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THE EFFECTS OF RELATIONSHIP MARKETING ON CUSTOMER LOYALTY: THE CASE OF SELECTED WATER BOTTLING COMPANY IN GURAGE ZONE

By

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(GSE/031/10)

A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF
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I hereby declare that the thesis entitled THE EFFECTS OF RELATIONSHIP MARKETING ON CUSTOMER LOYALTY (The case of selected water bottling company in Gurage zone) MBA Specialty or equivalent thesis is my original work and has not been presented for a degree/master in any other university, and all sources of material used for this thesis have been duly acknowledged.

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List of Acronyms and Abbreviations

B2B - Business to Business

CNC - Computerized Numeric Controlled

CRM - Customer Relationship Management

FDRE - Federal Democratic Republic of Ethiopia

GTP - Growth and Transformation Plan

ICT - Information Communication Technology

RM - Relationship Marketing

TQM - Total Quality Management

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

ANOVA- Analysis of Variance

SPSS- Statistical Package for the Social Sciences

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Abstract

The study was aim to examine effects of relationship marketing on customer loyalty at Gurage zone selective water bottling company. The ultimate objectives of this study was identifying determinants of relationship marketing over customer loyalty in water bottling company and to forwarded necessary recommendation for water bottling company in Gurage zone. The target population of the study was customer of water bottling company in Gurage zone. Five constructs trust, empathy, commitment, conflict handling and customer loyalty are independent variable in the other hand relationship marketing was dependent variable. The study employed a survey (structured questionnaire) with a five liker scale, 329 customers were sampled from which 324 respondents returned fully completed questionnaires (98% response rate). A quantitative and qualitative study with descriptive research design, non-probability sampling specifically random sampling was used. SPSS version 20 was used to analyze descriptive statistics to show the demographic characteristics of the respondents and inferential statistics (regression and correlation) to show the effect of each variable on relationship marketing and to show their relationship as well. Data analysis indicated that all the specific objective findings have positive and statistical significant effects on the relationship marketing of customer in water bottling company. Based on the analyzed data mean value of trust, empathy, commitment, conflict handling and customer loyalty has low value. Therefore if the companies desires to ultimately provide a better service satisfaction for their customer, it is recommended that more attention should be directed toward enhancing trust, empathy, commitment, conflict handling and customer loyalty.

Key words: Relationship Marketing, Customer Loyalty, Water Bottling Company and Customers.

CHAPTER ONE

1. Introduction

This chapter focuses on background of the study, statement of the problems, research questions, objectives of the study, significant of the study, budget and time schedule and limitation of the study.

Customers were the source of profits to be earned by a profit making organization and the primary reason for being in the operation for not-for-profit organizations. Thus, customers were the backbone and lifeline of organizations. Often it was said that without customers there was no businesses. The cost of maintaining existing customers is far below the cost of finding new ones, and these loyal customers are profitable ones.

Effective relationship marketing heavily relies on developing strategic partnerships with customers (Boone & Kurtz, 2005). Studies of the impact of RM on customer loyalty outcomes lean to approach the way customers encounter a problem with regard to the products provided by the manufacturing industry. A small group of studies treat that customer loyalty was a function of trust, commitment and conflict handling.

1.1 Background of the study

The three water manufacturing companies which was held in Gurage zone are OK bottling, Eden business share company and WOW” natural purified bottled water.

OK bottling and beverage Share Company was a bottled water manufacturing company that was established in 2014, in "Guraghe" zone, SNNP, Ethiopia. It mainly aims in targeting the Local Ethiopian market currently as well as most Eastern African region, in the long run thereby addressing the quality bottled water needs of this target segment. Quality water from the source coupled with the latest technology of production makes it unique to satisfy the real desire of its customers.

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. To attract the customer and to build relationship with that customer so that the economic goals of that relationship are achieved (Grönroos, 1994).

Eden Business Share Company (EBSC) was established in 1998 (2005) under the (1952)1960 commercial code proclamation No.304-509 by about 35 founding business persons with a paid up capital of Birr 99.7 Million. And obtained a business entity from Federal Contract and Document Authentication Office in 2006 and received investment license from Southern Nation Nationalities and People Regional State (SNNPRS), Trade and Industry Development Office by Principal Registration Certificated Number 11020/98 Yekabdi Agro processing is established as a private local manufacturing company in Ethiopia by its mother company Tenkir Bekele Plastic shoes manufacturing PLC in in the year 2013 GC with the paid up capital of 130 million birr. The company entered in the country's Fast Moving Consumer Goods (FMCG) industry through manufacturing and supplying of "WOW" natural purified bottled water.

1.2 Statement of the Problem

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

With respect to the practices of RM in the Ethiopian context, limited research works witnessed and majority in the context of service rendering firms, rather in the manufacturing sector. According to Robson (2012) and Shimeles (2011), the practice of RM is in infant state in Ethiopia. Even in the cases where little attempts have being made to implement RM, the practices are found to be misunderstood and undermined that they were 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).

The major purpose of this study is to identify determinants of relationship marketing through analyzing trust, empathy, commitment, conflict handling and customer loyalty. The gaps of this study were it cannot predict impacts of relationship marketing over organizational performances in water bottling company.

Therefore, this study attempted to examine the role of RM in developing loyal customer, along with the assessment of the performance of RM practices at Water bottling industries in Gurage zone. In general, the study examined the impact that RM dimensions have on customer loyalty in the context of water bottling business.

1.3 Research Question

The questions that appear in the study were:

1. What was the determinant of Relationship Marketing natural water bottling?
2. What was level of customer loyalty of natural water bottling?
3. What was the relationship between Relationship Marketing and customer loyalty of natural water bottling?
4. What effects does, the Relationship Marketing e dimensions have on customer loyalty in the context of natural water bottling?

1.4 Objectives of the Study

1.4.1 General objective

The main objective of this study was to examine the effects of relationship marketing underpinnings on customer loyalty in the context of water bottling.

1.4.2 Specific objectives include:

1. To identify determinants of Relationship Marketing on natural water bottling
2. To assess the level of customer loyalty of natural water bottling
3. To examine the relationship between Relationship marketing and customer loyalty of natural water bottling
4. To describe the effects of Relationship Marketing dimensions have on customer loyalty in the context of natural water bottling.

