

**INFLUENCE OF RELATIONSHIP MARKETING ON CUSTOMER LOYALTY IN
PETROLEUM FIRMS IN NAIROBI, KENYA**

By

PERIS SOI

D61/8104/2017

SUPERVISOR

DR. CATHERINE NGAHU

**A RESEARCH PROPOSAL PRESENTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF
NAIROBI**

SEPTEMBER 2018

DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

Signature.....Date.....

PERIS SOI

D61/8104/2017

This research project has been submitted for examination with my approval as University supervisor.

Signature

Date

DR. CATHERINE NGAHU

School of Business

University of Nairobi

TABLE OF CONTENTS

DECLARATION	ii
LIST OF TABLES	v
ABSTRACT.....	vi
CHAPTER ONE : INTRODUCTION.....	1
1.1 Background of the Study	1
1.1.1 Relationship Marketing	3
1.1.2 Customer Loyalty	4
1.1.3 Oil and Gas Sector in Kenya	5
1.2 Research Problem	6
1.3 Research Objective	9
1.4 Value of the Study	9
CHAPTER TWO : LITERATURE REVIEW.....	11
2.1 Introduction.....	11
2.2 Theoretical Framework.....	11
2.2.1 Social Exchange Theory.....	11
2.2.2 Relationship Marketing Theory	12
2.2.3 Commitment – Trust Theory.....	13
2.3 Relationship Marketing and Customer Loyalty.....	14
2.3.1 Trust and Customer Loyalty.....	15
2.3.2 Commitment and Customer Loyalty	16
2.3.3 Communication and Customer Loyalty	17
2.3.4 Conflict handling and Customer loyalty	17
2.3.5 Promise Fulfilment and Customer Loyalty	18
2.4 Summary of Literature and Research Gap.....	19
CHAPTER THREE : RESEARCH METHODOLOGY	20
3.1 Introduction.....	20
3.2 Research Design.....	20
3.3 Target Population.....	21
3.4 Sample and Sampling Techniques	21

3.5 Data Collection	22
3.6 Data Analysis	22
CHAPTER FOUR.....	23
DATA ANALYSIS, RESULTS AND DISCUSSION.....	23
4.1 Introduction.....	23
4.2 Demographic profile	23
4.3 Relationship Marketing Practices	26
4.3.1 Trust	26
4.3.2 Commitment.....	28
4.3.3 Communication	29
4.3.4 Conflict Handling.....	31
4.3.5 Promise Fulfilment.....	32
4.4 Customer Loyalty.....	33
4.5 Effect of Relationship Marketing On Customer Loyalty.....	34
CHAPTER FIVE : SUMMARY OF FINDINGS, CONCLUSION, LIMITATIONS AND RECOMMENDATIONS.....	37
5.1 Introduction.....	37
5.2 Summary of the Findings.....	37
5.3 Conclusion	38
5.4 Limitation of the Study	39
5.5 Recommendations for Policy and Practice	40
5.6 Suggestion for Further Research.....	41
REFERENCES	42
Appendix I: QUESTIONNAIRE	45
Appendix II: Major Petroleum and Gas firms in Kenya.....	48

LIST OF TABLES

Table 4.1 : Background Information.....	24
Table 4.2: Trust.....	27
Table 4.3: Commitment	28
Table 4 4: Communication.....	30
Table 4.5: Conflict Handling	31
Table 4 6: Promise Fulfilment	32
Table 4.7: Customer Loyalty	34
Table 4.8: Regression Coefficient.....	35
Table 4.9: Model Summary	36

ABSTRACT

The increased level of competition and regulatory conditions has called for a strong firm-customer relationship. Building of strong customer relation will foster acquisition of valuable resources that will give a firm an insight into marketing intelligence that will help in marketing decision making and therefore remain competitive in the face of unrivalled competitive pressures that characterize the present-day operating environment. A strong customer-firm relationship is expected to affect how a consumer views its relationship with the firm and grow the level of trust between the two parties and consequently the level of customer loyalty. As a result, the study sought to determine the influence of relationship marketing on customer loyalty of consumers of Petroleum firms in Nairobi, Kenya. Towards the realization of the research objective, the researcher utilized the social exchange theory, relationship marketing theory and commitment-trust theory to anchor the study. The identified relationship marketing constructs that the research used include trust, communication, commitment, and problem solving and promise fulfilment. The study used descriptive research design with the target population being 20 registered petroleum companies registered with the Energy Regulatory Authority (ERC). Stratified sampling technique was employed to pick the target respondents. The data collection instrument was a questionnaire that was distributed using a drop and pick later approach. Data was analysed using the descriptive measures, while the relationship was determined using a regression equation. The findings suggest existence of positive effects of customer relationship dimensions (trust, commitment, promise fulfilment, communication, and conflict resolution. However, from the findings, commitment and communication variables were insignificant while the other three variables were found to significantly influence customer loyalty. The study concluded that greater consumer marketing relationship orientation not only yield higher loyalty quality but also result in better relationship continuity. The limitation of the study included non-exhaustive list of independent variables as well as the cross-sectional nature of the study and consequently a longitudinal research design was recommended to further validate the study.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

It is evident that paying attention to the needs of customers, preserving sustainable customer relationship and their needs and, understanding consumers' purchasing behaviour and sequence has become a key goal of marketers in the present-day competitive business environment to maintain a competitive advantage (Sandra, Susana & Maria, 2017). The company as well as its customers will realize superior benefits if measures that support building of strong customer relation are put in place. In particular, firms will benefit from efficient customer relation through acquisition of valuable resources that will enhance strategic marketing procedures and related decision making. Therefore, as Ndubisi (2014) suggest more and more firms are focusing on developing a strong firm-customer relationship as a way to retaining their customers and improving customer satisfaction. Maintaining customer loyalty in a competitive business environment is not however an easy task to a firm because the level of service offering should be high to gain necessary customer loyalty. Due to the high frequency level of customer interactions and intangible condition of activities in service industry, the relationship marketing strategy is considered exceptionally important (Chen & Hu, 2013).

The study will be anchored on three theories namely; Social Exchange Theory (Homans, 1958), Relationship Marketing Theory (Alexander, 1998) and Commitment-Trust theory (Morgan & Hunt, 1994). Social Exchange Theory suggests that people have the heart to remain in relationships because of the rewards that they expect and would voluntarily expect to be rewarded from such relationships. Therefore, the continuance existence of a party in a relationship is based on the social benefit that is expected from the relationship and other attainable objectives. Relationship marketing theory argue that the aim of a relationship

marketing is to create an interactive relationship with existing customers and potential customers with a view to creating a long-term relationship and generate adequate returns. Commitment –Trust theory argue that foe health relationship, there is need for a commitment and trust between the parties in order for the relationship to last. The partners will therefore expend more energy.

The petroleum industry in Kenya has become quite competitive because of the increased number of Oil marketers operating in Kenya that currently stands that over 60, but also because of the capping of fuel prices. An oil firm competitive advantage is no longer based on the pricing decision but rather on the strength of the relationship between an oil marketer and the customer. Therefore, it becomes imperative that a research be undertaken to establish the impact of relationship marketing on customer loyalty of the petroleum firms of Kenya.

As a result, relationship marketing as attracted a handful of interest from various organizations. Therefore, firms are emphasising on building a strong relationship between customers and the firm (Ndubisi, 2014). However, an efficient relationship-marketing technique can be determined by its impact on performance basing on the quality of interactions of the parties involved in the relationship hence, the quality of relationship is a paramount aspect in relationship marketing strategy (Gwinner et al., 2008). With regard to the above, relationship marketing has gained growing interest in both practical and theoretical marketing. The unique characteristic of relationship marketing approach is not only evidenced by enhanced profitability and company's ability to retain customers, perhaps it also facilitates a sustainable competitive advantage of a firm which is a feature that competitors cannot easily duplicate in service industry due to its intangible nature (Reichheld & Sasser, 2000).

1.1.1 Relationship Marketing

Snehota (1995) defined the concept of relationship marketing as interactions that are basically dependent on mutual benefits between two related firms in an active business environment. In respect to the marketing perspective Grönroos (2000), pose it that relationship is established when a client perceives that a mutual interest exists between a service provider and a customer. Similarly, et al (2002) characterized relationship marketing as a technique that enhances and coordinate activities among people, functional procedures, information and innovation that generates positive results for clients every single time that they come into contact or transact business with a firm. Walsh et al (2010), on their understanding of relationship marketing postulates that, it is an attempt by firms to promote attraction, interaction with, and retention of more important or high valuable customers. In the same lines, Saunders, Kotler, and Armstrong (2001) describe relationship marketing as an activity comprising of establishment, sustaining, and enhancing bold relationships with specific stakeholders and clients. It is therefore evident from the definitions that the objective of relationship marketing is to establish a sustainable relationship that will lead to long term efficient delivery of service to customers and enhanced firm performance based on customer satisfaction.

