storbacka (1994) describes relationship costs as comprising direct variable costs, such as transaction related costs and costs related to specific services, in addition to overhead costs that may or may not be attributable to particular relationships. Relationship revenue, meanwhile, is split into volume-based revenue that is derived from interest margins, and fee-based revenue.

Customers' patronage concentration Storbacka (1994), or share-of-wallet Keiningham et al., (2003); Perkins-Munn et al., (2005), and pricing policies are important aspects of relationship revenue in Banking. Since a large part of Commercial bank of Ethiopia and Dashen Bank S.cs' revenues are received from interest margins, customers' volume of business has a major impact on profitability. If relationship costs are minimized and relationship revenue is maximized over time, long-term

Relationship Marketing customers should generate greater profitability than short-term Relationship Marketing customers.

## 2.3 Conceptual Framework

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

A. Why is relationship marketing so prominent now?

B. Why do firms and consumers enter into relationships with other firms and consumers?

C. Why are some efforts at relationship marketing more successful than others?

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

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

Based on relationship marketing theory firms engage in relationship marketing because it increases their competitiveness. It is noted that customers do so when relationships contribute to the firm's

ability to efficiently/effectively produce market offerings that have value for some market segment(s). That is, they do so when relationships become resources. Relational resources have the potential to improve a firms marketplace position and, in turn, its financial performance. Based on relationship marketing theory, there are relational factors such as trust, commitment, conflict handling, and empathy that influence customer loyalty.

Relationship marketing theory concerned on relational factors and their influence on relationship marketing outcomes like customer loyalty and relationship.

Figure 2.2 Conceptual framework of the research
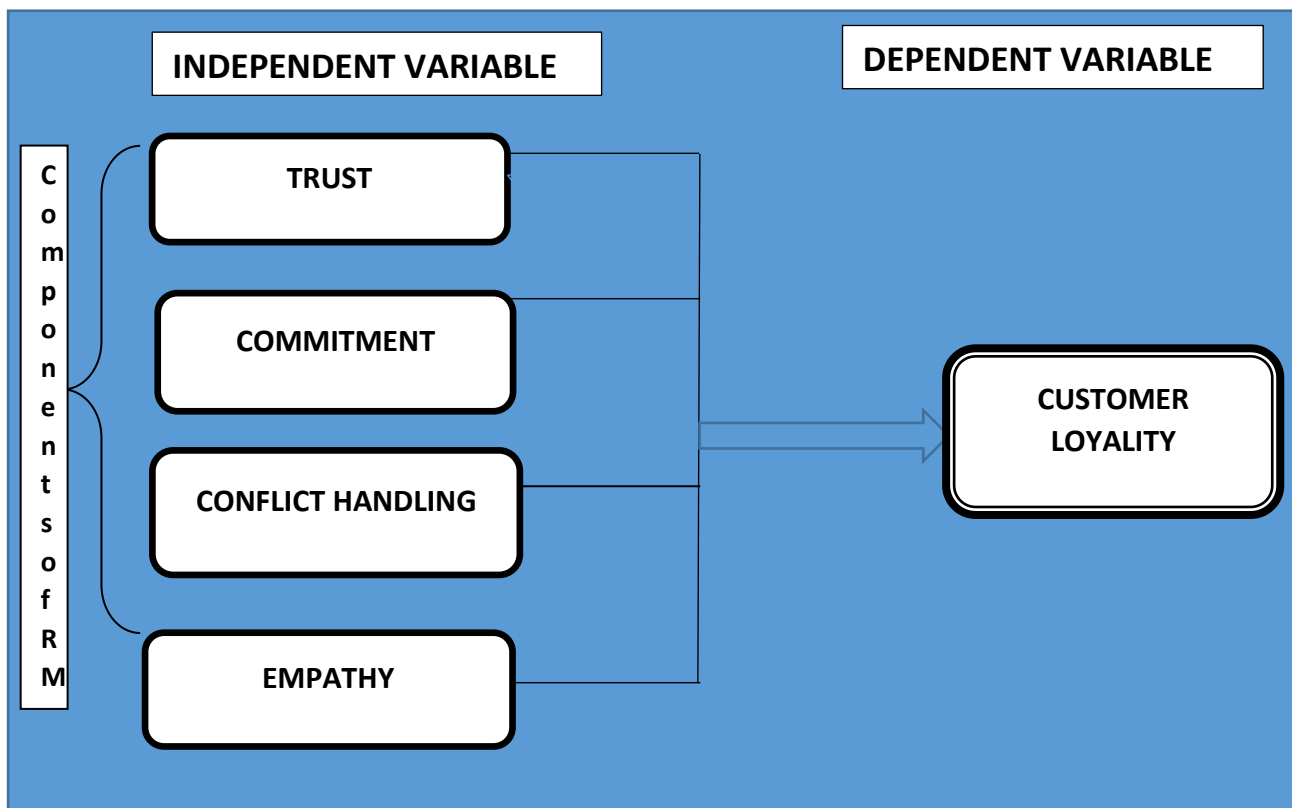


Source: Ndubis, and Wah (2005)

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# CHAPTER THREE: RESEARCH METHODOLOGY

## 3.1. Research Design

Research design represents the major methodology driving the study, being distinctive and specific research approaches, which are best suited to answer the research question (Comack, 1996). It explains and justifies the type and method of data collection, source of information, sampling strategy and time-cost constraints (Saunders, 2012). The research methodology can be classified using the variety of ways, such as methods of data collection, time dimensions, researcher participation and the purpose of the study (Blumberg, 2008). There are three types of research design based on the study purpose: exploratory, descriptive and causal (David, 1987).

This study is trying to explain effects of relationship marketing that determine customer loyalty. Therefore, in order to answer the general research question and the objective, the researcher used explanatory research design. The researcher also adopted the descriptive research design for answering the specific research questions. As the name suggests, this design refers to a set of methods and procedures that describe variables. Descriptive studies portray the variables by answering who, what, and how questions (Babbie, 2002).