1.5 Significance of the Study

As has been stated in the background part, water bottling companies in Guragezone will have role in making the GTP, the plan on which Ethiopia is relying for its prosperity, successful. On the other hand, the companies are too young, as it was established in 2015, 2005 and 2013 and the experience it has in relations marketing is also the same. As an industry being run under the same business area also has similar features regarding its objectives and experiences in RM. Nevertheless, it was ambitious enough to satisfy its customers – that have very large number – by delivering products that suit them individually. This definitely happens to be impossible without proper implementation of RM, which aims at satisfying customers, retaining them and building a long lasting relationship with all the stakeholders. Literature asserts that a scientifically implemented RM program, especially CRM determines the performance and success of the firm. Therefore, this study remains to be significant for it tried to indicate the relationship between RM and customer loyalty and it have great significant for water bottling company in Gurage zone. The findings and conclusions of the study are vital in showing the level of water bottling business success in RM practices and what has to be done if improvements are required.

Other beneficiaries from the study are taken to be marketers, and RM and CRM practitioners who are working for the various manufacturing industries that are functioning in Ethiopia.

1.6 Scope of the Study

This thesis was bounded to bottle water cOmpany relationship marketing on customer loyalty of Gurage zone selective water bottling factory and it was focused on its customers to provide bottled water products for its customers with sustainable relationship. This thesis focused on

relationship marketing of selective bottled water factory for understanding customer loyalty. It has focused on trustfully providing consistence in quality product, Employees of the water bottling deal with customer's in a caring fashion to develop empathy, committed to continue relationship with water bottling companies with strong commitment and the ability to openly discuss solutions when problems arise to handle conflict are included.

This thesis was focused on strategic customers' partnership which included RM as number one standard to handle customers, solving regularly problems jointly with its customers, continuous improvement programs that include its key customers. It also included customer relationship that contained within frequently determine future customer expectation, facilitate customers' ability to seek assistance, interact with customers to set trust, empathy and evaluate customer satisfaction.

1.7 Delimitation of the study

This study is delimited to explain the effects of Relationship marketing on customer loyalty in the case of water bottling companies. In order to make the study very specific and focused, only the B2B markets were deliberately taken into account. This was due to resource constraints like time and money it was mainly focus on WOW, OK and Eden water bottling company. Moreover, the B2B customers included in the sample are made to be those found in **Gurage zone**.

1.8 Limitation of the study

Some of the respondents are refused to provide information in the questionnaires they were distributed with. This was because of confidentiality information companies feared could be spread to their bottling company hence the researcher tried the level best to persuade them to provide such information by attaching support letter got from Wolikite University to identify the researcher as their student or showing student identity card in case of self-administered distribution. However, in other circumstances, some customers had completely neglected to answer the questionnaire distributed to them which reduced the sample size. Some customers failed to submit their questionnaire on time which reduced the sample size and consuming time for summation. The researcher minimized the effect of constraints by constant reminding the selected customers for feedback through phone calls and short messages.

1.9 Definition of operational terms

1. **Relationship marketing:** -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”.

2. **B2B Customers:** - marketing of product or services for other business and organizations. It holds several key destinations.
3. **Customer loyalty:** - the seller's perception of the consumer's positive attitude to the product manifested by re buying.
4. **Conflict handling:** - The ability of each supplier to minimize the negative consequences of manifest and potential conflicts. It 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.

1.9 Organization of the Study

This thesis is comprised of five chapters. The first chapter gives an introduction which contains background of the study, statement of the problem, basic research questions, objectives of the study, conceptual definition of terms, significance of the study, scope and delimitation of the study and limitation. The second chapter deals with the review of related literature. Here, both theoretical and empirical evidences related to the topic under study are raised. The third chapter described the type and design of the research, the subjects or participants of the study, the sources of the data, the data collection tools was employed the procedures followed in the data collection, and the methods to use for data analysis. The fourth chapters analyzed and interpret dates with objective wise and fifth chapter contained summary, conclusion and recommendation.

CHAPTER TWO

Review of Related Literature

2. Introduction

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

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

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

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

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

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

2.1.2. What is Relationship Marketing?

Though RM was 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: page 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: page 25). This definition of his also has a strategic viewpoint about relationship marketing in somewhat broader terms. He stresses that attracting new customers should be viewed only as an intermediate step in the marketing process. Developing closer relationship with these customers and turning them into loyal ones are equally important aspects of marketing.

Sheth and Parvatiyar (1998) discuss that the domain of relationship marketing should be limited to only those cooperative and collaborative marketing actions that are focused on serving the needs of customers. They further state that the delimit would be consistent with marketing’s customer focus and understanding that made the discipline prominent. They also draw an important aspect of Berry, Gronroos, and Morgan and Hunt definitions and consider the set of generic processes of relationship initiation, relationship maintenance and relationship termination is also identified by Heide (1994) to come up with their definition of the term.

So they define RM as “... the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value, at reduced cost” (Sheth and Parvatiyar, 1998: page 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: page 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 dimensions

2.1.3.1 Trust

As Morgan and Hunt (1994) demonstrate it, RM is built on the foundation of trust. They define trust as a willingness to rely on an exchange partner in whom one has confidence. Trust ensures that the relational exchange is mutually beneficial, as the good intentions of partners are not indoubt. Customers buying services are specially benefited by the existence and development of trust (Berry, 1983). Trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty (Ndubisi, 2007). Therefore, firms should strive to win customers' trust. The ways in which this can be achieved include the giving and keeping promises to customers, showing concern for the security of transactions, providing quality services, showing respect for customers through front-line staff, fulfilling obligations, and acting to build customers confidence in the company and its products. Morgan and Hunt (1994) conceptualize trust as

existing when one party has confidence in an exchange partner's reliability and integrity. They indicated that trust is a generalized expectancy held by an individual that the word of another can be relied on. Their definition highlights the importance of confidence. The literature on trust suggests that confidence on the part of the trusting party results from the firm belief that the trustworthy party is reliable and has high integrity, which is associated with such qualities as consistent, competent, honest, fair, and responsible. Trust in relationship marketing is very important. This is the main focus in service organizations. It needs to go along with commitment. If deliverable is good then trust increases. Ndubisi (2007) emphasizes that an integral element of the relationship marketing approach is the promise concept. He argued that the responsibilities of marketing do not only, or predominantly, include giving promises and thus persuading customers as passive counterparts in the marketplace to act in a given way, but also in keeping promises, which maintains and enhances evolving relationship. He also pointed out that fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retaining the customer base, and securing long-term profitability. In practical business activities, therefore, the development of trust is considered to be a critical result of establishing a long-term successful relationship between all the parties involved. In face of complicated markets, customers tend to behave and make purchasing decision depending on their previous consuming experiences. Investing in long-term relationship with customers helps to develop customer trusts and improve the effective quality of a relationship in order to obtain mutual interests. Customers with trusts in produces capability would probably be willing to commit to a product relationship for meeting their expectations (Morgan and Hunt, 1994). They argued that even when the environment is changing, the customers would believe that the producer will take customers interests into account instead of doing anything harmful to the development of relationship.