Chattananon and Trimetsoontorn (2009) identified constructs that define relationship marketing and suggest that the objectives include improved customer satisfaction, customer delight and loyalty. Further, improved trust, commitment, co-operation, communication, and shared values constitute the constructs of relationship marketing. Rapp and Collins (2010) therefore suggest that the objectives of relationship marketing are to establish and maintain sustainable relationships between customers and the firm in which the resulting benefit will be of mutual gain in which the key goal is to enhance customer loyalty. Sheth and Parvatiyar (2005) similarly backs the same sentiments and suggests that relationship marketing entails

on creating, maintaining and retaining customers. However, in view of a firm, Ndubisi (2014) opine that efficient strategies of relationship marketing enables firms to gain access to important information regarding the needs and interests of customers, increased profitability, cost minimization and mutual rewards. Reichheld (2003) suggests that within a period of five years, 5% accounted increase in retention of customers will result into company's increase in profitability by 60%. More so, under certain circumstances, relationships that has last for a longer period of time will facilitate the nature of interactions and as a result reduce the cost of creating new relationship or maintaining the existing one.

1.1.2 Customer Loyalty

From a firm's strategic position point of view, customer loyalty is an important goal that if well managed, will result into a long-lasting competitive advantage. Chaudhuri and Holbrook (2001) posit also that loyalty of clients enhances business value addition while reducing the cost of operation and additional suggestion is that success of a business is dependent upon customer loyalty. Oliver (1999) define customer loyalty as a deeply held commitment to constantly re-buy or re-patronize a specific product or service in the future, resulting in repetitive consumption of the same brand. According to Aaker (1991), customer loyalty is the customer's level of attachment to a brand. David and Chan (2008) characterized customer loyalty as a total commitment shown by a customer to continuously purchasing a particular brand despite other measures that may distract the attention of a customer away from the brand being in place. According to Oliver (1999) customer loyalty is characterized by three types of behaviour, namely; the ability to have a repeat purchase, customer's attitude toward the company as reflected by their attitude and preference and commitments towards the product and advocate it to other consumers.

Reicheld (2011) highlight that customer loyalty boost income and enhances the process of operation within the company due to continuous support registered from loyal customers who, despite of increased prices of commodities as a result of inflation, will continue consuming company's products. Additionally, the cost that would however be incurred in attracting new clients will be reduced as Mayzlin and Godes (2004) argue, drawing the attention of new customers into the firm has been reduced by five times in comparison with the existing ones. Consequently, customer loyalty has been realized to be an outstanding measure that allows companies to establish an optimized economic advantage. Generally, emphasis on customer loyalty was established while investigating variables that affect customer satisfaction. However, Fornell and Wernerfelt (2012) show that there is no a tangible relationship between customer loyalty and customer satisfaction. Indeed, research implies that 65% - 85% of clients will shift, despite the high quality of products and services that meets their demand. Similarly, it should therefore be considered that satisfaction will at some point and magnitude affect the level of customer loyalty.

1.1.3 Oil and Gas Sector in Kenya

The petroleum industry in Kenya is one of the competitive industries in the country. Considering that Kenya imports all its petroleum and gas products to serve both the country and neighbouring countries, the business opportunities present has attracted more than 60 companies though 5 of the major oil companies control close to 75% of the Kenyan market (GoK, 2017). The major oil players include Vivo energy (28%), Total (K) Ltd (23.1%), KenolKobil (9.9%), National Oil (7.4%), Oil Libya (7.2%) while the other players take up the remaining 24.4% of the market share. The list of the major Petroleum and gas marketers that the research will concentrate on and operate in Nairobi is provided in Appendix I.

Petroleum is an important source of energy, not only in Kenya but globally. In Kenya for example 68% of primary energy consumption is through petroleum products and as the economy grows, it can be expected that the demand of energy will increase (Deloitte, 2016). Indeed, according to the ministry of Energy projections, if the economic growth rate projections of 10% are attained to realise the Vision 2030, the demand for petroleum is projected to increase from the current 4.5 million MT to 12 million MT by 2030. Considering that at present, Kenya is a net importer of petroleum products, the sector accounts currently of 30% of Kenya's' net imports.

The challenges facing the Oil and gas industry in Kenya include inadequate and aging petroleum infrastructure that currently holds only 10 days of operational stock cover, a lack of a strategic petroleum stocks and that the petroleum infrastructure is concentrated in the southern part of the country, a situation that lead to massive trucking of the product to the rest of the country and the neighbouring countries. As a result of these challenges, several investment opportunities exist in the Kenyan petroleum and gas industry. These opportunities include heavy machinery supply, financing, construction, logistics and lifting equipment as well as accommodation and camp services.

1.2 Research Problem

A strong firm-customer relationship has become a necessity because of the strong competition defining the current market environment with the position further being supported by existing trends in emerging businesses. Under such an environment, Ndubisi (2014) reports that increasing number of firms are emphasizing on strategies that focuses on firm-customer relationship to establish appropriate measure on how to deliver services to customers in the best possible way to avoid losing customers to other rival firms. Building of strong customer relation will foster acquisition of valuable resources that will give a firm an insight into marketing intelligence that will help in marketing decision making. Therefore, the

understanding of the influence of relationship marketing on customer loyalty is important to determine the future direction of a firm will take (Fornell & Wernerfelt, 2012). This is because it is publicly accepted that the nature of relationship between parties in terms of intensity and permanence is dependent upon its quality which determines the influence of relationship-marketing activities.

The working condition of petroleum companies in Kenya today is under rapid changes basing on competitiveness of the market environment. The management of petroleum firms should appreciate the significance of creating strong connections with clients to guarantee long term core revenues and sustainable profitability. In addition, the pricing of petroleum products in Kenya is fixed by the government on monthly basis and therefore, price differentiation is no longer a strategy that will attract customers to a petrol station. Rather, establishment of a robust relationship between customers and the firm might be the way to go under such a business environment. Indeed, in the last decade in Kenyan petroleum market, there has been a big change in operation especially when firms handle their esteem suppliers and customers. The resulting change is as a result of realization that global economy's competitive advantage is achieved only when companies are entrusted from different angles of business. Accordingly, relationship marketing has materialized into a strategy that has been adopted by various companies with the perception of creating and maintaining a sustainable connection between customers and other significant stakeholders in the firm. Therefore, management strategy that employs customer relationship marketing has been deemed significant and effective among various companies.

A number of studies have been conducted in a relation to the relationship marketing. Sharifi and Esfidani (2014) investigated the impact of impacts of relationship marketing on cognitive dissonance, satisfaction, and loyalty of supermarket chain consumers in Iran. The findings

were that relationship marketing has a positive significant relationship cognitive dissonance especially in the stage of post-purchase. Saaty, Al-Hersh, and Aburoub (2014) researched on the influence of customer relationship marketing on customer satisfaction among the Arab banking sector. It was evident from the study that relationship marketing had an increasingly high impact on customer satisfaction. Nyadzayo & Khajehzadeh, (2016) investigated the background of customer loyalty; a temperate intervention model of management quality of brand image and customer relationship. The study finding was that there exists an indirect impact of customer satisfaction on client loyalty although customer relationship management quality is adequately strong when perceived image of a brand is high as compared with when it is low.

Waiganjo (2012) investigated the impact of relationship marketing on financial performance of large supermarkets operating in Nairobi, Kenya. The findings show that communication, customer feedback, sales support services, after sales services and loyalty programs were found to positively influence the performance of supermarkets in Nairobi, Kenya. Various components of relationship marketing have a positive influence on the various performance indicators of large supermarkets. Maina (2016) sought to establish the effect of relationship marketing on sustainable competitive advantage in large Pre-hospital service companies in Kenya. The research found that relationship marketing results in enhancement of organizational processes and understanding of customer behaviour which eventually leads to increase in organizational competitive advantage. Njagi (2017) researched on the influence of strategic relationship marketing on customer loyalty of selected large beauty salons in Nairobi, Kenya. The study suggests that trust, communication and quality as aspects of relationship marketing resulted in increased customer loyalty among the customers of the saloon businesses.