Since the aim of the study is to examine the effects of relationship marketing that determine customer loyalty and test hypothesis, quantitative research method was used. Inferential study design also used to determine how the independent variables explain the dependent variables of the study.

## 3.2. Sources of Data

The sources of data used in this research comprised both primary and secondary data. According to Malhotra (2005), primary data are originated by the researcher for the specific purpose of addressing the problem at hand. Even if obtaining them can be expensive and time consuming, primary data, being the most significant were gathered through structured questionnaires.

Secondary data are data that are collected for some purpose other than the problem at hand (Malhotra, 2005). Secondary data are usually collected from journals, existing reports, and statistics by government agencies and authorities. The secondary data for this particular study were collected from marketing journals and other existing reports such as government agencies and authorities. These data help to create better comprehension for the title study. As a general rule stated by Malhotra (2005), examination of available secondary data is a prerequisite to the collection of

primary data. Start with secondary data and proceed to primary data only when the secondary data sources have been exhausted or yield managerial returns. The secondary data helped the student researcher as specific reference and explore different construct important to this study.

## 3.3. Method of Data Collection

The study used both primary and secondary data as its source of information. Primary data used to collect based on close ended questionnaire. The secondary data is collected by reviewing books, articles and journals related and online information available.

The questionnaire was design and distributed to fill by customers a great deal of care taken while preparing the questionnaires, because questionnaires by their nature are filled out in the absence of the researcher. Besides referring to the guideline that Kothari (2004: 100 - 104) sets, model questionnaires with standardized format were reviewed from different sources to develop the questionnaire, those questionnaires are prepared in the form of Likert-Scale type (showing respondents agreement or disagreement) by constructing into five-point scale where the lowest scale represent strongly disagree and the highest scale represent strongly agree (Likert, 1932). The questionnaires are organized in to two parts; the first part comprises the demographic question regarding the respondents, and the second part contains items relating to the elements of relationship marketing which affects customer loyalty.

## 3.4. Target population and sample

The non-probability sampling technique which is convenient sampling technique was used in the study. The company has about 7,000 customers throughout Ethiopia, out of which 2,500 are located in Addis Ababa. By considering the scope of the study 125 customers located in Addis Ababa contacted to take part in the study. In this way, all the 125 customers were participated in the study.

The sample was drawn from ayat customers to determine the effect of relationship marketing dimensions on customers 'loyalty. Among them the data were collected from 125 customer respondents using the sample determination method developed by Carvalho (1984), as cited by Ahmed Kelil (2005), irrespective of their purpose, gender, occupation, income or age.

Table 3.1 sample size determination

| Population size | Sample size | | |
|---|---|---|---|
| | Low | Medium | High |
| 51-91 | 5 | 13 | 20 |
| 91-150 | 8 | 20 | 32 |
| 151-280 | 13 | 32 | 50 |
| 281-500 | 20 | 50 | 80 |
| 501-1200 | 32 | 80 | 125 |
| 1201-3200 | 50 | 125 | 200 |
| 3201-10000 | 80 | 200 | 315 |
| 10000-35000 | 125 | 315 | 500 |

Source: Carvalho, 2007

## 3.5. Reliability Analysis

In order to test the internal consistency of variables in the research instrument Cronbach's alpha coefficient were calculated. As Zikmund, Babin and Griffin (2010) state scales with coefficient alpha between 0.6 and 0.7 indicates fair reliability. To measure the consistency of the questionnaire particularly the Likert-type scale the reliability analysis is essential in reflecting the overall reliability of constructs that it is measuring. To carry out the reliability analysis, Cronbach's Alpha (á) is the most common measure of scale reliability and a value greater than 0.700 is very acceptable (Field, 2009; Cohen and Sayag, 2010) and according to Cronbach's (1951), a reliability value (á) greater than 0.600 is also acceptable.

Thus, for this study, a Cronbach 's Alpha score of.60 or higher is considered adequate to determine reliability. As per the Cronbach 's alpha result, the coefficient for all independent variables and the dependent variable were in the acceptable range, i.e. >0.6.

**Table 3.2 Reliability analysis**

| Reliability Statistics | | | |
|---|---|---|---|
| Cronbach's Alpha | Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
| **Trust** | .783 | .783 | 4 |
| **Empathy** | .763 | .765 | 4 |
| **Commitment** | .749 | .755 | 3 |
| **Conflict handling** | .793 | .804 | 5 |
| **Customer loyalty** | .808 | .818 | 5 |

Sources: survey data, 2021

From table 3.1 above, the value for Cronbach's Alpha (á) was more than 0.7 for all variables. When these calculated reliability values are close to 0.8000, and compared with the minimum value of alpha 0.600 advocated by Cronbach's (1951), then the responses generated for all of the variables' used in this research were reliable enough for data analysis.

## 3.6. Validity Analysis

Validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested, (Kothari, 2004). In other words, Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. In order to ensure the quality, the research design content and construct validity of the research were checked.

According to Kothari (2004), content validity is the extent to which a measuring instrument provides adequate coverage of the topic under study. If the instrument contains a representative sample of the universe, the content validity is good. Its determination is primarily judgmental and intuitive. It can also be determined by using panel of persons who judge how well the measuring instrument meets the standards, but there is no numerical way to express it. Based on this definition the content validity will verify by the advisor of this research, who looked into the appropriateness of the question and the scales of measurement. In addition, discussions with fellow researchers as well as the feedback from the pilot survey will be another way of checking the appropriateness of the question.

A measure is said to possess construct validity to the degree that it confirms to predicted correlations with other theoretical propositions. Construct validity is the degree to which scores on a test can be accounted for by the explanatory construct of a sound theory. For determining construct validity, we associate a set of other propositions with the results received from using our measurement instrument. If measurement on our devised scale correlate in predicted way with those other

propositions, we can conclude that there is some construct validity (Kothari, 2004). Therefore, in order to test the construct validity, correlation coefficient for the independent and dependent variables will be calculated. Based on the result of the correlation analysis, all the five factors of relationship marketing were positively related with customer loyalty. Since the independent variables are positively related with the dependent variables, the independent variable therefore can be considered as a good measure of customer loyalty.