2.1.3.2 Commitment

Commitment is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Morgan and Hunt, 1994). These authors defined commitment as an enduring desire to maintain a valued relationship. This implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial. They also suggested when commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a

firm due to past benefits received and highly committed firms will continue to enjoy the benefits of such reciprocity. In the relationship marketing area, Berry (1983) maintains that relationships are built on the foundation of mutual commitment. He also argued that a common theme emerges from the literature on relationship that parties identify commitment among exchange partners as key to achieving valuable outcomes for themselves, and they endeavor to develop and maintain this precious attribute in their relationships.

2.1.3.3 Conflict handling

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

Conflict handling is an important relationship builder. Even though it is difficult to achieve zero defects in product all the time, but it is so important that companies put in place effective conflict resolution or problem solving mechanism. A major problem which had been resolved satisfactorily may leave in its wake a happy and loyal customer, but may be minor issues, if not handled carefully, will result in defection. A more excellent approach, for example proactive in planning and implementations, includes identifying potential conflicts, solving conflict before they manifest, avoiding potential conflict and blocking them. These efforts could bring a better relationship and loyalty to the particular firm (Ndubisi, 2007). Ndubisi and Wah (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. As mentioned earlier, the ability of the product or service provider to handle conflict well will also directly influence customer loyalty. Clow & Kurtz (2003) identified and explained the four types of conflict faced by customers.

i. Employee – Customer conflict

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

ii. Customer – Role conflict

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

iii. Customer – Organization conflict

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

iv. Customer-Customer conflict

Conflicts sometimes arise among customers. Such conflicts are very familiar in service sectors but not in manufacturing sectors. Conflicts among customers may arise when they are served simultaneously or when one customer is served in the presence of other customers. They might also sometimes occur among customers who have different expectations. A customer who wants quick, speedy service may be aggravated at the customer in front of him who wants to talk and wants personalized service. Handling conflict among customers is difficult. Employees of all types of services should be trained on how to handle and how to minimize conflicts among customers. Yekunoamlak (2004) conducted survey and proved that to maintain good relationship

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

2.1.3.4 Empathy

According to Ndubisi (2004) Empathy is the capacity to share and understand another's state of mind or emotion. This author also pointed out that the basic idea of empathy should be characterized by looking at the expressions of the customers facially or from their body movement, or by hearing their tone of voice, which may convey immediate sense of how they feel. Empathy is also often characterized as the ability to put oneself in the shoes of another, or in some way experience the outlook or emotions of another being within oneself. Empathy has the added value of reducing reliance on legal governance, since exchange partners who are governed by the principle of empathy are more likely to treat others in the manner they would like to be treated. Clow and Kurtz (2003) define empathy as the ability of a person to identify the feelings or thoughts of another. This skill is necessary because customer contact personnel serve as the interface between customers and the organization.

2.1.4 Customer loyalty

Customer loyalty was 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 Lympelopoulos (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. 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.

2.1.5 Customer Retention

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

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

1. The cost of acquiring new customers can be substantial. A higher retention rate implies that fewer customers need be acquired more cheaply;
 2. Established customers tend to buy more;
 3. Regular customers place frequent, consistent orders and, therefore, usually cost less to serve;
 4. 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.

2.2 Empirical literature review

2.2.1 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 16and/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. The following research hypothesis was developed for the study.

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

H2: Empathy has a significant and positive effect on customers 'loyalty.

H3: Commitment has a significant and positive effect on customers 'loyalty.

H4: Conflict handling has a significant and positive effect on customers 'loyalty.

2.3. Conceptual Framework of Relationship Marketing

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

A. Why is relationship marketing so prominent now?

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

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

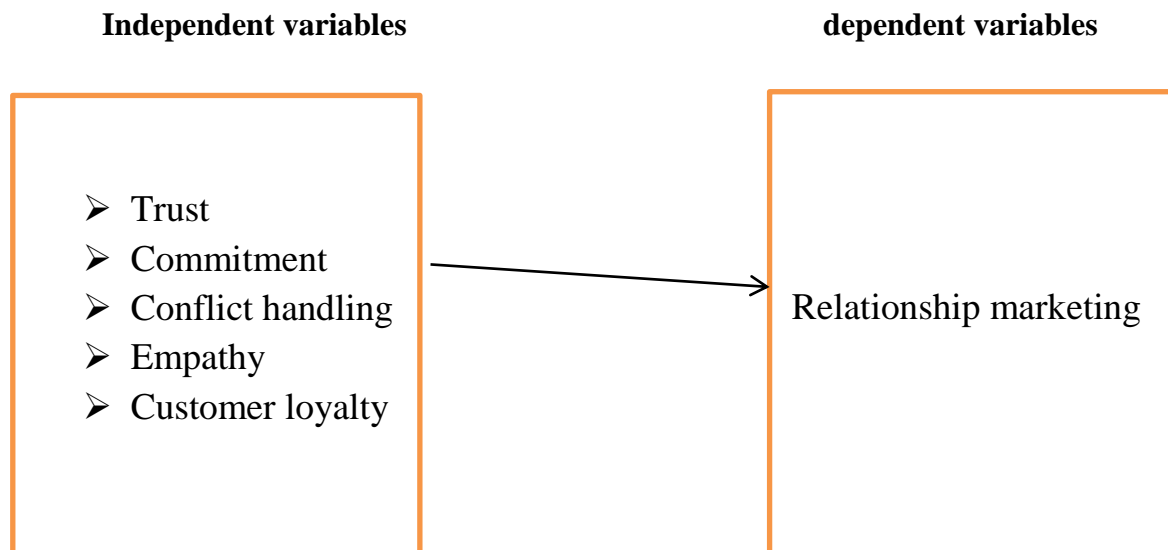
The answers to these questions provide a broad base from which to view relationship marketing theory. First, it is suggested that the prominence of relationship marketing is due not just to the rise of services, technology, and information-oriented firms, but also to the

rise of strategic network competition. Strategic network competition, which involves independent owned and managed firms agreeing to become partners within a network, emphasizes the importance of inter-firm cooperation as a means to compete successfully with other networks. To be successful (both individually and as a network), the firms in a strategic network must become proficient at relationship marketing. Second, relationship marketing theory implies that consumers enter into relational exchanges with firms when they believe that the benefits derived from such relational exchanges exceed the costs. The benefits include:

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

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

Relationship marketing theory concerned on relational factors and their influence on relationship marketing outcomes like:- customer loyalty and relational. The conceptual framework of the research is presented below.