From the review of the above studies, it is agreed that indeed the relationship marketing strategy and its influence on consumer characteristics has attracted many research studies in different industries. However, the dynamics of different industries vary in terms of level of competition, pricing, regulatory framework and type of clientele. However, though studies have been undertaken to try and establish the link between relationship marketing and customer loyalty in the banking industry and saloon business in Nairobi, the two sectors regulations differ because unlike the petroleum industry products whose main product, fuel is regulated, the other sectors prices are liberalized and therefore the nature of marketing relationship differ. As a result of the gap, this research sought to answer the following research question; what is the influence of relationship marketing on consumer loyalty of Petroleum firms in Nairobi, Kenya?

1.3 Research Objective

To determine the influence of relationship marketing on customer loyalty of Petroleum firms in Nairobi, Kenya

1.4 Value of the Study

This study is of significance to managers that use the list of relationship marketing strategies to establish what features of their marketing tactics and activities should be improved to enhance the firm's consumer loyalty. Managers can utilize the measurement of RM strategies to develop not only the firm's marketing strategies, but also its impact on customer satisfaction in terms of customer effectiveness, financial criteria and cost efficiency.

Besides, managers are able to identify better customer loyalty to ensure that their petroleum firms not only save on costs but improve on product and service innovations with an aim of enhancing customer loyalty especially in a price control regime.

The study improves on the theory of customer loyalty and satisfaction by addressing the manifold divergent views relating to consumer satisfaction by discussing the multidimensional construct of relationship marketing through expanding the earlier works by scholars. The research also facilitates theory building by further discussing the different forms of consumer loyalty and how relationship marketing influences the same. This facilitates greater indulgent of how the different studies on these diverse constructs connect to one another. The differentiation allows managers to determine strategically the kind of projects that require implementation priority within their marketing function under different operating condition.

The study also is of significance to the future scholars since it forms a body of literature that other scholars who have expressed potential interest in investigating the same aspect or related topics can refer to. Through suggestion for further research and recommendation, future researchers find the study of importance since it establishes areas for further research in the domain of marketing relationship.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter expounds on the literature associated to the research objective which is to establish the influence of relationship marketing on consumers' loyalty of petroleum firms in Nairobi, Kenya. The section covers theories that underlie the study which include Social Exchange Theory, Relationship Marketing Theory and Commitment-Trust theory. Further, the chapter covers the effect of relationship marketing on consumer loyalty.

2.2 Theoretical Framework

Davidson (2008), assert that a theory is a lay down of suitably argued concepts intended to clarify a condition by specifying laws that links the variables to each other. It is a collection of interrelated ideas based on theories.

2.2.1 Social Exchange Theory

Social exchange theory (SET) was promulgated by Emerson (1976) and postulates that when individuals interact over time, they experience the need to reciprocate support and assistance for each other (Maslachvet *al.*, 2011). SET theory argues that when relationships evolve over time, it results in improved level of trust, loyalty and mutual commitments as long as the parties abide by certain "rules" of exchange. One way that customers can repay the seller for quality product or service offering is through extending their loyalty to the company. That is, customers will opt to involve themselves to changing degrees and in response to the level of service that they receive from a business. Establishment of a relationship between a firm and customer that will increase quality of service, customer service and customer satisfaction will lead to customer loyalty (Balaji, 2015).

Harrington (2007) highlight that the social exchange theory results in both economic and social outcomes that is beneficial to the organization and customers. Social exchange theory is used in marketing to explain customer loyalty to a firm products and services that comes out of a relationship between the two parties. Therefore, the employer has to provide a warm environment for spiritual growth in order for the employees to be committed hence their retention is made possible. SET suggests that commitments are created through a sequence of connections between parties who are in a condition of combined interdependence. Krystallis and Chrysochou (2014) point out that with regard to the social exchange theory; customer relationship building is one form of a social exchange that results in mutual rewards, such that both the firm and the customer generate benefits from the relationship. On the part of the organization, Qwinner et al (2008) suggest that the social exchange relationship results in an organization gaining valuable marketing intelligence sources for better marketing planning strategy. Similarly, the firm gets to receive information on how to improve the quality of service and have a loyal pool of customers. Hence, the social exchange theory is relevant to this research because of the beneficial effect that relationship marketing strategy has to both the customer and the business firm. Individuals and organizations evaluate the cost-benefit effect that results from a relationship and determine whether the relationship entered into is worthwhile or not. Chen and Hu (2013) note that, the interpersonal and environmental factors that exist in a relationship define the cost-benefit assessment and will influence whether the relationship will continue on not.

2.2.2 Relationship Marketing Theory

Relationship marketing theory was advanced by Alexander (1998) and suggests that a marketing relationship is all about establishing an interactive relationship with existing and potential customers that will result in a long-term mutual benefit.

A good relationship is not only directed to customer but also to suppliers and government agencies that the business unit is dealing with and are affected by the organization action. The goal of relationship marketing as advanced by Alexander is to have a mutual benefit symbiosis that built on each other capacities to come up with a synergy. Ndubisi (2003) argue that an important goal is to promote customer loyalty.

In a relationship, Blomqvist et al. (2005) identified several key characteristics that form relationship marketing. They note that a customer is regarded as a unit or an individual in that all operations of the company are channelled towards existing clients and the process of implementation depends on dialogues and interactions similarly, the organization's aim is to foster achievement of profitability via improving the strength of customer relationships and reduction of customer turnover which is expected to enhance customer loyalty.

2.2.3 Commitment – Trust Theory

The commitment-trust theory was advanced by Hunt and Morgan (1994), it provides that there are two critical factors that must exist in order to establish a successful relationship; commitment and trust. This therefore indicates that in marketing relationship point of view, a company should create trust and commitment with its customers and set up strategies that will ensure customer retention. In accordance with Berndt and Brink (2004), trust is evidenced by high level of confidence experienced by both parties involved in a relationship in that no actions are undertaken by either party that will endanger stability of current relationship. Trust in business is established when a firm sets up objectives and achieve them. On the other hand, commitment incorporates sustainable interest to uphold esteemed partnership.

Trust and commitment make a relationship to flourish by establishing an environment that supports cooperation between parties engaged in any sort of relationship; helping to oppose

eye-catching short-term options; and screening expected high risk operations as being cautious. Indeed, such business relationships repeatedly invest in upcoming and upholding relationships with its clients through a sequence of activities that supports creation of relationships hence customers will perceive sense of commitment in the business. Hsu, Liu and Lee (2010) assert that within the retail community setting, for example, satisfied customers will decide either to continue their purchases in the outlet after they have observed how others behave within the community.

In accordance with Yen (2009), commitment reconciles loyalty between consumers by improving individual's feeling of being bonded to and in association with other team members hence facilitating long-lasting relationships. Similarly, Huang and Goo (2008), assert that commitment is a significant factor that influences durability of relationships positively and therefore resulting to customer loyalty. High level of commitment can reduce the turnover rate of customers and create stable relationships since commitment enables partners to refrain from short-term choices that are attractive instead of recommended long-term advantages (Morgan & Hunt, 1994). Commitment–trust theory is significant in this study since relationship marketing entails establishing bonds with clients by satisfying their demands and respecting commitments. Thus, instead of going after short-term benefits, companies that adopt the relationship marketing strategy will therefore prefer long-lasting relationship with their clients. Consequently, there will be a mutual benefit between the firm and customers due to the existence of trust hence customer-loyalty is upheld.

2.3 Relationship Marketing and Customer Loyalty

When relationship marketing is fully implemented, its influence on expansion of an enterprise is positive and significant.

The word-of-mouth of loyal customers can be very effective in the essence of collecting new business ideas and facilitating attraction of new customers since customers whose interests have been achieved will help market the name of the company by distributing positive information regarding products and services of the company hence generating positive reputation which can influence the choice of purchase of various customers. With regard to Egan (2001), trust, communication, commitment, fulfilment of promise and conflict resolution measures are key factors that will help propel relationship marketing strategies that affects customer loyalty.

2.3.1 Trust and Customer Loyalty

Moorman et al., (1993) describes trust as confidence that a person gives a partner willingly. This implies that trust indicates the extent to which each person of relationship considers the other person promise. The variables of trust are evaluated by elements for instance service quality, security present in a particular transaction, behaviour of staff towards customers, reliability on the organizations processes, and the commitment of organization towards service delivery to customers. Therefore, trust is based upon reputation, personality, systems and processes that define the relationship between two parties. Hunt and Morgan (1994) regard trust as an important feature of a marketing relationship since many dimensions of relations between organization and customers cannot be dignified basing on legal criteria, instead by a common trust. Trust is centred upon empathy, satisfaction and experience,

Conway and Swift (2010) highlight that a high trust level is expected to enhance a positive attitude by a customer to the organization offering, which in turn will improve the extent of customer loyalty. Ndubisi (2014) assert that the resources of a firm, ranging from, systems and technology should be implemented in a way that attracts trust from clients hence the firm will by itself uphold trust resulting into customer loyalty. Generally, trust is considered as an important characteristic in creation and maintenance of loyalty among organizations.