## 3.7. Data Analysis

The data analysis is made by using statistical tools like regression and correlation models. Regression analysis is used to see how much the independent variable - relationship marketing – explains or influences the dependent variable, which is customer loyalty. Correlation analysis is used also to conduct to measure the strength of the association between relationship marketing dimensions and customer loyalty. And also descriptive analysis is used for the demographic factors such as gender, age, educational level, and the length of relationship with the Industry. Tools like tables and percentage were used to present the data and the analysis perform by using SPSS software version 20.00. In order to reduce the possibility of getting wrong answers, different actions taken to ensure the soundness of the study.

## 3.8. Ethical Considerations

Ethics in business research refers to the set of behavioral principles and norms beginning with the research from the first phase of the study (Sekaran, 2003). The ethical code of conduct should reflect the behavior of everyone participating in the research project; researcher, participants or moderator (Sekaran, 2003). In this research, in order to keep the confidentiality of the data given by respondents, the respondents will not require to write their name and assured that their responses will be treated in strict confidentiality. The purpose of the study will disclose in the introductory part of the questionnaire. Furthermore, the researcher tried to avoid misleading or deceptive statements in the questionnaire. Lastly, the questionnaires will distribute only to voluntary participants who are 18 years and above.

# CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION

## 4.1. Descriptive Statistics

### 4.1.1 Response Rate

The questionnaires were distributed to customers located in Addis Ababa. For these, 125 questionnaires are distributed and from which 106 questionnaires were collected (responses from customers). However, 4 questionnaires were not completed properly and 2 questioners have missing pages as a result the number of questionnaires for data analysis was 100 which represent 94.33% from the collected questioners  this shows good response rate for the study.

### 4.1.2. Respondents Profile

The table 4.1 given below describes the general findings regarding the respondents age, sex, level of education and length of relationship. From the respondents 63 (63 %) were males and 37 (37%) were females. Here the shares of males are higher than females. The majority of the ages of respondents are fall in the age of 34-41 (40, 40%) and 42-50 (27, 27%) and the rest falls in the age of 26-33 (25, 25%) and 18-25 (8, 8 %) respondents. Here, the majority of the respondents are in the age of 26-50 (92, 92 %) years, but unfortunately there were no respondents who are aged above 50 years.

**Table 4.1 Respondents Profile**

| | | Frequency | Percent |
|---|---|---|---|
| **GENDER** | Male | 63 | 63 |
| | Female | 37 | 37 |
| | **Total** | **100** | **100.0** |
| **AGE** | 18-25 | 8 | 8 |
| | 26-33 years | 25 | 25 |
| | 34-41 years | 40 | 40 |
| | 42-49 years | 27 | 27 |
| | **Total** | **100** | **100.0** |
| **EDUCATION LEVEL** | Undergraduate | 71 | 71 |
| | Post-Graduate | 29 | 29 |
| | **Total** | **100** | **100.0** |
| **LENGTH OF RELATIONSHIP** | Less than 1 year | 7 | 7 |
| | 2-3 years | 21 | 21 |
| | 4-5years | 41 | 41 |
| | 5 years & more | 31 | 31 |
| | **Total** | **100** | **100.0** |

Sources: survey data, 2021

In terms of the level of educational background, most respondents have bachelor's degree (71, 71%) and (29, 29%) respectively followed by master's degree. There were no respondents who had other level of educations. In the case of length of relationships, the majority of respondents are fall in the 2-5 years and above (93, 93 %) and the rest falls in the less than 1 years (7, 7%). These shows the majorities of the respondents were educated/or professional and had longer relationships that can contribute more for the effectiveness of this study.

## 4.2. Descriptive Statistics of the variables

Descriptive statistics concern the development of certain indices from the raw data. These are mean scores, standard deviations and percentage for each subgroup. Interpreting the result of these values will also give us an indication of the impact of the independent variable (Pallant, 2005). The following table shows the mean and standard deviation of variables obtained from 100 respondents.

**Table 4.2 Descriptive Statistics of the variables**

### Descriptive Statistics

| | Mean | Std. Deviation | N |
|---|---|---|---|
| CUSTOMER LOYALTY | 3.7360 | .68748 | 100 |
| TRUST | 4.0475 | .64029 | 100 |
| EMPATHY | 3.7144 | .51058 | 100 |
| COMMITMENT | 3.7400 | .81729 | 100 |
| CONFLICT HANDLING | 3.7325 | .65564 | 100 |

Sources: survey data, 2021

The above table shows that the information the researcher requested for each of the variables. Empathy, commitment and conflict handling have same mean value of 3.71, 3.74 and 3.73 with a standard deviation of 0.51058, 0.81729 and 0.65564 respectively. Their mean is approximately 4 which indicate an average respondent are agreed they gives them attention and sincerity to solve difficulties.

Concerning the variable trust and customer loyalty, their mean is 4.04 and 3.74 which indicate an average respondent are agreed they have trust which lead them into loyal to the company.

## 4.3. Multiple Regression Assumption Analysis

Multiple regression techniques give researchers flexibility to address a wide variety of research questions (Hoyt et al., 2006). Since the analyses are based upon certain definite conditions or assumptions, it is imperative that the assumptions be analyzed (Sevier, 1957). The assumptions of Multiple Regression that are identified as primary concern in the research include linearity, independence of errors, homoscedasticity, normality, and collinearity.

### a) Linearity

Linearity defines the dependent variable as a linear function of the predictor (independent) variables (Darlington, 1968). Multiple regressions can accurately estimate the relationship between dependent and independent variables when the relationship is linear in nature (Osborne & Waters, 2002). More in-depth examination of the residual plots and scatter plots available in most statistical software packages will also indicate linear vs. curvilinear relationships (Keith, 2006; Osborne & Waters, 2002). Residual plots showing the standardized residuals vs. the predicted values and are very useful in detecting violations in linearity (Stevens, 2009). In this case the relationship between the Independent Variables and the Dependent Variables is linear; Scatterplots show that this assumption had been met (see figure 4.1).