2.3 Identified literature gap

The researcher evaluate articles of different scholars which were investigated in the area of relationship marketing on customer loyalty, trust, empathy, commitment, conflict handling and other specific variables. Most studies had the aim of examining the role of specific variables in the relationship marketing and its impact on the customer loyalty. The researcher also reviewed researches which were conducted in manufacturing company among which some of them had the aim of investigating retention and conflict handling issues. But all most all reviewed literatures were conducted in business sectors and not addressing the issues in water bottling company customer relationship marketing. The researcher did not find any research which was conducted at effects of relationship marketing on customer loyalty to examine the trust, empathy, commitment, conflict handling and customer loyalty. Hence, this research endeavor were try to identify basic factors that affect relationship marketing in the sector and used as a reference for future studies in the same area.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3. Introduction

This chapter provides a Practical method that would be used in order to answer the research questions, study problem and fulfill the objective of the study. It also provide an overview of the research study, a description of the instrument used for data gathering, targeted population, sampling procedure, sources of data used, and methods of data analysis, presentation and interpretation.

3.1 Design of the study area

The study was conducted in water bottling company and its relationship marketing in Gurage zone with 3 different sites. The company's mainly produce bottling water which are distributed to small and medium enterprises and customers.

The study was focused on relationship marketing on customer loyalty to evaluate five basic variables, which are Trust, Empathy, Commitment, conflict handling and customer loyalty. The study targeted employees who work in WOW, OK and Eden water bottling companies.

3.2 Research Approach

According to (Ghauri&Kjell, 2005), There are three research approaches: Quantitative, Qualitative and Mixed, where one of them is not better than the others, all of this depends on how the researcher wants to do a research . Accordingly, a particular type of research design was selected for this study based on worldview assumptions, the nature of the research problem, personal experience and audience of the study.

The researcher used both approach to answer the research questions. This is based on the assumption that both method had deploy to address the research problem and gave better analysis. Moreover, quantitative research was beneficial because it enables the researcher to collect objective and numerical data to apply statistical tools and establishes relationship and causation between variables.

3.3 Research Design

This research work was explanatory in its nature. In addition, it was used some quantitative data from 150 employees/experts. Thus in relation to research approach, this study designed to employed the blend of the two research approaches to be called mixed-method approach to answer the research questions. The quantitative and qualitative approaches are used just to implement the former with the latter, and narrow the gap that could have been created had only one of the approaches been employed. One of the strengths of a mixed method study is that the perceived biases of one research method are mediated by the biases of the other (Creswell, 2003; Meyer, 2004). Bryman (in Jonker and Pennink 2010: 92) states that “. . . in the end when quantitative and qualitative research are jointly pursued, much more complete accounts of social reality can ensue”. Many people, including Robson (2012) and Shimeles (2011), used the same blends of the two approaches to maximize the advantages of it in similar contexts.

3.4 Target population and Sample

The probability sampling technique used in the study was the simple random sampling technique to select the customer from the B2B marketing to take part in in-depth interview and structured questioner. This used to select samples out of the market for this is a technique where respondents are chosen in a random manner based on their expertise on the phenomenon being studied (Bhattacharjee, 2012: 70). The researcher used to identify the customer of the company's by collecting data from the bottling company themselves.

In Gurae zone there are 1317 B2B customers in water bottling company, out of which 329 are selected randomly from the total target population. By considering the scope of the study all the 329 customers are contacted to take part in the study. In this way, totals of the 329 customers were participated in the study.

3.4.2 Sample size determination and sampling technique

Sample size formula use developed by Taro Yamene (1967) $n = \frac{N}{(1+N(e^2))}$ Where, e^2 = error of the sample, n = sample size and N = target population. Random selection applied in taking these samples. (Confidence interval will be 95% it has true effect). Random selection is applied in taking these samples.

$$n = \frac{N}{(1+N(e^2))} n = \frac{1317}{(1+1317(0,05^2))} = 329$$

n= sample size
N= target population
e= residual error

3.5 Data collection Method

The study was used primary data collection procedures which would be directly collected from current customers of the companies through self-administered questionnaires. The choice of using questionnaires as method of data collection has considered the fact that a water bottling company is a very busy business working. So, this method is opted in order to avoid interfere of customer working hours. According to Leary (2004) the major advantages of questionnaires are that they can be administered to groups of people simultaneously, and they are less costly and less time-consuming than other measuring instruments. Interviews are used for those manager related to the study are and documents are reviews as a secondary sources.

3.5.1 Sampling Frame & Sampling Location

The sampling frame sets of source materials from which the sample is selected and its purpose is to provide a means for choosing the particular members of the target population that are to be included in the survey (Anthony 2003). However, sampling location is a place where customers of Gurage zone major water bottling distributor . In this research, source of materials consisted of all professional marketer of bottling water and customers finding in the zone.

3.5.2 Sampling Technique

Hence, depending on the organizational structure and customer location, convenience sampling was used in the study. As Kothari (2004, pp.62) pointed out, convenience sampling technique was applied in order to obtain a representative sample when the population from which the sample to be drawn does not constitute a heterogeneous group. In this study, convenience sampling technique was categorized.

3.6. Methods of Data Analysis and presentation

The specific methods had been applying for the study was survey methods and in-depth interview together with documentary analysis. Therefore, in this study, quantitative data from the questionnaires was analyzed using descriptive statistics.

The rational to use this descriptive statistics was to describe the basic features of the data by using mean and percentage of the analyzed data and inferential statistics for the study and to

provide summaries about the sample and statistical package for social science (SPSS) tool was deployed.

Structured questioner was designed to collect primary data from professionals who took part in company's managers.

Questionnaires had be prepared in English language and translated in to Amharic language to gather data in different academic status participants. The types of questions are open ended & closed items, five points' likers scale and interval for. Questionnaire: Close ended questionnaire in a 5 point liker scales was use to collect data from the sample respondents. The questionnaire has 5 rating scales ranging from **1-Very Low to 5- Very High**. Data gathered through questionnaires was simple and clear to analyses and it allows for tabulation of responses and quantitatively analyzes factors.