Further, high trust level enhances exchange of information over the long term because customer's loyalty to the organization is improved. Rahbarinia (2011) suggest that long-term commitment by a customer is affected by the degree to which they offer trust to their supply partners. The loyalty in the relationship is thusly determined by provision of positive results among the partners.

2.3.2 Commitment and Customer Loyalty

Rashid (2003) defined commitment as the intent to go on with or keep up a relationship with another party. Commitment is an important tool for evaluating the potential of customer loyalty and forecasting future frequency of purchase. Egan (2001) states that commitment from both the consumer and seller towards satisfying the interest of another person involved in a relationship is important to relationship marketing. Hunt and Morgan (1994) reported that in some of the studies considering the important role of commitment in a relationship, commitment and trust are combined in relationship marketing. This is because both strategies are invariably related with the requirement that relationship is of great significant to either or both parties. Ndubisi and Chan (2005) posit that commitment from the part of a seller is manifested in keeping connection with esteemed customers and relevant information on service and changes in service, and proactively communicating in case of challenges or breakdown in delivery system.

Wong and Sohal (2012) consider commitment as the most important dependent variable adopted in the relationship of buyer-seller and that will determine the level of loyalty existing in the relationship. A committed customer is a loyal customer because a loyal customer will be willing to make short-term sacrifices and at the same time be willing to invest in the relationship. In accordance with Hunt and Morgan (1994), trust and commitment jointly prompt marketers to work towards maintaining investments in relationships by working hand in hand with trade partners whose behaviour indicates existence of loyalty.

2.3.3 Communication and Customer Loyalty

Communication has been defined by Ranjbarian and Barari (2009) refers to all informal and formal trade that is timely and beneficial between seller and buyer. The efficiency of communication by an organization to its customers is approximated by variables such as provision of reliable and timely information, giving information about new service and assures accuracy in information provided to the customers. Andersen, (2011) observes that though communication is an important characteristic in determining customer loyalty, it has not been given the necessary attention because of the believe that so long as a customer has been provided with the good or service, then it does not much matter the extent that a seller goes in improving the communication part.

Communication is an important aspect in marketing relationships since it contributes a hugely in provision of clear understanding on capabilities and intentions of trading partners, hence forming a basis for creating loyalty among the customers (Abbasi, &Turkamani, 2010). The frequency of communications between a firm and customer is equally important because it determines the level of loyalty that they have to the organization. Further, Gilaniniaet al (2011) confirms that though communication is not relationship marketing communication in its right, it also affects levels of loyalty that a buyer has with an organization. Communication, especially timely communication, has been found to foster loyalty by facilitating dispute resolution and aligning expectations and perceptions. Perhaps, communications additionally enhance the level of loyalty through provision of channel that will bring dissatisfied customers into agreement by explaining to the causes and remedies of their dissatisfaction.

2.3.4 Conflict handling and Customer loyalty

Conflict handling is described as mutual engagement aimed at reducing negative outcomes from important potential engagement (Ndubisi & Wah, 2005). The definition of conflict

handling in relationship marketing perspective has been characterized by activities such as evading conflict, attempting to provide solution to problems prior to their occurrence and the capacity to timely solve problems.

Chattananon and Trimetsoontorn (2009) suggest that there exists a tangible relationship between customer loyalty and conflict handling, indirectly via perceived quality and strength of relationship. Thusly, the capacity of the product supplier to appropriately handle conflict will also affect customer loyalty directly. As a result, it is important for firms to carefully choose their partners and share familiar values from all angles amid the relationship continuum.

2.3.5 Promise Fulfilment and Customer Loyalty

Fulfilment of promise is regarded once again as an important factor in the philosophy of relationship marketing and will establish whether there is continuity or discontinuity of a relationship. Zineldin and Jonsson (2010) for example, point out that if an organization's promise has not been attained fully, then the relationship may be terminated by a customer and this action will reduce customer level of loyalty to the organization. Similarly, failure of payment promises made by a customer to an organization can lead to termination of relationship by the organization hence jeopardizing the level of trust. Thusly, making promises is marred by negative consequences in situations that the promises are not delivered to satisfaction. Martin and Claycomb (2011) furthermore highlight the connection between promise and customer loyalty particularly in the service industry since customers always do not purchase a service per se, but instead explicit and implicit service promise. Guaranteeing high quality level of service is regarded as a key requirement for customer's satisfaction and maintaining internal ones. Hence if a firm deals with ascertaining internal customer orientation, then the chain of external relationship marketing success might be initiated indirectly.

2.4 Summary of Literature and Research Gap

From the foregoing empirical reviews, the importance of relationship marketing to a firm relationship with its customers have been reinforced and clearly is an important exercise in the present-day competitive business environment. This is because relationship constructs such trust, communication, promise fulfilment and conflict handling helps in developing a harmonious working relationship between a seller and buyer. The resultant long lasting relationship builds customer loyalty and consequently resulting in the organization revenues and market share. In summary therefore, the literature reinforced the importance of establishing a long-term relationship between customers and organization.

Majority of the studies undertaken have been carried out in developed countries and Asia. More so, most of the studies have concentrated on the relationship between relationship marketing and customer satisfaction (Abdula et al, 2014), cognitive dissonance (Sharifi and Esfidani, 2013) as well as the relationship between customer quality and loyalty. Apart from the research by Jesri, Ahmadi and Fatehipoor (2013) which investigated the relationship between relationship marketing and customer loyalty of Iranian bank, other studies have not looked at the nexus between the two variables. Therefore, this research will seek to bridge this gap by investigating how relationship marketing influence customer loyalty of petroleum companies in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the methodologies that facilitate the achievement of study objectives are discussed. The section discusses population of the study, sampling technique, research design, data collection process and analysis of data.

3.2 Research Design

A study design is a tactical plan intended to provide a go away mechanism used in collection, estimation and statistical analysis of data whose preference is reliant on the phase to which information about the topic of study has highly developed (Kothari, 2008). For this study, the research will adopt a descriptive survey. With regard to Johnson and Gill (2006), descriptive research design is apprehensive largely with describing the specific attributes of an aggregate of elements. Basing on the business point of view, descriptive designs can be utilized in investigating the perception of the workforce of an organization (Gill and Johnson, 2006). In addition, it is useful in examining personal genuine attitudes, behavior, values and perceptions or to establish and reporting the current condition with respect to the population of study. This study design is considered relevant for in this research due to the fact that it will enable the researcher to draw inferences about the population basing on the variables studied without manipulation of the respondent hence the measurement instruments will be completely under control. In accordance with Mugenda and Mugenda (2008), the aim of descriptive research is to identify and present things the way they are, and it facilitates the establishment of current nature of population being investigated.

3.3 Target Population

The population of study is defined as the aggregate number of objects, living and non-living that the researcher has expressed interest of studying (Sekaran & Bougie, 2010). It is characterized basing on aspects of topic of interest, time frame, geographical boundaries and availability of elements. The population of the study comprised of customers from all major Petroleum and gas companies operating in Kenya and that hold at least 1% market share. According to Energy Regulatory Authority (ERA), as at the 30th June 2018, there were 20 petroleum companies that fall under this category (Appendix II). The target population consisted of customers from the 20 petroleum companies. The unit of analysis is the entity or who is being analyzed. The customers will be drivers either public Service Vehicles or owners.

3.4 Sample and Sampling Techniques

In order to reduce bias in selection process, the study will adopt systematic sampling approach. Systematically sampling the greater population prior to applying random sampling techniques helps guarantee a sample that precisely reflects the entire population being investigated based on the criteria applied in stratification. It also guarantees each subgroup within the population receives proper representation within the sample (Mugenda & Mugenda, 2003). The ultimate test of a sample frame is how well it represents the characteristics of the population it purports to represent (Cooper & Schindler, 2003). Since the unit of analysis is the customer, 10 petroleum companies were randomly selected from the 20, and from the 10 companies, 10 customers were selected using systematic sampling by picking on any 4th customer who drives in the petrol station.

3.5 Data Collection

This study utilized primary data intended to be gathered with the use of structured questionnaires. A drop and pick later administration method was employed where the questionnaires were given out to the respondents and then collected later. The questionnaire consisted of three sections; Section A covered the respondent and the organizational demographic information while section B covered the relationship marketing dimensions applied in the petroleum firms. Section C measured the customer loyalty as a result of the relationship marketing dimensions.