### b) Collinearity

Collinearity (also called multicollinearity) refers to the assumption that the independent variables are uncorrelated (Keith, 2006). The researcher is able to interpret regression coefficients as the effects of the independent variables on the dependent variables when collinearity is low this means that we can make inferences about the causes and effects of variables reliably. Multicollinearity occurs when several independent variables correlate at high levels with one another, or when one independent variable is a near linear combination of other independent variables (Keith, 2006).

This can be done in two ways. First, we need to look at the Correlations table. Correlations of more than 0.8 may be problematic. This is not an issue in this example, as the highest correlation is r=.566.

**Table 4.3 multicollinearity test**

| | | CUSTOMERLOYALTY | TRUST | EMPATHY | COMMITMENT | CONFLIHAND |
|---|---|---|---|---|---|---|
| Pearson Correlation | CUSTOMERLOYALTY | 1.000 | | | | |
| | TRUST | .436 | 1.000 | | | |
| | EMPATHY | .330 | .680 | 1.000 | | |
| | COMMITMENT | .500 | .379 | .561 | 1.000 | |
| | CONFLIHAND | .566 | .470 | .466 | .650 | 1.000 |

Sources: survey data, 2021

Another widely used procedure to examine the correlation matrix of the predictor variables, computing the coefficients of determination, R2, and measures of the eigenvalues of the data matrix including variance inflation factors (VIF) (Mason & Perreault Jr., 1991). Tolerance measures the influence of one independent variable on all other independent variables. Tolerance levels for correlations range from zero (no independence) to one (completely independent) (Keith, 2006). We can demonstrate this assumption by looking at the Coefficients table (see appendix). This allows us to more formally check that our predictors are not too highly correlated. VIF and Tolerance statistics used to assess this assumption. For the assumption to be met we want VIF scores to be well below 10, and tolerance scores to be above 0.2; Analysis of collinearity statistics show this assumption has been met, as VIF scores were well below 10, and tolerance scores above 0.2 (see appendix II).

### c) Independence of Errors

Independence of errors refers to the assumption that errors are independent of one another, implying that subjects are responding independently (Stevens, 2009). The goal of research is often to accurately model the 'real' relationships in the population (Osborne & Waters, 2002). To check this assumption, we need to look at is the Model Summary box. Here, we can use the Durbin-Watson statistic (in this case: Durbin-Watson = 1.250) to test the assumption that our residuals are independent (or uncorrelated). This statistic can vary from 0 to 4. For this assumption to be met, we want this value to be close to 2. Values below 1 and above 3 are cause for concern and may render our analysis invalid.

### d) Homoscedasticity

The assumption of homoscedasticity refers to equal variance of errors across all levels of the independent variables (Osborne & Waters, 2002). This means that researchers assume that errors are spread out consistently between the variables (Keith, 2006). This is evident when the variance around the regression line is the same for all values of the predictor variable. Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value (Osborne & Waters, 2002). Specifically, statistical software scatterplots of residuals with independent variables are the method for examining this assumption (Keith, 2006). Ideally, residuals are randomly scattered around zero (the horizontal line) providing even distribution (Osborne & Waters, 2002). Our plot of standardized residuals vs standardized predicted values showed no obvious signs of funneling; suggesting the assumption of homoscedasticity has been met.

**Figure 4.1 homoscedasticity test**



**Scatterplot**
**Dependent Variable: CUSTOMERLOYALTY**
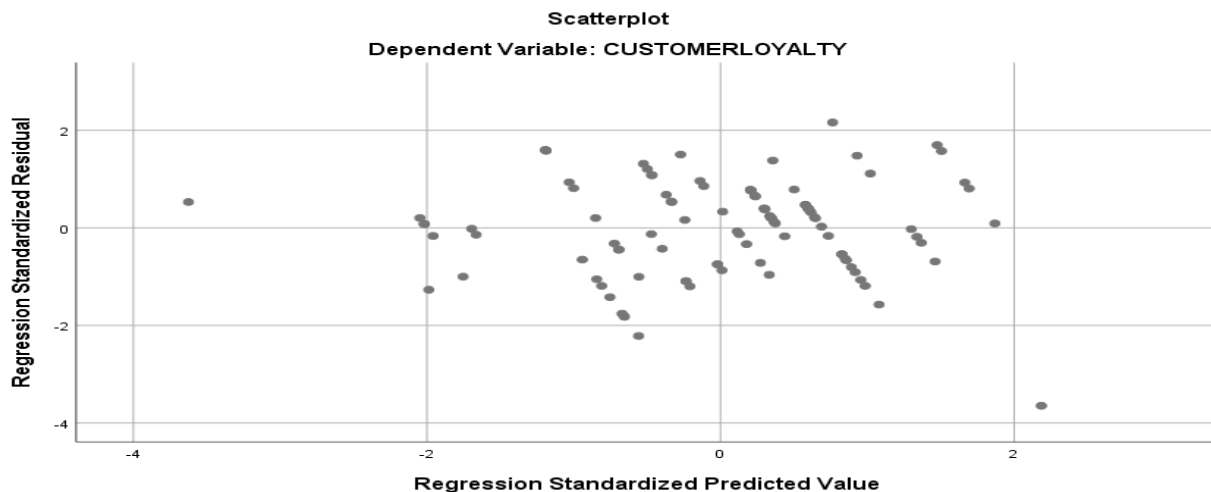
Sources: survey data, 2021 SPSS output

### e) Normality

This assumption shows that errors are normally distributed, and that a plot of the values of the residuals will approximate a normal curve (Keith, 2006). The assumption is based on the shape of normal distribution and gives the researcher knowledge about what values to expect (Keith, 2006). Normality can further be checked through histograms of the standardized residuals (Stevens, 2009).