3.7 Ethical and viability issues

The researcher keeps confidentiality of the respondent and the researcher assures that any of data that were collected only for the research propose. There for the researcher tries to address the right result stands from the data which is analysis and interpret with Scientific methods.

3.8 Reliability and Validity Test

The data collection instrument is validated with the help of experts with the trust area of relationship marketing and customer loyalty and their comments are incorporated before the data collection instrument is distributed to the respondents. To ensure the data collection instrument's internal consistency reliability test of Cronbach alpha techniques was employed, to measure several Likert-scale questionnaire consistencies.

Table 1.cronbachs Alpha validity and reliability test

N0	Reliability measure	Cronbachs alpha	No of items
1	Trust	.772	4
2	Empathy	.672	4
3	Commitment	.789	3
4	Conflict handling	.518	5
5	Customer loyalty	.815	5
	Reliability test	.713	21
	Validity	324	100%

It is common to see the reliability of instruments used in published science education studies framed in terms of a statistic known as Cronbach's alpha (Cronbach, 1951). Cronbach's alpha provides a measure of the internal consistency of a test or scale; internal consistency is concerned with the interrelatedness of a sample of test items. It is expressed as a number between 0 and 1 (Tavakol and Dennick, 2011). The higher the score, the more reliable the generated scale is. Nunnally(1978) has indicated 0.7 to be an acceptable reliability coefficient. The alpha coefficient for the 21 items in the questionnaire is 0.713 suggesting that the items have relatively good internal consistency and 324 respondents sample size is valid.

4.2 Relationship marketing dimensions

4.2.1 Trust analyses

Trust ensures that the relational exchange is mutually beneficial, as the good intentions of partners are not in doubt. Customers buying services are specially benefited by the existence and development of trust (Berry, 1983).

Table 4.2 trust

CHAPTER FOUR

RESULTS, DISCUSSION AND INTERPRETATION

4. Introduction

In this chapter the researcher analyzed, discussed and interpreted data which are primarily collected from the customers of water bottling company in Gurage zone. Questioners were distributed for 329 customers and 324 of them are collected but 5 questioners are unable to collect. Secondary data gathered from annual report of the company's and from company manager that used triangulated for qualitative data analysis.

4.1 Demographic profile and Background information of the respondent

Table 4.1: Demographic profile and Background information of the respondent

<i>Demographic variables</i>	<i>Items</i>	<i>Frequency</i>	<i>Percent</i>
<i>Age</i>	Below 20	10	3.0
	21-39	247	75.1
	40-59	42	14.3
	Above 60	25	7.6
	Total	324	100.0
<i>Education qualification</i>	Primary	15	4.6
	Secondary	215	66.4
	Diploma	44	13.5
	Degree	41	12.7
	Post graduate	9	2.8
	Total	324	100.0
<i>Gender</i>	Female	47	14.5
	Male	277	85.5
	Total	324	100.0
<i>Length of relationship</i>	Below a year	16	4.9
	1 year	31	9.6
	2 year	196	60.5

	3 year	31	9.6
	4 year	38	11.7
	5 year and above	12	3.7
	Total	324	100.0

(Sources Owen survey 2021)

Age of respondent: Respondent age category analysis from table 4.2 above show that age below 20 years 10 (3.0), age between 21-39 years 247 (75.1), from 40-59 years 42 (14.3) and age above 60 years 25(7.6) respectively.

Regarding to the data discussed below majority of the respondents is age above 21 years. Since, to conclude age characteristics of the respondent are mature to understand relationship marketing concept.

Educational Qualification: In table above presents the qualifications of respondents in which 15(4.6%) are primary, 215(66.6) are secondary, 44(13.5) are diploma holder, 41(12.7) are degree holder and 9(2.8) post graduate accordingly. Therefore, based on the discussion majority of the respondents are secondary school completed. Based on their qualification the researcher push to judge majority of the respondents have knowledge and ability to respond relationship marketing and customer loyalty questions.

Gender of respondent: The above table 4.2 Show that, gender of participant in this survey was 47 (14.5%) female and 277(85.5) accordingly. Therefore from the data to conclude that even if majority of the respondents are male but also relatively females are moderately participated.

Length of relationship: -regarding to years of relationship with water bottling company below a year 16(4.9), 1 year 31(9.6), 2 year 196(60.5), 3 year 31(9.6), 4 year 38(11.7) and 5 years and above 12(3.7) respectively. Therefore, majority of the customer participated in this research are age above 2 years it indicate they have better understanding for bottling company.

4.2 Relationship marketing dimensions

4.2.1 Trust analyses

Trust ensures that the relational exchange is mutually beneficial, as the good intentions of partners are not in doubt. Customers buying services are specially benefited by the existence and development of trust (Berry, 1983).

Table 4.2 trust

No	Item	Mean	SD
1	The industry is consistence in providing quality product	1.91	.811
2	Employee of the industry show respect to customers	1.84	.895
3	The industry fulfills its obligation to customers	1.98	.716
4	Given my experience, the industry can be trusted Completely	1.99	.639
	Aggregate mean	1.93	

(Source own survey 2021)

As described from the above table 4.2 the effects of relationship marketing on customer loyalty with trust perspective, the industry is consistence in providing quality product scored mean value of 1.91 with standard deviation of 0.811, employee of the industry show respect to customer score mean value of 1.84 and standard deviation of 0.895, the industry fulfills its obligation to customers with mean value of 1.98 with standard deviation of 0.716 and given my experience, the industry can be trusted completely mean value1.99 and standard deviation of 0.639respectively. Hence, the aggregate mean value of trusted related factor 1.93 which is low because the weighted average scored between1.00-1.79.

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4.2.2 Empathy analyses

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.

Table 4.3 Empathy

No	Item	Mean	SD
1	Employees of the water bottling deal with customer's in a caring fashion	2.02	0.551
2	Water bottling employees give the individualized attention to customers	2.09	0.684
3	The employees of the industry understand your specific needs	2.07	0.739
4	Water bottling employees have the customer's best interest at heart	2.10	0.759
	Aggregate mean	2.07	

(Source own survey 2021)

From the above table statically data analysis items related to commitments responded employees of the water bottling deal with customers in a caring fashion scored mean value of 2.02 with

standard deviation of 0.551, Water bottling employees give the individualized attention to customers mean value 2.09 with standard deviation of .684, The employees of the industry understand your specific needs mean value of 2.07 with standard deviation of .739 and Water bottling employees have the customer’s best interest at heart scored mean value of 2.10with standard deviation of .759 respectively. Since, Regarding to empathy for relationship marketing in water bottling company in Gurage zone is low and it need improvement.