3.6 Data Analysis

Analysis of data was carried out by obtaining descriptive statistics. The descriptive statistical tools (Excel and SPSS Version 20) will enable the researcher to provide the summary of data. Inferential statistics was utilized for analysis. The researcher further came up with a regression model to establish the relationship between customer loyalty and relationship marketing of the petroleum firms.

The relationship of the equation was a linear equation as shown below;

$$Y = a + B_i X_i + \epsilon$$

Y = Customer Loyalty

a = Constant (Co-efficient of intercept)

X_i = Relationship marketing dimensions

B_i = Regression co-efficient

ε. = Error Term

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to establish the effect of relationship marketing on customer loyalty among the petroleum companies in Nairobi, Kenya. This chapter presents the analysis, findings and the discussion with regard to the objective. The analysis is presented in mean and standard deviations while the findings are presented in frequency distributions and tables.

4.2 Demographic profile

The targeted respondents in the study were customers that sought services at various petrol stations in Nairobi. The demographic information of the respondents that was considered included the educational level, the length of time that they had been seeking services in the particular petrol station, age bracket and their current income. The petrol stations that the researcher targeted were those along the major roads in and out of the Central Business District (CBD). The targeted petrol stations were 10 along the major roads of the city, namely, Jogoo Road, Mombasa Road, Thika Super highway, Mombasa Road, Waiyaki Way, Ngong Road, Langata Road, Mombasa Road and 5 petrol stations in the CBD. Out of the targeted 100 questionnaires that were to be distributed, the researcher was able to distribute 59 questionnaires representing a response rate of 59%. This level of response rate, that can be considered moderate, can be attributed to the nature of respondents targeted in the research. Majority of the respondents were driving to the petrol station to fuel and drive off. Consequently, they had little time to spend in the service station and more so to fill the questionnaire. This response rate was considered adequate for purposes of the research.

Table 4.1 : Background Information

Level of Education	Frequency	Percent	Cumulative Percent
Secondary	14	23.7	23.7
Tertiary	18	30.5	54.2
Undergraduate	26	44.1	98.3
Post-Graduate	1	1.7	100
Total	59	100	

Length of Patronising the Service			
Less than 5 yrs	32	62.7	62.7
5-10 yrs	14	27.5	90.2
10 – 15 years	5	9.8	100
Over 15 years	-	-	100
Total	51	100	

Age of the Respondent			
Under 20 years	6	10.2	10.2
20 – 30 years	18	30.5	40.7
30 – 40 years	30	50.8	91.5
Over 40 years	15	8.5	100
Total	59	100	

Range of Monthly Income			
Less than Ksh 50,000	5	8.5	8.5
Ksh 50,000 - 100,000	22	37.3	45.8
Ksh 100,000 – 200,000	24	40.7	86.5
Over Ksh 200,000	8	13.5	100
Total	59	100	

The findings from Table 4.1 reveal that among the respondents sampled, majority had attained tertiary and undergraduate level of education at 30.5% and 44.1 % respectively while only 1 (1.7%) had a post-graduate level of education. With regard to the length of period that the respondents had been patronising the petrol station, the results show that majority of them (62.7%) had been patronising the service station for the last five while 27.5% had been frequenting the service station for between 5 – 10 years. The results further show that there was no respondent that had been frequenting the same service station for more than 15 years.

To assess the respondent's size, two measures were used, namely; age and the financial income of the respondents. The results reveal that the common age of the respondents ranged between 30 – 40 years while the respondents falling within 20 - 30 years constituted 30.5% of the total respondents while only 8.5% of the respondents had over 40 years. With regard to the income level of the respondents, the finding shows that 40.7% earn between Ksh 100, 000 - 200,000 while 37.3% earned between Ksh 50,000 – 100,000.

From the findings, it is evident that the respondents with no university education and those with university level of educational were almost equally weighted with a proportion of 54.2 and 45.8% respectively. This can be explained by the fact that drivers of vehicles frequently a particular petrol station is a mixture of those with higher level of education to those that basically have passed driving school test and have been employed to drive different types of vehicles ranging from public service vehicles to transportation vehicles like Lorries and trailers. With regard to the length of time that the customers to a particular petrol station had frequented the service station, the results show that majority (32%) of them had been loyal to the service station for less than 5 years and known had been loyal to a particular service station for more than 15 years. This finding can be explained by the establishment of new petrol stations along the route as well as new market entrants coming into the Kenyan market as independent oil distributors. According to the PIEA, the number of registered independent

oil marketers in Nairobi had increased from 26 in the year 2000 to 45 in the year 2015. Similarly, with the capping of the prices of petrol, diesel and paraffin, price differentiation is no longer a marketing strategy because of prices of petroleum products is no longer a differentiating factor. This therefore leads to the petroleum companies to come up with other strategies to increase customer loyalty, including relationship marketing.

4.3 Relationship Marketing Practices

This section of the questionnaire sought to establish the various relationship marketing practices that the petroleum companies had initiated in improving the level of loyalty of its customers. The range was 'No extent (1) to 'very great extent' (5). The scores of disagreeing have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale ;($0 \leq S.D < 2.4$). The scores of 'Neutral' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: ($2.5 \leq M.E. < 3.4$) and the score of both agree and strongly agree have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; ($3.5 \leq S.A. < 5.0$). A standard deviation of > 1.0 implies a significant difference on the impact of the variable among respondents.

4.3.1 Trust

This section sought to determine how trust between partners in the transaction between the petrol station and buyer exist. Trust refers to confidence that a person gives a partner willingly. It refers to relying on someone else word. The findings are presented in Table 4.2.

Table 4.2: Trust

Statement	Mean	Std. Deviation
The security of the petrol station products is high	4.005	.938
The organization channels offer similar products	3.817	0.877
The service quality of the petroleum company is high	3.642	1.109
The organization is committed to its clients	3.210	1.184
Staff behaviour towards clients is good	2.964	0.372
The reliability of the organization process is high	2.525	.937
Overall Mean	3.361	

Source: Research Data (2018)

From the results in Table 4.2, the customer trust on the petroleum service station is manifested on the level of security on their product (M=4.004, SD=0,938) and the capacity of the stations to channels to offer similar products (M=3.817) and the capacity of the service station to offer quality service (M=3.642, SD=1.109). The high standard deviation however shows that there was a variation among the respondents on how they consider their service quality level to be. However, the findings also reveal that the respondents do not consider the reliability of the organization process to be high (M=2.525) as well as the staff behaviour being good (M=2.964).

Hunt and Morgan (1994) assert that the level of trust between an organization and a customer is based upon the reputation, personality, systems and processes that define the relationship between two parties. As is evident from the findings in Table 4.1, the service station trust is dependent upon the capacity, guarantee the security of its products and to offer quality service. This position can be attributed to the alleged possibility of the petrol product being adulterated with paraffin. Hence consumers will be cautious in getting services from service stations that might not sell quality products. Hence trust on the company systems and employees influences the consumer loyalty to the service to seek repeat services. This position was further affirmed by He et al. (2012) while studying the antecedents of brand

loyalty by concluding that trust positively impacts brand loyalty. This position is supported by Amin et al. (2012) when he worked on telecommunication firm's environment and concluded that trust positively impacts customer loyalty. However, the findings show that the service station commitment to staff and the behaviour of staff is not a significant factor in determining the customer level of trust. This is contrary to the findings of Bryne (2010) who find that staff commitment for the internet providers was a significant factor in determining customer satisfaction. This finding could be attributed to the small contact period between the service station employees and the customer. What this means is the consumers preoccupation is the quality of service.

4.3.2 Commitment

The second dimension of relationship marketing that the researcher evaluated among the customers to petrol stations is the level of commitment showed by the service stations. Customer commitment is the willingness of a customer to develop a durable intention to sustain the relationship with the supplier on the long run. The findings are presented in Table 4.3.

Table 4.3: Commitment

Statement	Mean	Std. Deviation
I am willing to make short-term sacrifices for the sake of the relationship	4.341	1.204
The organization endeavour to see me satisfied	4.103	1.006
The petroleum firm strives to make me satisfied	4.002	0.872
I am aiming to preserve the existing relationship with the company	3.800	0.691
I point out to the company ways of improving of its services	3.480	0.845
I receive communication promptly when service is not available	2.957	0.459
Overall Mean	3.7805	

Source: Research Data (2018)

The results in Table 4.3 reveal that customer commitment is predominantly manifested through willingness of the consumers to make short-term sacrifices for the sake of the relationship (M=4.341, SD=1.204) and on the part of the petrol station endeavouring to see that the customer is satisfied with their services (M=4.103, SD= 1.006). Though, the two factors were considered important by majority of the respondents, the high standard deviation that is > 1.0, implies that there was a high variation on the respondent's answers with regard to these two factors. On the lower end of the continuum with regard to the consumer commitment, the findings show that consumers do not receive communication promptly from the service station whenever there is a change of service provision plans (M= 2.957, SD= 0.459).