**Figure 4.2 Histogram with normal distribution**



Histogram
Dependent Variable: CUSTOMERLOYALTY

Mean = 1.07E-14
Std. Dev. = 0.980
N = 100
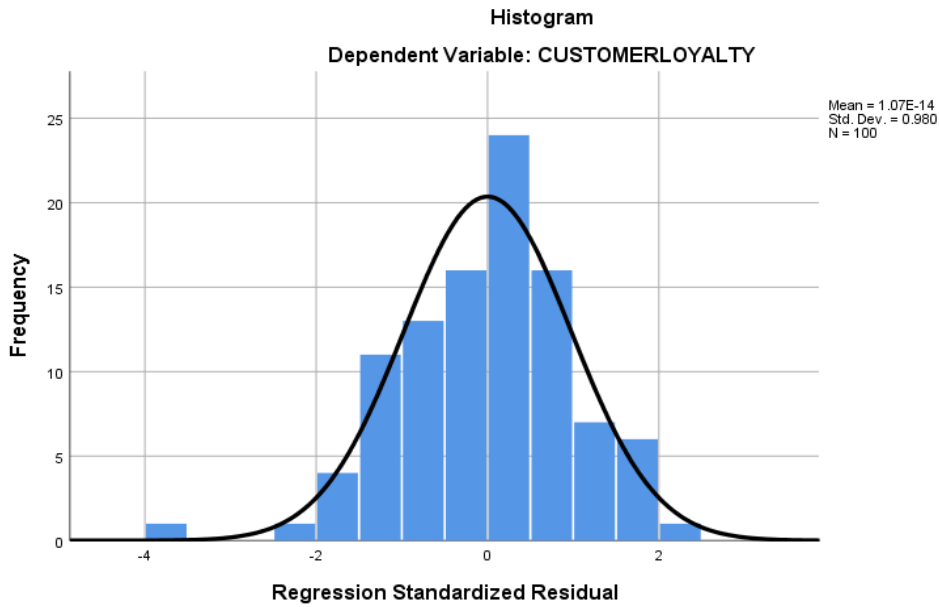
Sources: survey data, 2021 SPSS output

Normality also tested using Q-plots and P-plots are more exacting methods to spot deviations from normality, and are relatively easy to interpret as departures from a straight line (Keith, 2006). The P-P plot for the model suggested that the assumption of normality of the residuals may have been met.

**Figure 4.3 Normal P-Plot**



Normal P-P Plot of Regression Standardized Residual
Dependent Variable: CUSTOMERLOYALTY

Sources: survey data, 2021SPSS output

35
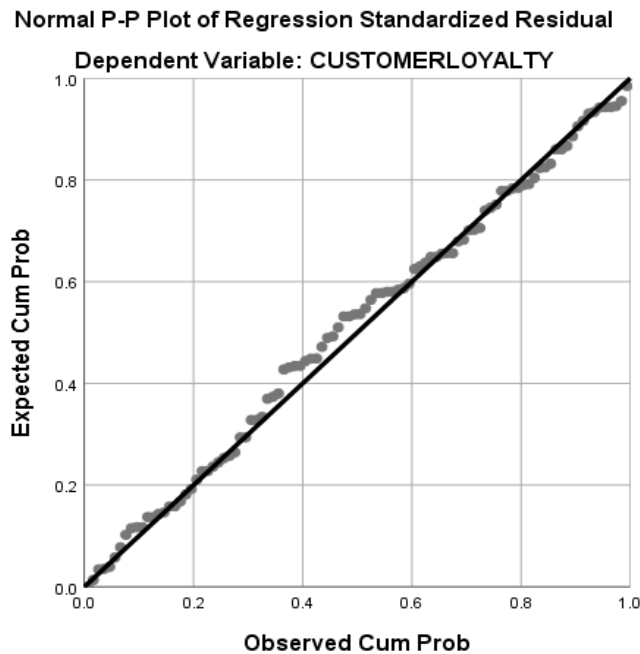
## f) Influential cases

Our final assumption can be tested by going back to our Data File and looking at the Cook's Distance values (see figure 4.4). This contains the Cook's Distance statistic for each participant. Any values over 1 are likely to be significant outliers, which may place undue influence on the model, and should therefore be removed and your analysis rerun. In this case, no such instances have occurred.

**Figure 4.4 cook's distance**
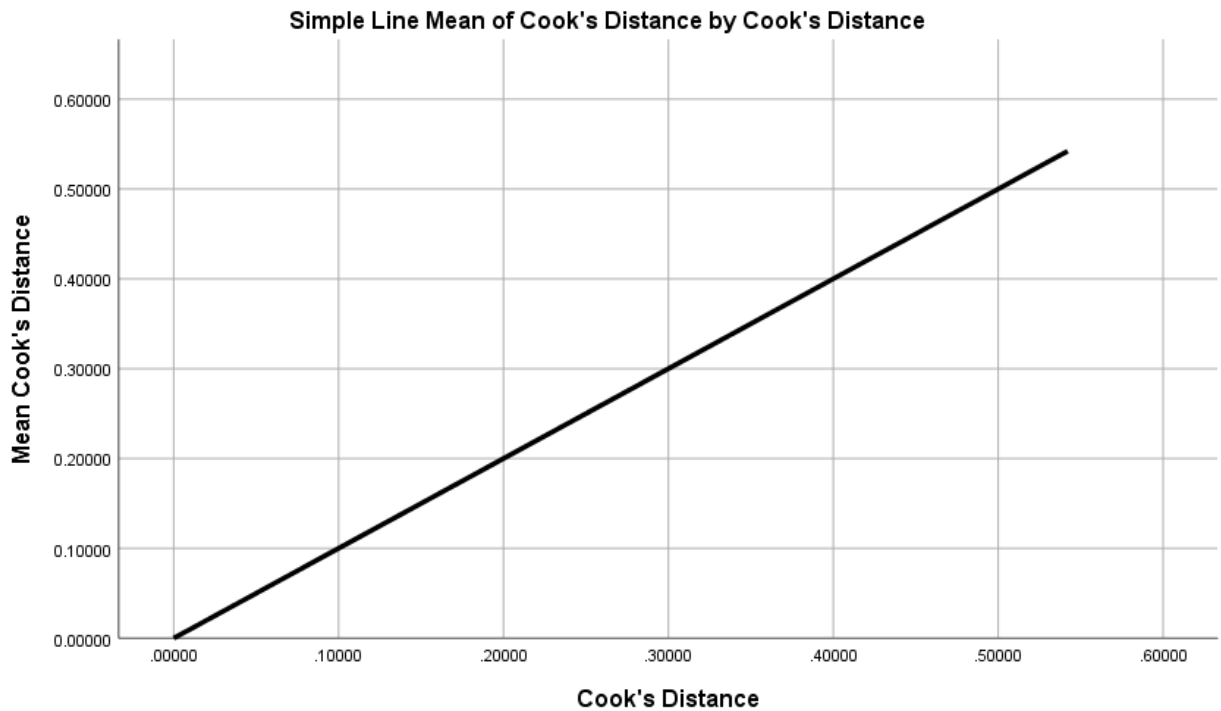
## 4.4. The Regression Results and Hypothesis Testing