4.2.3 Commitment analyses

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).

Table 4.4 commitment

No	Item	Mean	SD
1	The industry makes adjustment to suit my needs	2.02	.692
2	I am very committed to continue my relationship with water bottling companies	2.06	.744
3	My relationship with water bottling company is very important to me	1.87	.784
	Aggregate mean	1.98	

(Source own survey 2021)

Based on the above table data analysis for commitment practices of water bottling company from respondent responses, the industry makes adjustment to suit my needs mean value of 2.02 with SD of .692, I am very committed to continue my relationship with water bottling companies resulted mean value of 2.06 with SD of .744, My relationship with water bottling company is

very important to me mean value 1.87 with SD of .784. Therefore, the aggregate mean value 1.98 implies there is moderate commitment in selective water bottling company in Gurage zone. .

4.2.4 Conflict handling analyses

According to Dwyer (1987) defined conflict handling as the ability of each supplier to minimize the negative consequences of manifest and potential conflicts.

Table 4.5 conflict handling

No	Item	Mean	SD
1	Water bottling companies tried to avoid potential conflict	2.13	0.810
2	Water bottling companies has the ability to openly discuss solutions when problems arise	2.08	0.775
3	Water bottling companies shows a sincere interest in solving customer problem	2.00	0.785
4	The industry clearly communicates to you about how and where to	1.98	0.575
5	The industry gives your prompt response for your complaints	1.94	0.634
	Aggregate mean	2.02	

(Source own survey 2021)

In the above table data present for conflict handling respondent responses for Water bottling companies tried to avoid potential conflict mean value of 2.13 with s. deviation of .810, water bottling company has the ability to openly discuss solutions when problems arise mean value 2.08 with s. deviation of .775, Water bottling companies shows a sincere interest in solving customer problem mean value 2.00 with s. deviation of .785, the industry clearly communicates to you about how and where to mean value 1.98 with s. deviation of .575 and The industry gives your prompt response for your complaints has mean value of 1.94 and s. deviation of 0.634 respectively. Hence, aggregate mean 2.02 reflect respondent response implies there is a low conflict handling practice in the selective water bottling company.

4.2.5 Customer loyalty

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.

Table 4.6 customer loyalty

No	Item	Mean	SD
1	WOW, OK and Edean Water bottling companies is the first to comes to my mind when making purchases decision.	2.18	0.844
2	I am a loyal customer to water bottling companies	2.11	0.911
3	I would always recommend water bottling to someone who seeks my advise	2.19	0.929
4	Even if close friends recommended another industry, my preference for water bottling would not change	2.15	0.830
5	I have a strong relationship with the industry.	2.15	0.918
	Aggregate mean	2.15	

(Source own survey 2021)

In the above table data discussion respondent responses for effects of customer loyalty on relationship marketing item were , Water bottling companies is the first to comes to my mind when making purchases decision scored mean value of 2.18 with SD of 0.844, I am a loyal customer to water bottling companies resulted for mean value of 2.11 with SD of 0.911, I would always recommend water bottling to someone who seeks my advice mean value of 2.19 with SD of 0.929, even if close friends recommended another industry, my preference for water bottling would not change mean value of 2.15 with SD of 0.830and I have a strong relationship with the industry scored mean value of 2.15 with SD of 0.918 consecutively. The aggregate mean value for customer loyalty scored 2.15implies there is low customer loyalty on selected water bottling company.

4.2.6 Grand summary of relationship marketing for customer loyalty

Table 4.7 summary for relationship marketing

No	Item	Mean
1	Trust	1.93
2	Empathy	2.07
3	Commitment	1.98
4	Conflict handling	2.02
5	Customer loyalty	2.15
	Grand mean	2.04

(Source own survey 2021)

According to the above table effects of relationship marketing data analyses for trust mean value scored 1.93, empathy mean value resulted 2.07 , commitment mean value 1.98, conflict handling mean value of 2.02 and customer loyalty scored mean value of 2.15 respectively. Therefore, overall data description analysis scored mean value 2.04 is there is great gap between relationship marketing and customer loyalty. Empathy, conflict handling and customer loyalty need improvement between water bottling customer and selected bottling companies.

4.8 Correlation analyses

Correlation coefficient of Pearson was deployed to study the relation between constructs. The results are listed in the following table. According to Ratner (2014) correlation Values between 0 and 0.3 (0 and -0.3) indicate a weak positive (negative) linear relationship via a shaky linear rule, Values between 0.3 and 0.7 (-0.3 and -0.7) indicate a moderate positive (negative) linear relationship and values between 0.7 and 1.0 (-0.7 and -1.0) indicate a strong positive (negative) linear relationship via a firm linear rule. Therefore, in this study all correlation results are interpreted in light of this rule. The following table shows the relationship between relationship marketing and its constructs.

Table 4.8 correlation analyses

Correlations

		Trust	Empathy	Commitment	Conflict handling	Customer loyalty
Trust	Pearson Correlation	1	.210**	.126*	.148**	.056
	Sig. (2-tailed)		.000	.023	.008	.314
	N	324	324	324	324	324
Empathy	Pearson Correlation	.210**	1	.373**	.114*	.096
	Sig. (2-tailed)	.000		.000	.040	.084
	N	324	324	324	324	324
Commitment	Pearson Correlation	.126*	.373**	1	-.002	.006
	Sig. (2-tailed)	.023	.000		.978	.915
	N	324	324	324	324	324
Conflict handling	Pearson Correlation	.148**	.114*	-.002	1	.024
	Sig. (2-tailed)	.008	.040	.978		.673
	N	324	324	324	324	324
Customer loyalty	Pearson Correlation	.056	.096	.006	.024	1
	Sig. (2-tailed)	.314	.084	.915	.673	
	N	324	324	324	324	324

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

* . Correlation is significant at the 0.05 level (2-tailed).

(Source own survey 2021)

The above correlation matrix result presented below the relationship marketing and its constraint.