The level of customer commitment to a service provider is considered an important dimension to a relationship. As Egan (2011) highlight the importance of commitment in a relationship, the findings show that indeed customers are willing to make short-term sacrifices for the sake of the relationship. This position is supported by Conway and Swift (2000) who suggest that the level of commitment a partner feels towards that relationship is of great importance in developing relationships. The relationship should also see the part of the business unit undertaking actions that will increase customer's level of satisfaction, a position that is in line with Wong and Sohal (2012) position that in a relationship, the parties involved should be willing to invest in the relationship. The findings however contradict with the position held by Ndubisi and Chan (2005) who suggest that commitment in a relationship should involve constant communication between the parties since the findings reveal that there was limited communication whenever there was service disruption.

4.3.3 Communication

Communication in marketing relationships provides an understanding of the exchange partner's intentions and capabilities, therefore forming the groundwork for building trust

amongst the partners. The researcher sought to find out how the petrol, service station and customer relationship communication is manifested. The results are presented in Table 4.4

Table 4 4: Communication

Statement	Mean	Std. Deviation
When I lodge a complaint, the company informs me on what it is doing	3.840	0.892
The company is concerned with my needs	3.529	0.825
There is accuracy in the information that the company provides	3.136	1.022
I am satisfied with the frequency of communication with the company	2.920	1.210
The company offers variety of ways to convey information	2.345	0.535
The company keeps in touch with me	2.164	0.794
Overall Mean	2.989	

Source: Research Data (2018)

The results show that the communication dimension of relationship marketing was manifested by actions such as the petroleum companies will continuously update the client whenever a complaint is made on what it is doing in addressing the same (M=3.840, SD=0.892) and the conclusion that the petroleum firms are concerned with their needs (M=3.529, SD=0.825). Similarly, the findings suggest that to a low extent, the company keeps in touch with their customers after a sale (M=2.164) and also that the company offers variety of ways to convey information to their clients.

Abbasi and Turkamani (2010) assert that in a marketing relationship, communication is an important aspect since it contributes hugely in provision of clear understanding on capabilities and intentions of trading partners, hence forming a basis for creating loyalty among the customers. From the findings, it can be deduced that communication is used to convey the other parties' intentions and capabilities, a process that build trust between the exchange partners. This position was further supported by Sin et al. (2012) who suggest that

communication, especially timely communication, enhances trust by assisting in solving disputes and aligning perceptions and expectations of the partners. As the findings further suggest, communication between the buyer and seller is used to inform the dissatisfied customers on what the organization is doing to address their complain, a step that helps to increase customer loyalty.

4.3.4 Conflict Handling

The capacity of the product or service provider to handle conflict appropriately is expected to influence the perception of a customer on a service provider will also directly influence customer loyalty. The researcher therefore sought to evaluate conflict handling practices among the petroleum companies. The findings are presented in Table 4.5.

Table 4.5: Conflict Handling

Statement	Mean	Std. Deviation
Whenever there is a conflict, we resolve it quickly	3.914	1.205
I try to avoid conflict with company when sourcing services	3.652	0.939
The company has shared its values with the customers that helps in limiting conflicts	3.436	0.672
The company avoids conflict with customer	3.318	1.140
I try to avoid problems before it occurs	3.062	0.535
Overall Mean	3.476	

Source: Research Data (2018)

The results in Table 4.5 reveal that whenever a conflict arises between the petroleum firm and the customer, both parties are willing to resolve the same amicable (M=3.914, SD=1.205) and that both parties avoid conflict with when sourcing services (M=3.652). Similarly, it was found that the companies had displayed their shared values with customers that help in limiting conflicts. Similarly, the results show that customers try to avoid conflicts before it happens, the same way that the customers do avoid conflicts with customers.

Conflict resolution is considered as an important step in building loyalty between two parties. As the findings show, conflict resolution is undertaken quickly whenever it occurs, and this position is line with that Ndubisi and Chan (2005) who argue that an effective conflict resolution is an important mechanism for building quality relationship and trust among the parties. At the same time, it is important that during the relationship continuum, the parties' interest is compatible to each other and that trust, satisfaction, investment and social and structural bonding is upheld at all times. This position was reinforced by Wilson and Jantrania (2004) by arguing that for effective marketing relationship, there is need for an effective communication tailored towards solving an existing conflict and that to limit frequent conflict the parties should share common goals.

4.3.5 Promise Fulfilment

The ability of either party in a relationship to fulfil a promise made is an important construct in building loyalty and to determine whether a relationship is to continue or not. Therefore, the mere fact of making a promise is not enough but rather delivering them by action is very important. The researcher sought to find out how promise fulfilment is undertaken, and the results is presented in Table 4.6.

Table 4 6: Promise Fulfilment

Statement	Mean	Std. Deviation
If the company fails to fulfil on its service delivery, I am at liberty to terminate the relationship	4.091	1.202
If a fail to deliver on payment, the company terminates the relationship	3.692	0.682
The company promises internal customer orientation	3.400	1.003
External marketing orientation defines the company operation	3.170	0.673
Overall Mean	3.588	

Source: Research Data (2018)

The promise fulfilment construct that defines the marketing relationship is exemplified by the fact that if the petrol service station fails to fulfil on its service delivery, then the customer is at liberty to terminate the relationship (M=4.091, SD-1.202), a position that show a high variation between the respondents. At the same, it was evident that if the customer fails to pay for services rendered, then the company is at liberty to terminate the relationship (M=3.692).

The findings that show the liberty of either party to terminate the relationship whenever there is a breach of the contract is contrary with the position held by Zineldin and Jonsson (2010) who argue that commitment between business companies can only be built on actions rather than promises. For a firm sustainable competitive position to be maintained, then it needs to have its relationship maintained and enhanced in order to maintain the existing customer base and at the same time attract new customers. Capacity to fulfil a promise to the customers is important to achieving customer satisfaction.

4.4 Customer Loyalty

Relationship marketing is geared towards building long-term and profitable customer relationship. This can best be achieved through enhancing the level of customer loyalty. As a result, the researcher sought to determine how relationship marketing had affected level of customer loyalty. The findings are presented in Table 4.7.

Table 4.7: Customer Loyalty

Statement	Mean	Std. Deviation
I will recommend the company products to friends	4.382	0.629
I will recommend the company to those who seek my advice	4.072	0.892
As long as products of this company are available, I will continue buying	4.000	0.638
When I need to purchase, a petroleum product, this company will be my option	3.805	0.712
I pay less attention to overtures from other companies	3.720	0.803
I will positively comment about the company	3.714	0.819
I rarely consider changing for another company products	3.501	1.002
Overall Mean	3.885	

Source: Research Data (2018)

The loyalty actions is manifested by the customers willingness to recommend company products to friends (M=4.382) and also the willingness to recommend the company services to those that seek their advice (M=4.072). Similarly, the findings show that among the customers, whenever they need to purchase petroleum product, they frequent a particular service station (M=3.805) as well paying less attention to overtures from other companies (M=3.714). The high mean level observed from the findings suggests the respondents consider their particular service station to meet their needs.

4.5 Effect of Relationship Marketing On Customer Loyalty

For quantitative analysis the study used regression analysis to establish the relationship between marketing practice and customer loyalty. To determine the same, the relationship between the overall mean of each of the competitive strategies in section 4.3 was regressed with the resultant mean from the customer loyalty in section 4.4 for each questionnaire. From their overall means of each factor, and as Gill and Beger (2012) noted, when using multiple regression analysis, there is a possibility of endogeneity occurring whereby when certain

variables are omitted, it leads to measurement errors. To minimize endogeneity issues, the most important variables that constitute customer loyalty and marketing loyalty were identified. The results of the relationship are presented in Table 4.8.