## 4.4.1. The Regression Results

The regression result explores the necessary indicators of the customer loyalty by using the variables identified in the model. As indicated in the model summery (table 4.4) the appropriate indicators of the variable used to identify the customer loyalty were explored. That is, the value of R square used to identify how much of the variance in the dependent variable customer loyalty identified by the model. The overall contribution of trust, empathy, commitment and conflict handling to the customer loyalty accounted for 95 % ($R^2$ = 0.946) of the variation in the customer loyalty, the rest 5% are other variables not included in this study.

**Table 4.4 Model Summary[b] and ANOVA[a]**

| Model Summary[b] | | | | | |
|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .972a | .946 | .943 | .16366 | 1.900 |
| a. Predictors: (Constant), CONFLICT HANDLING, TRUST, EMPATHY, COMMITMENT | | | | | |

| ANOVA[a] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 44.246 | 4 | 11.061 | 412.960 | .000[b] |
| | Residual | 2.545 | 95 | .027 | | |
| | Total | 46.790 | 99 | | | |
| a. Dependent Variable: CUSTOMERLOYALTY | | | | | | |
| b. Predictors: (Constant), CONFLIHAND, TRUST, EMPATHY, COMMITMENT | | | | | | |

Sources: survey data, 2021 SPSS output

Moreover, the model summary also shows the significance of the model by the value of F-statistics (P =.000) and F = 412.960 which implies that there was strong relationship between the predictors and the outcomes of the regression variables and are at best fit the model to predict the customer loyalty in the study context. The beta (β) sign also shows the +ve or –ve effect of the independent variables coefficient over the independent variable. And as shown in table 4.6 below, beta sign of all the independent variables shows the positive effect of the predicting dependent variable. That means, any increase in the independent variables lead to increase in the dependent variable customer loyalty. This finding is consistent with most of the previous studies that are identified in this paper (Anabila et al., 2012; Ndubisi, 2005; Ndubisi and Madu, 2009; Parvatiyar and Sheth, 2000).

Therefore, based on the coefficients of the dependent variable (β sign) all the hypotheses proposed by the researcher are acceptable because of all the four hypotheses stated the positively relationship with the dependent variable are meet. But based on the statistical significances of the independent variable over the dependent variable at 5% level of significance, all four independent variables (trust, empathy, commitment and conflict handling) are significantly contributed for the customer loyalty at (P<0.01) level of confidence.

**Table 4.6 regression Coefficients<sup>a</sup>**

| | Coefficients<sup>a</sup> | | | | | |
|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .140 | .132 | | 1.066 | .289 |
| | TRUST | .174 | .054 | .163 | 3.209 | .002 |
| | EMPATHY | .858 | .109 | .637 | 7.907 | .000 |
| | COMMITMENT | 1.392 | .089 | 1.654 | 15.656 | .000 |
| | CONFLIHAND | 1.474 | .175 | 1.406 | 8.416 | .000 |
| a. Dependent Variable: CUSTOMERLOYALTY | | | | | | |

Sources: survey data, 2021 SPSS output

Model

Multiple regression analysis is a major statistical tool for predicting the unknown value of a variable from the known value of two or more variables. Moreover, it is about finding a relationship between variables and forming a model. The Model was developed using 4 explanatory variables or predictors, which have influences on customer loyalty.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \ldots + \varepsilon$$

Where:

Y= customer loyalty as measured by trust, empathy, commitment and conflict handling

$X_1$= trust,

$X_2$= empathy,

$X_3$= commitment,

$X_4$= conflict handling

$\beta_0$ = is the constant term for the dependent,

β1, β2, β3 and β4 are coefficients of determination,

ε is the error term.

The model can be stated as

Y=.140+.174X1+.858X2+1.392X3+1.474X4

## 4.4.2. Hypothesis Test

In this section the suggested hypothesis was tested and the result is presented. The hypotheses were:

***H1: Trust has a significant and positive effect on customers 'loyalty in Ayat Real Estate.***

The output of the regression analysis of trust with customer loyalty shows that trust has a positive significant influence on customer loyalty with sig. level of (0.000). When there is a single unit change in trust, customer loyalty will be affected by 0.174. Due to this result, the first hypothesis is supported

***H2: Empathy has a significant and positive effect on customers 'loyalty in Ayat Real Estate.***

The output of the regression analysis shows Empathy has a significant positive influence on customer loyalty (sig. 0.000). When Empathy is changed by a single unit customer loyalty will be affected by 0.858. Based on the result, the second hypothesis is accepted.

***H3: Commitment has a significant and positive effect on customers 'loyalty in Ayat Real Estate.***

The regression analysis shows that commitment has a positive significant influence on customer loyalty (sig. 0.000) with a beta value of 1.392. When there is a single unit change in commitment, customer loyalty will be affected by 1.392. This result shows the acceptance of the third hypothesis.

***H4: Conflict handling has a significant and positive effect on customers 'loyalty in Ayat Real Estate.***

For the last independent variable, the regression analysis shows that significant level of influence at 95 percent confidence interval with a sig. value of 1.474. Thus, the fourth hypothesis accepted. This beta value is the highest among all variables so we can say that conflict handling is the highest influencer of customer loyalty than the other variables.