Based on the above table there is positive relationship between trust and empathy with correlation coefficient of .210 there is weak positive relationship between trust and empathy and it is statistically significant. Relationship between trust and commitment with correlation value of 126 show that there is weak positive relationship and significant, relationship between trust

and conflict handling correlation value .148 show that there is weak positive relationship between trust and conflict handling and it is statistically significant at 0.05, the relationship between trust and customer loyalty is correlation value of 0.056 show that it is weak positive relationship between trust and customer loyalty and it is statistically significant at 0.05 the value correlation between empathy and commitment is .373 show that significant moderate relationship, the value correlation between empathy and conflict handling is .114 show that significant positive weak relation, the value correlation between empathy and customer handling is .096 show that significant positive weak relation, the value correlation between commitment and conflict handling is .002 show that significant negative weak relation, the value between commitment and customer loyalty is .006 show that significant positive weak relation, the value between conflict handling and customer loyalty is .024 show that not significant positive weak relationship.

4.9 Regression analyses

Table 4.9 model summary

Model Summary			
Model	R Square	Adjusted R Square	Std. Error of the Estimate
1	.991	.991	.025

a. Predictors: (Constant), Customer loyalty, Commitment, Conflict handling, Trust, Empathy

(Source own survey 2021)

The R square value in the mode summary show that the degree of variance in the dependent variable (relationship marketing) which is explained by the model the R square value .991 indecat that the relationship marketing construct explain 99.1% of the variance in customer loyalty. Based on the above result we can say when relationship marketing increase by 1 unit customer loyalty increase by .991 in selective water bottling company in Gurage zone.

$$Y = \beta X_1 + \beta X_2 + \beta X_3 + \beta X_4 + \beta X_5 + e$$

$$Y = \text{Trust} + \text{Empathy} + \text{Commitment} + \text{Conflict handling} + \text{Customer loyalty}$$

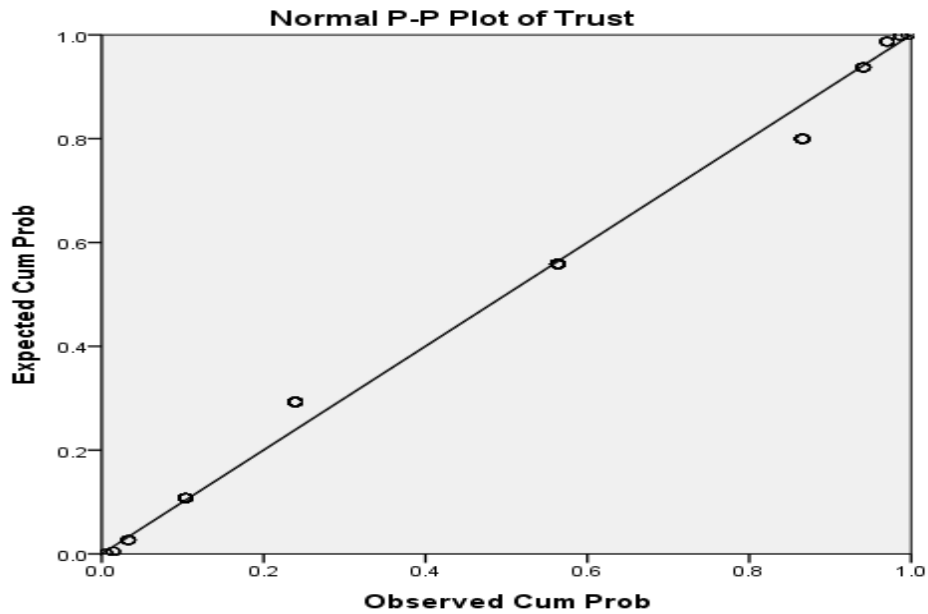
Table 4.10 Normality test for Trust
Estimated Distribution Parameters

		Trust	Empathy	Commitment	Conflict handling	Customer loyalty
Normal	Location	2.95	2.07	2.63	2.03	2.16
Distribution	Scale	.361	.421	.582	.422	.672

(Source own survey 2021)

From the above table result reported that data normally distributed with the location between 2 and 3 and its standard scale is fit.

Chart 1 normal P-P plot



To visualize the fit of the normal distribution, test the probability plot and examine how closely the data points follow the fitted distribution line. Normal distributions tend to fall closely along the straight line and number of observation (5 observations for RM) is linearly acceptable.

In the above probability plot, the data form an approximately straight line along the line. The normal distribution appears to be a good fit to the data because its p-value is <0.05. In Standardized residual the variables are normally distributed.

Table 4.11 ANOVA test

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.546	5	4.509	7341.122	.000 ^b
	Residual	.195	318	.001		
	Total	22.741	323			

a. Dependent Variable: Relationship marketing

b. Predictors: (Constant), Customer loyalty, Commitment, Conflict handling, Trust, Empathy

(Source own survey 2021)

In the above ANOVA table F value 7341.122 which is significant with p value of p <0.001. This implies that all independent variables taken together as a set are significantly related to dependent variables.

4.13 Multi -co linearity

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Co linearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.768	.352		5.021	.000		
	Trust	.046	.099	.027	.462	.644	.935	1.0
	Empathy	.164	.098	.103	1.676	.095	.824	1.2
	Commitment	-.041	.069	-.035	-.589	.557	.857	1.1

Conflict handling	.012	.090	.007	.132	.895	.964	1.0
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a. Dependent Variable: Customer loyalty

Co linearity Diagnostics

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions				
				(Constant)	Trust	Empathy	Commitment	Conflict handling
1	1	4.897	1.000	.00	.00	.00	.00	
	2	.047	10.259	.00	.01	.06	.35	
	3	.026	13.724	.00	.01	.67	.56	
	4	.022	14.792	.07	.32	.27	.03	
	5	.008	24.873	.93	.66	.00	.05	

a. Dependent Variable: Customer loyalty

(Source own survey 2021)

Multi co linearity analysis is helps to understand inter co linearity problems between variables. To test multi co linearity problems tolerance value must be greater than 0.2, variances inflation factors (VIF) must be less than 5 and condition index values must be less than 15 accordingly. In this study independent variables such as trust, empathy, commitment and conflict handlings are tolerance values have greater than 0.2, hence there is no multi co linearity problems between variables. Variance inflation factors (VIF) also less than 5 and condition index of each variables have less than 15. Therefore, there are no multi co linearity problems between variables.

4.14 linearity test

Residuals Statistics

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.99	2.47	2.16	.071	324
Residual	-1.049	2.654	.000	.669	324
Std. Predicted Value	-2.382	4.388	.000	1.000	324
Std. Residual	-1.558	3.944	.000	.994	324

a. Dependent Variable: Customer loyalty

(Source own survey 2021)

The variables for RM over customer loyalty are perfectly linear over independent variables. Perfectly linear effect on both(x and y) axis and randomly distributed in the scatterplot.