Table 4.8: Regression Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	6.977	2.621		2.662	.001
X ₁	3.020	.046	.022	.437	.663
X ₂	1.001	.007	.004	.073	.942
X ₃	.059	.045	.072	1.333	.186
X ₄	.253	.105	.150	2.404	.018
X ₅	1.685	.149	.804	11.319	.000

Note: Dependent variable – Customer Loyalty; X₁ = Trust; X₂ = Commitment; X₃ = Communication; X₄ = Conflict handling; X₅ = promise fulfilment;

The resultant regression will be as follows:

$$Y = 6.977 + 3.020 X_1 + 1.001 X_2 + .059 X_3 + 0.253 X_4 + 1.685 X_5$$

The coefficient of the independent variables (X₂ - X₃) is insignificant at 5% significance level but X₄ and X₅ are significant because their p-values is less than 0.05. The coefficient of independent variables is positive, and this implies that the adoption of marketing relationship among the petroleum companies has a positive effect on customer loyalty. A regression coefficient of 3.020 implies that a unit increase in the level of trust increases customer loyalty by 3.02 units. In general, therefore, the results show that the effect of trust dimension of marketing relationships has the greatest effect on the level of level of customer loyalty.

The researcher also sought to determine the combined effect of relationship marketing on customer loyalty. The result is presented in Table 4.9.

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.832 ^a	.692	.604	.43049

Source: Research Data (2017)

The study used coefficient of determination to evaluate the model fit. The adjusted R^2 , also called the coefficient of multiple determinations, is the percent of the variance in the dependent explained uniquely or jointly by the independent variables. The correlation coefficient (r) value of 0.832 indicates existence of strong positive relationship marketing by petroleum products and customer loyalty. The model had an average adjusted coefficient of determination (R^2) of 0.692 and which imply that 69.2% of the level of customer loyalty of petroleum companies by the success of relationship marketing existing between relationship marketing and customers. The standard error of the estimate (S_e) indicates that on average, customer loyalty deviate from the predicted regression line by a score of 0.4304.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

5.1 Introduction

This section covers the summary of findings, conclusion, limitations and recommendations in line with the topic of study which is to establish the effect of relationship marketing on consumer loyalty of petroleum firms in Nairobi, Kenya.

5.2 Summary of the Findings

The findings reveal that most of the respondents had patronised the specific petrol station for the last five and highlighted that in the present marketing environment, the differentiating factor of choosing between sourcing services in a particular petrol station or not is relationship that they have build with the particular service station. This position was noted to have been more pronounced since the price capping of key petroleum products. The relationship marketing variable was measured by five different dimensions, namely; trust, commitment, communication, conflict handling and promise fulfilment.

The customer trust on a petrol station was manifested on the level of security the company's products and reliability on the same in consideration of adulteration cases of these products. Further, consumer trust was based on the company channels to offer similar products and maintain the same quality of service. Therefore, the level of trust of an organization was found to be anchored on the reputation, personality, systems and processes that exist in the relationship between the parties. Customer commitment is predominantly manifested through the willingness of the consumers to make short-term sacrifices for the sake of the relationship and the petrol station desire to satisfy the consumer through service offering. The findings reinforced the importance of commitment of partners in a relationship.

Communication between the consumer and the petrol station was evident through actions such as the petrol station continuously updating its client whenever a complaint is made on what it is doing in addressing the complaint. The study established that communication was important in enhancing clear understanding on capabilities and intentions of trading partners and therefore forming a basis for creating loyalty among the customers. The findings also suggest that the capacity of a marketing relationship to last depends on the capacity of the partners to resolve any conflict arising amicably. The best way of resolving conflict from arising is avoiding it at the outset. The other attribute that defined the marketing relationship was the part of both the customer and petrol station having made their promises to fulfil their part of the relationship and that if either party failed in meeting their obligation, the other part is at liberty to end the relationship. This kept the parties alive to fulfilling their part of the bargain. As a result of the marketing relationship established between the petrol station and the consumers, the loyalty of the consumers was manifested through their willingness to recommend company products to friends as well as those who seek their advice. The respondents also indicated that their loyalty to a particular service station is evident by their willingness not to entertain overtures from other companies. From the model, both communication and commitment were insignificant while trust, promise fulfilment and conflict resolution were significant in explaining the effect of marketing relationship on consumer loyalty. This can be explained by the fact that many service stations were found not to communicate pertinent information to consumers, for example shortage of fuel.

5.3 Conclusion

Based on the research findings, the following conclusions can be derived. The findings revealed that greater consumer and employees' marketing relationship orientation not only yield higher loyalty quality but also result in better relationship continuity. In addition, committed relationships marketing by the petrol station employees resulted in client

satisfaction, loyalty, positive word of mouth, and promotion of the company products. From the findings, effective marketing relationship provides an opportunity to petrol station managers in Nairobi, Kenya to develop and implement relationship marketing strategy with the general goal of increasing the quality and reliability of its products. The findings suggest that effective relationships are more likely to develop where the customer perceives the relationship to be important.

The marketing relationship findings on trust, conflict resolution and promise fulfilment dimensions confirms that customer-relationship-centered marketing tactics influence directly customer loyalty. This study reaffirms the importance of customer loyalty in a company's products because it not only affords a platform where the customer is ready to stay maximum time with the organization and consequently resulting in a long-term benefit, but also provides a name of inspiration with the company products or services. Therefore, business units should endeavour to build a long-term relationship with their customers build on trust, effective communication, and conflict resolution and promise fulfilment.

5.4 Limitation of the Study

The research was conducted among petroleum companies in Nairobi and whether its findings is in line with that of other parts of the country or neighbouring countries will be able to be verified on the basis of other studies. Therefore, it will be necessary to test the study findings on a cross-country or region. The other limitation to the study is that limited variables were considered, and it is possible that there are other factors that define a relationship marketing that influence a customer loyalty. Other variables that encompass both endogenous and exogenous constructs which have been validated in previous research works should be considered in future research.

While there exist some signs that relationship marketing impacts the strength of customer loyalty, there is insufficient support for claiming that a causal relationship exists. It will also

be interesting to investigate whether personality traits affect relationship strength and can be used to identify consumers who have a greater propensity to form strong and durable relationships.

5.5 Recommendations for Policy and Practice

Previous studies have reinforced how brand managers have dedicated substantial resources on measuring brand awareness and brand image by consumers. The findings of the present study indicate show that petroleum firm companies should also use relationship marketing measures and develop strategic and tactical initiatives that ensure that consumers find value in the relationship trust the relationship and feel attached to the relationship. Thus, managers should communication and commitment effect of consumers when measuring consumer loyalty. This is because customer loyalty has been found to affect firm performance and competitiveness. Organization attachment plays a key role in building consumer loyalty and therefore, managers should invest their resources in increasing the self expressive value of their customers.

Second, the findings appreciate the importance of a well-managed relationship between a firm and consumer that engenders trust, commitment, promise fulfilment and conflict resolution and in turn, that are fundamental in generating higher levels of customer loyalty. Therefore, relationship managers are advised to put in place initiatives in order to reap increased benefits from their service evaluation efforts aimed at driving customer loyalty. Further, managers need to be aware of the misconception that a dogmatic focus on customer satisfaction, service quality and customer value per se will not generate optimal loyalty behavior. Instead, it is crucial for service firms such as petroleum firms to concomitantly foster trust and commitment if they wish to accrue the maximum benefits that come with loyal customers.

5.6 Suggestion for Further Research

Relationship constructs such as trust, commitment, conflict resolution mechanism and communication change with time, yet the present findings are based on a cross-sectional study, a situation that provides only a snap shot of relationship marketing effects on customer loyalty. Therefore, a longitudinal research design can be the next step for further research to fully understand how the impact of relationship marketing on loyalty evolves. Lastly, the study looked at the effect of RM at the exclusion of other variables such as demographics and situational variables of a consumer, a change that can be worth investigating.

REFERENCES

- Aaker, David (1991), *Managing Brand Equity*, New York: Free Press.
- Abbasi, M.R. & Turkamani, M. (2010). Theoretical Models of Customer Relationship Management, *Journal of Commerce Reviews*, 41, 34-19
- Al-Hersh, M.A; Aburoub, S.A & Saaty.M. K (2014). The Impact of Customer Relationship Marketing on Customer Satisfaction of the Arab Bank Services; *International Journal of Academic Research in Business and Social Sciences*, 4 (5), 67-100
- Balaji,M.S.,(2015).Investingincustomerloyalty:themediatingroleofrelational characteristics. *Service Business journal*, .9(1),17–40.
- Chan, L.K., Hui, Y.V., Lo, H.P., Tse, S.K., Tso, G.K.F. and Wu, M.L. (2003), Consumer Satisfaction Index: New Practice and Findings, *European Journal of Marketing*, 37 (5/6), 872-909.
- Chattananon, A. & Trimetsoontorn, J. (2009), Relationship marketing: a Thai case, *International Journal of Emerging Markets*, 4 (3),252-274.
- Chen, P.-T & Hu, H. H. S (2013). The mediating role of relational benefit between service quality and customer loyalty in airline industry. *Total Quality Management and Business Excellence* 24(9/10), 1084–1095.
- Christopher, M. (1996), From brand values to customer values, *Journal of Marketing Practice: Applied Marketing Science*, 2 (1), 55-65.
- Egan.J. (2001), *Relationship Marketing: Exploring Relational Strategies in Marketing*, Prentice Hall, Englewood Cliffs, NJ
- Fornell, C & Wernfelt, D (2011), A National Customer Satisfaction Barometer: The Swedish Experience, *Journal of Marketing*, 56 (January), 6–21.
- Gilaninia, S., Seyed D. Y. & Shahmohammadi, M. (2011), Examination of the Relationship between Relationship Marketing and Customer Satisfaction, *Journal of Basic and Applied Scientific Research*,10721-10725.
- Goo, J., & Huang, C. D. (2008). Facilitating relational governance through service level agreements in IT outsourcing: An application of the commitment-trust theory, *Decision Support Systems*, 46, 216–232
- Grönroos, C. (2000), The relationship marketing process: interaction, communication, dialogue, value, paper presented at the 2nd Conference on Relationship Marketing, 15 November 1999-15 February 2000.