### 4.4.3. Summary of Hypothesis testing

The following table shows hypothesis of the study, method used to test proposed hypothesis and its outcome.

**Table 4.7 summery of hypothesis testing**

| No. | Hypothesis | Result |
|-----|------------|--------|
| H:1 | *Trust has a significant and positive effect on customers 'loyalty in Ayat Real Estate.* | Accepted |
| H:2 | *Empathy has a significant and positive effect on customers 'loyalty in Ayat Real Estate.* | Accepted |
| H:3 | *Commitment has a significant and positive effect on customers 'loyalty in Ayat Real Estate.* | Accepted |
| H:4 | *Conflict handling has a significant and positive effect on customers 'loyalty in Ayat Real Estate.* | Accepted |

## 4.5 Results Discussion

This research is related with the elements of relationship marketing towards customer loyalty in the real estate industry. The findings show that relationship marketing activities can explain 95% of customer loyalty in the industry. Relationship marketing elements especially conflict handling have greater effect on customers loyalty and it is more important AYAT real estate to focus on how to avoid conflict.

The findings of Ndubisi (2007) suggested that the greater the trust in the company, the higher the level of the company's commitment, the more reliable and timelier its communications and the more satisfactorily it handles conflicts, the more loyalist customers will tend to be. Therefore, the result of this research is consistent regarding to four dimensions.

Based on the result of multiple regression test, all four dimensions of relationship marketing are positive and significant effect with customer loyalty. This means customers are more loyal if the company trusted in delivery, has empathy, committed and solving conflicts. The finding of this research supports the finding of Koçoğlu, D. and Kirmaci, S. (2012), Taleghani, Gilaninia and Mousavian (2011) that customer relationship marketing has significant effect on customer loyalty.

Anabila, Narteh, Tweneboah-Koduah (2012) explore the relationship between Relationship Marketing (RM) and customer loyalty in Ghana's real estate industry. The study found that commitment and communication were found to be significant drivers of customer loyalty. They state that respondents do not consider trust as a primary factor in determining customer loyalty Trust then

should be viewed as a 'hygiene factor', which is not readily recognized by customers but its absence could have negative consequences. In our country's real estate industry trust is the determinant variable for customers to be loyal. According to this research one percentage change on trust explain .174 % of customer loyalty.

The research study by and Shifera Bekele, (2011) shows all independent variable of relationship marketing had significant effect on customer loyalty. As indicated above the commitment also has significant and positive result.

The result of conflict handling confirms the research by Taleghani, M. and Tabatabaei,S.M(2014) examine effects of relationship marketing include the quality relationships, commitment and trust company's ability to manage conflict to increase customer loyalty.

The result of hypothesis testing shows that trust, commitment, empathy and conflict handling confirms the study by (Anabila& Awunyo-Vitor, 2013) assess the relationship between customer relationship management and customer loyalty using a case real estate company. A correlation analysis revealed that there is a strong positive relationship between relationship marketing practice and customer loyalty.

# CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

## 5.1. Summary of Major Finding

The main purpose of the study was to examine the effect of relationship marketing on customers' loyalty in real estate industry, particularly in AYAT real estate S.C. The relationship marketing components that were included in this research are trust, empathy, commitment and conflict handling. Based on the previous theories and previous studies, this research confirms that, clear links exist between relationship marketing components and customer loyalty. The findings also support the viewpoints that relationship marketing components can enhance the quality of a buyer-seller relationship and in turn has an effect on customer loyalty.

Descriptive result of relationship marketing elements and customer loyalty: Trust dimension has scored 4.04 grand mean and 0.64 standard deviations. The overall mean shows perception of customers about trust is good.

Empathy dimension has scored 3.71 grand mean and 0.64 standard deviations. The overall mean shows perception of customers about empathy is good.

All items of commitment scores grand mean of 3.74 and standard deviation 0.81. The overall mean shows perception of customers about commitment is good.

Conflict handling dimensions has scored 3.73 grand mean and 0.65 standard deviations. The overall mean shows perception of customers about conflict handling is good.

Customer loyalty dimension has scored 3.73 grand mean and 0.68 standard deviations. The overall mean shows perception of customers about customer loyalty is good.

With regard to the Pearson correlation analysis, it can be clearly seen as that the four relationship marketing dimensions namely trust, commitment, conflict handling, and communication are positively related to customer loyalty.

- ➢ Trust and customer loyalty have positive relationship, r=0.436
- ➢ Empathy and customer loyalty have positive relationship, r= 0.330
- ➢ Commitment and customer loyalty have positive relationship, r=0.500
- ➢ Conflict handling and customer loyalty have positive relationship, r= 0.566

Regression analysis result of the study shows that relationship marketing explains customer loyalty. The regression analysis indicated that 94.6% customer loyalty is explained by customer relationship marketing.

## 5.2. Conclusion

Based on the study findings and its outcomes, the overall findings of the research reveal that, the four major relationship marketing components namely trust, empathy, commitment and conflict handling are positively related to customer loyalty in Ethiopian real estate industry specifically in AYAT REAL ESTATE S.C. Although all relationship marketing components have the potential for developing customer loyalty, dimensions like commitment and conflict handling are found to be more sensitive than others in explaining the changes in customers' loyalty.

With regard to the Pearson correlation analysis, it can be clearly seen as that the four relationship marketing dimensions namely trust, empathy, commitment and conflict handling are positively related to customer loyalty in the selected case. The relationship looks like the following.

- ➢ Relationship marketing and customer's loyalty have strong relationship.
- ➢ Trust dimension and customers loyalty have strong relationship.
- ➢ Empathy dimension and customers loyalty have moderate relationship.
- ➢ Commitment dimension and customers loyalty have high relationship.
- ➢ Conflict handling dimension and customer loyalty has moderate relationship.