Therefore, to attain the above stated objectives of the study the major determinants of relationship marketing over customer loyalty are trust, empathy, commitment and conflict handling.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5. Introduction

In this chapter the researcher present summary of the study related to effects of relationship marketing on customer loyalty, conclusion and addressing recommendation based on the finding during result discussion in chapter four.

5.1 summary

The purpose of this study is to assess the effect of relationship marketing on customer loyalty in case company and how to improve the relationship marketing for customer loyalty. There are different literatures related to the concept of relationship marketing. As revised in the literature part, relationship marketing has different benefits like: to increase cooperative, and collaborative advantage, reduce cost and to increase trust among partners.

Water bottling company customers' relationship marketing practice evaluated through the relationship between RM dimensions of trust, commitment, conflict handling and empathy and its effect on customer loyalty. In addition to this the performance of RM examined through customer satisfaction to achieve the ultimate goal of effective relationship marketing.

Based on the quantitative and qualitative data analysis, discussion of results with respect to the basic questions, the following are the summary of major findings of this study. The degree of relationship marketing over customer loyalty of Gurage zone bottling company is leveled to be moderate, who is characterized by the company less to fulfill its obligation to customers and Water bottling employees give less individualized attention to customers across the RM. The descriptive analysis and interview with management bodies has verified the prevalence of these characters of ineffective way of relationship marketing.

With look upon to trust, the descriptive data and interview analysis conveys that, there is moderate consistence in providing quality product, respect to customers, fulfill its obligation to customers and experience.

Empathy practices of the case company for its customer is low in a caring fashion, attention to customers, understand your specific needs and employee have the customer's best interest at heart.

Concerning with commitment and conflict handling there is moderate on makes adjustment to suit my needs, committed to continue my relationship with water bottling companies, relationship with water bottling company is very important to me, tried to avoid potential conflict, the ability to openly discuss solutions when problems arise, water bottling companies shows a sincere interest in solving customer problem, the industry clearly communicates to you about how and where to and industry gives your prompt response for your complaints.

Examined factors on customer loyalty also resulted low in water bottling companies is the first to comes to my mind when making purchases decision, loyal customer to water bottling companies, always recommend water bottling to someone who seeks my advice, Even if close friends recommended another industry, my preference for water bottling would not change and have a strong relationship with the industry.

Among the possible challenges of RM, trust, empathy, commitment, conflict handling and customer loyalty Appeared as the major factors for customers with mean values of 1.93, 2.07, 1.98, 2.02 and 2.15 respectively.

In general the water bottling company on customer loyalty is moderate. Aggregate results of trust, empathy, commitment, conflict handling and customer loyalty have scored group mean value of 2.04 which is the lowest mean values.

To understand the relationship between dependent variable over independent variable correlation analysis was deployed and ensure all variable are positively related each other. Under normality test, the independent variables are normally and linearly distributed around the straight line of dependent variable.

5.2 Conclusion

The study was conducted to find out effects of relationship marketing on customer loyalty in Gurage zone selective water bottling company. In addition to this discover the performance of RM practices and factors that influence customer loyalty.

With regarding to relationship marketing on customer loyalty major effects are trust, empathy, commitment and conflict handling are effectively measure relationship marketing practice in the case company. Within the quantitate analyses of company's customer trust, it is conclude that the company has not develop customer trust to ensure relationship marketing. Evaluated relationship marketing element such as empathy, commitment and conflict handling are also resulted moderate. Therefore the Gurage zone selective water bottling company improves their customer relationship through performing empathy, commitment to satisfy during service delivering and effective conflict handling.

5.3 Recommendations

Findings of scholars in relationship marketing stated that at the center of relationship marketing paradigm is the nation that making existing customer essential for long-term profitability. Every organization is working for profit to establish and maintain competitive advantage in the market is curial that retain customer by developing relationship with them. So, even the data are collected from selected bottling water company in Gurage zone, the recommendation can be applicable for water bottling company in Ethiopia.

Based on the result of the study water company should be retain and develop loyal customer through:-

- ✓ To improve determinates of relationship marketing in natural water bottling employee of the industry show respect to customers and the industry fulfills its obligation to customers.
- ✓ Intervention to improve customer loyalty water bottling employees give individualized attention to customers and employees of the industry understand specific needs of their customer.
- ✓ Based on the examined data the industry makes adjustment to suit customer needs and satisfy its customer to continue good relationship with water bottling companies.
- ✓ To install relationship marketing on customer loyalty companies have developed ability to openly discuss solutions when problems arise and show sincere interest in solving customer problem.
- ✓ Based on the descriptive data analysis the companies improve customer loyalty to get competitive advantage in the market and to make preferable brand on customer mindset.

5.4 Future research

The scope of this research was examine and identify effects of relationship marketing on customer loyalty on customer of selective water bottling company in Gurage zone.

The result of this research not sows the level of relationship marketing performance over customer loyalty in the water bottling company of Gurage zone. Therefore, it is better to other researcher investigate correlation b/n customer loyalty on RM challenge on its performances. It is important to improve customer handling for sustainable profit of the companies.

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Appendix 1

WOLKITE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT
MBA PROGRAM

A questionnaire to be filled by Water bottling companies 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 Business administration. 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 water bottling companies in Gurage zone. It focuses on the effects of RM on customer loyalty: the case of water bottling companies. 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 21-39 years 40-59 years 60 years and above
- 3. Education qualification: primary secondary diploma degree postgrad others

4. Length of relationship: below a year 1 year 2 years 3 years 4 years 5 years 5 years

Part II

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

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

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

12	Water bottling companies tried to avoid potential conflict					
13	Water bottling companies has the ability to openly discuss solutions when problems arise					
14	Water bottling companies shows a sincere interest in solving customer problem					
15	The industry clearly communicates to you about how and where to complain in case of a problem					
16	The industry gives you prompt response for your complaints					

Customer Loyalty						
17	Water bottling companies is the first to comes to my mind when making purchases decision .					
18	I am a loyal customer to water bottling companies					
19	I would always recommend water bottling to someone who seeks my advise					
20	Even if close friends recommended another industry, my preference for water bottling would not change					
21	I have a strong relationship with the industry.					

22. What makes your relationship strong or weak?

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

Thank you for your cooperation!