- Gwinner, K., Gremler, D. & Bitner, M.J. (2008), Relational benefits in services industries: the customer's perspective, *Journal of the Academy of Marketing Science*, 26 (2), 101-114.
- Kotler, P., Armstrong G., Saunders, J. & Wong, V. (2001), *Principles of Marketing*, Harlow: Prentice Hall Europe.
- Krystallis, A., & Chrysochou, P (2014). The effects of service brand dimensions on brand loyalty. *Journal of Retail Consumer Service*, 21(2),139–147.
- Maina, V.N (2016). *Relationship marketing and sustainable competitive advantage in large Pre-hospital service companies in Kenya*, Unpublished MBA Project, University of Nairobi
- Morgan, R., & Hunt, S. D. (1994). The commitment-trust theory of relationship marketing, *Journal of Marketing*, 58(3), 20–38
- Ndubisi, N.O. & Chan, K.W. (2005), Factorial and discriminate analyses of the underpinnings of relationship marketing and customer satisfaction, *International Journal of Bank Marketing*, 23 (7),542-57
- Ndubisi, N.O. (2014), Relationship marketing and customer loyalty, *Marketing Intelligence & Planning*, 25(1),98-106.
- Njagi, T. (2017) effect of relationship marketing strategies on customer loyalty of selected large beauty salons in Nairobi, Kenya. Unpublished MBA Project, University of Nairobi
- Nyadzayo, M.H & Khajehzadeh, S (2016). The antecedents of customer loyalty: A moderated mediation model of customer relationship management quality and brand image, *Journal of Retailing and Consumer Services*, 30, 262–270
- Oliver, R. (1999). Whence consumer loyalty. *Journal of Marketing*, 63, 33–44.
- Rahbarinia, S.A. (2011). The relationship of between relationship marketing Benefits and customer satisfaction of saderat Bank of Iran (Case Study: Customers of saderat Bank in Bandar Anzali branches, Guilan), The Master of Business Administration, Rasht Branch.
- Reichheld, F. and Sasser, E. (2000), Zero defections: quality comes to services, *Harvard Business Review*, September-October, 105-11
- Reichheld, F.F. (2011), "Learning from customer defections", *Harvard Business Review*, 74 (2), March-April, pp. 56-69

- Sandra F., Susana H.M & Maria S (2017). Customers' relationship with their grocery store: Direct and moderating effects from store format and loyalty programs. *Journal of Retailing and Consumer Services* 37, 78-88.
- Sharifi, S.S&Esfidani, R.M (2014). The impacts of relationship marketing on cognitive dissonance, satisfaction, and loyalty, *International Journal of Retail & Distribution Management*, 42 (6), 43-62
- Waiganjo, R.N (2012). *The influence of relationship marketing on the performance of large supermarkets in Nairobi, Kenya*, Unpublished MBA Project, University of Nairobi
- Walsh, G., Hennig-Thurau, T., Sassenberg, K. &Bornemann, D. (2010), Does relationship quality matter in e-services? A comparison of online and offline retailing, *Journal of Retailing and Consumer Services*, 17 (2),130-142
- Yen, Y.-R. (2009). An empirical analysis of relationship commitment and trust in virtual programmer community. *International Journal of Computers*, 3(1), 171–180.

Appendix I: QUESTIONNAIRE

This questionnaire is designed to gather information on the effect of relationship marketing on customer loyalty among the petroleum companies in Nairobi, Kenya. Kindly provide information to all items in the questionnaire by putting a tick (√) on one of the options. For questions that require your own opinion, fill in the blanks. (.....)

Section A: Background Information

1. What is your highest level of education qualification?

- a) Secondary () b) Tertiary College ()
 c) Post Graduate () d) Secondary ()

2. For how long have you been a customer in this petrol station?

- a) Less than five years () b) 5-10 years ()
 c) 10 – 15 years () d) Over 15 years ()

3. Please indicate your age bracket?

- a) Less than five years () b) 5-10 years ()
 c) 10 – 15 years () d) Over 15 years ()

4. What is your current monthly income?

- a) Less than Ksh 50,000 () b) Ksh 50,000-100,000 ()
 c) 100,000 – 200,000 () d) Over Ksh 200,000 ()

Section B: Relationship Marketing Practices

5. Below are relationship marketing dimensions. Please indicate the extent to which the following practices apply in your purchasing. Key:

- 5 - Very great extent 4 - Great extent 3 - Moderate extent 2 - Little extent
 1 - No extent

a) Trust

	Statement	1	2	3	4	5
1	The security of the organization products is high					
2	The service of the petroleum company is high					
3	The reliability of the organization process is high					

4	Staff behaviour towards clients is good					
5	The organization is committed to its clients					
6	The organization channels offer similar products					

How else is your trust manifested.....?

b) Commitment

	Statement	1	2	3	4	5
1	The organization endeavour to see me satisfied					
2	The petroleum firm strives to					
3	I am aiming to preserve the existing relationship with the company					
4	I point out to the company ways of improving of its services					
5	I am willing to make short-term sacrifices for the sake of the relationship					
6	I receive communication promptly when service is not available					

How else is your commitment manifested.....?

c) Communication

	Statement	1	2	3	4	5
1	The company keeps in touch with me					
2	The company offers variety of ways to convey information					
3	The company is concerned with my needs					
4	I am satisfied with the frequency of communication with the company					
5	When I lodge a complaint, the company informs me on what it is doing					
6	There is accuracy in the information that the company provides					

How else is the company's communication manifested.....?

d) Conflict Handling

	Statement	1	2	3	4	5
1	I try to avoid conflict with company when sourcing services					
2	Whenever there is a conflict, we resolve it quickly					
3	The company avoids conflict with customer					
4	The company has shared its values with the customers that helps in limiting conflicts					
5	I try to avoid problems before it occurs					

How else describes your relationship conflict handling

.....

e) Promise Fulfilment

	Statement	1	2	3	4	5
1	If a fail to deliver on payment, the company terminates the relationship					
2	If the company fails to fulfil on its service delivery, I am at liberty to terminate the relationship					
3	The company promises internal customer orientation					
4	External marketing orientation defines the company operation					

How else describes your promise fulfilment

.....

Section C: Customer Loyalty

9. The following are measures of the organization loyalty. Please indicate the extent to which your loyalty to the organization products rated. Use 1=Strongly Disagree,2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree

Statement	5	4	3	2	1
As long as products of this company are available, I will continue buying					
I rarely consider changing for another company products					
When I need to purchase, a petroleum product, this company will be my option					
I will recommend the company products to friends					
I will positively comment about the company					
I will recommend the company to those who seek my advice					
I pay less attention to overtures from other companies					

THANK YOU SO MUCH FOR YOUR TIME

Appendix II: Major Petroleum and Gas firms in Kenya

1. Vivo Energy
2. Oil Libya
3. Total Kenya
4. KenolKobi
5. Hashi Energy
6. Nation Oil Corporation
7. Addax Petroleum
8. Quwa Energy
9. Colt Petroleum
10. Hass Petroleum (K) Ltd
11. Galana Oil (K) Ltd
12. Premier Petroleum Ltd
13. Olympic Petroleum Ltd
14. Vaoil Energy Ltd
15. Fast Energy
16. MOGAS (K) Ltd
17. East Africa Gasoil Ltd
18. Dalbit Petroleum Ltd
19. Bushra Energy
20. Tosha Petroleum Ltd

Source: Energy Regulatory Authority (ERC).