From the regression analysis part, it is clearly shown that relationship marketing explains customer loyalty. The regression analysis indicated that 94.6% customer loyalty is explained by relationship marketing. Each independent variable positively and significantly affects customers loyalty and the result shows that all the independent variables can explain the dependent variable i.e. customer loyalty.

## 5.3. Recommendations

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

1. Ayat real estate must develop RM program that will help it build and support positive relationships with its customers and particularly a CRM program which enables it gather data about each individual customer of it to treat them knowing their individual needs.

2. The company has to train and orient the employees, especially in the frontline staff, how important RM is. This will increase the level of empathy that the employees show to their customers and thereby increase customers' satisfaction and trust on the company, which in turn increases loyalty.

3. The company should appear be trustworthy and show commitment, by providing individualized attention to customers and by resolving conflicts in a manner that will eliminate unnecessary loss and inconvenience to their customers.

4. Ayat real estate should develop a mechanism in which it measures all the variables of RM, (customers' loyalty, trust, commitment, employees' empathy to customers and efforts made to handle complaints) and consequently act upon the findings in its RM program.

5. The company has to work hard to increase the level of trust that its customers put on it, by providing quality houses, keeping its promises, listening to customers, considering the individual customers' needs and the like.

6. Ayat real estate should develop a clearly determined conflict handling policy, train employees on how to react upon complaints, develop a culture of informing customers about any change that takes place in advance, and widen the methods of customers' feedbacks collection.

7. The company must also install a reward mechanism, especially for its frontline staff members, based on their contributions to the success of the RM program and thereby to the increase they make to the level of customers' satisfaction.

## Directions for Future Researches

This study directly focuses on the relationship marketing dimensions and its effect on customer loyalty in real estate sector, particularly AYAT S.C. This research can be further explored by adding more relationship marketing dimensions like value, cooperation and others which could have an effect on customer loyalty. The research reported here has not look into the possible effects of socio-demographic factors on the relationship between relationship marketing dimensions and customer loyalty. Future research studies might fruitfully investigate such moderating influences. Future researches also can survey by applying longitudinal design and increasing the sample size.

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# Appendices
## Appendix I

ST. MARY'S UNIVERSITY

DEPARTMENT OF MARKETING MANAGEMENT

A Questionnaire to be filled by AYAT REAL ESTATE customers

**Introduction:**

Dear Respondent,

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

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

**Instructions:**

A. You are never expected to mention your names.

B. You are kindly requested to give genuine responses for the information you provide is only used for the purpose of the research and its confidentiality will be high.

C. Please, mark 'X' in the boxes whenever the questions provide you with alternatives.

D. Whenever the questions do not provide alternatives, please give your responses clearly and in Amharic (in English if you are a foreigner).

E. You may provide more than an answer whenever the conditions compel you to do so.


**Thank you in advance for your cooperation.**

**Part I: Demographic or General information**

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

1. Gender ☐ Female ☐ Male

2. Age ☐ Below 20 years ☐ 20-39 years

☐ 40-59 years ☐ 60 years and above

3. Education qualification ☐ Primary ☐ Secondary ☐ Diploma

☐ Degree ☐ Postgraduate ☐ Others

4. Length of relationship: ☐ Below a year ☐ 1 year ☐ 2 years ☐ 3 years

☐ 4 years ☐ 5 years ☐ above 5 years

**PART II**

**Please, indicate your opinion by marking √ on the appropriate box on the five point scale Where:**

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

| No | Questions | 5 | 4 | 3 | 2 | 1 |
|----|-----------|---|---|---|---|---|
| | **Trust** | | | | | |
| 1 | AYAT S.C is consistent in providing quality real estate product | | | | | |
| 2 | Employee of AYAT S.C show respect to customers | | | | | |
| 3 | The real estate industry fulfils its obligation to customers | | | | | |
| 4 | Given my experience, the real estate industry can be trusted Completely | | | | | |
| | **Empathy** | | | | | |
| 5 | Employees of AYAT S.C deal with customer's in a caring fashion | | | | | |
| 6 | AYAT S.C employees give the individualized attention to customers | | | | | |
| 7 | The employee of AYAT S.C understands your specific needs | | | | | |
| 8 | AYAT S.C employees have the customer's best interest at heart | | | | | |
| | **Commitment** | | | | | |
| 9 | The Real estate industry makes adjustment to suit my needs | | | | | |
| 10 | I am very committed to continue my relationship with AYAT Real estate | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 11 | My relationship with AYAT is very important to me | | | | | |
| | **Conflict Handling** | | | | | |
| 12 | AYAT tried to avoid potential conflict with clients | | | | | |
| 13 | AYAT has the ability to openly discuss solutions when problems arise | | | | | |
| 14 | AYAT shows a sincere interest in solving customer problem | | | | | |
| 15 | The company clearly communicates to you about how and where to complain in case of a problem | | | | | |
| 16 | The company gives you prompt response for your complaints | | | | | |
| | **Customer Loyalty** | | | | | |
| 17 | AYAT  is the first to comes to my mind when making real estate purchases decision | | | | | |
| 18 | I am a loyal customer to AYAT | | | | | |
| 19 | I would always recommend AYAT to someone who seeks my advice | | | | | |
| 20 | Even if close friends recommended another real estate company, my preference for AYAT would not change | | | | | |
| 21 | I have a strong relationship with the real estate industry. | | | | | |

**Thank you for your cooperation.**

# Appendix II

<table>
<tr><th colspan="9">Coefficients<sup>a</sup></th></tr>
</table>

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. Tolerance | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | .140 | .132 | | 1.066 | .289 | | |
| | TRUST | .174 | .054 | .163 | 3.209 | .002 | .417 | 2.398 |
| | EMPATHY | .858 | .109 | .637 | 7.907 | .000 | .476 | 2.099 |
| | COMMITMENT | 1.392 | .089 | 1.654 | 15.656 | .000 | .387 | 2.581 |
| | CONFLIHAND | 1.474 | .175 | 1.406 | 8.416 | .000 | .621 | 1.611 |
| a. Dependent Variable: CUSTOMERLOYALTY | | | | | | | | |