THE ANALYSIS OF RELATIONSHIP COMMITMENT AND TRUST TOWARDS CUSTOMER LOYALTY
A CASE STUDY OF BAWANG SALON IN CHINA

By
Wang Biwei
014200900166

A thesis presented to the
Faculty of Economics President University
In partial fulfillment of the requirements for
Bachelor Degree in Economics Major in Management

January 2013
THESIS ADVISER
RECOMMENDATION LETTER

This thesis entitled “The ANALYSIS OF RELATIONSHIP COMMITMENT AND TRUST TOWARDS CUSTOMER LOYALTY: A CASE STUDY OF BAWANG SALON IN CHINA” prepared and submitted by Wang Biwei in partial fulfillment of the requirements for the degree of Bachelor in the Faculty of Economics has been reviewed and found to have satisfied the requirements for a thesis fit to be examined. I therefore recommend this thesis for Oral Defense

Cikarang, Indonesia, January 2013

Acknowledged by,                        Approved by,

Irfan Habsjah, MBA, CMA                 Suresh Kumar, ST, M.Si
Head of Management Study Program        Thesis Adviser
DECLARATION OF ORIGINALITY

I declare that this thesis, entitled “The ANALYSIS OF RELATIONSHIP COMMITMENT AND TRUST TOWARDS CUSTOMER LOYALTY: A CASE STUDY OF BAWANG SALON IN CHINA” is, to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, January 2013

Wang Biwei
PANEL OF EXAMINERS APPROVAL SHEET

The Panel of Examiners declare that the thesis entitled “The ANALYSIS OF RELATIONSHIP COMMITMENT AND TRUST TOWARDS CUSTOMER LOYALTY: A CASE STUDY OF BAWANG SALON IN CHINA” that was submitted by Wang Biwei majoring in International Business from the Faculty of Economics was assessed and approved to have passed the Oral Examinations on 30 January, 2013 (date of defense).

Irfan Habsjah, MBA, CMA
Chair - Panel of Examiners

Filda Rahmiati, MBA
Examiner I

Suresh Kumar, ST, M.Si
Examiner II
ABSTRACT

With the transition of market conditions from seller’s to buyers, which intensifies the competition further, marketing keystone has been turning from exchange to relationship unconsciously. Now relationship has been on the academic and practical frontiers. On the basis of a lot of existing literature, this paper “The Analysis of Relationship Commitment and Trust towards Customer Loyalty: A Case Study of Bawang Salon in China” investigates the influence of relationship commitment and trust on customer loyalty on the customer’s view. This thesis focuses around two subjects. The first is to explore and confirm the constructs of proposed structure model; the second is to evaluate the influence of each antecedent on commitment and trust and to investigate the interrelationships between commitment, trust and customer loyalty. A proposed structure model is developed and also empirically tested in order to resolve them. A questionnaire survey is carried on in addition to individual interviews, 296 valid samples were collected out of 400 in two months with effective to return-ratio at 74%. The data has been tested in accordance with the general rule of construct validity and reliability. The research model and hypotheses are empirically tested using SEM technology and finds that: 1. the final customer loyalty model based on commitment-trust relationship; 2. the effects of antecedents on commitment and trust, the effects of commitment and trust on customer loyalty. This paper contains theoretical analysis method and case study method, deep-seated discuss the relationship commitment and customer loyalty, worked out based on relationship marketing and customer loyalty enterprises is growing faster and stronger.

Key words: economic benefits, relationship benefits, shared values, company reputation, communication, relationship commitment, trust, customer loyalty
ACKNOWLEDGEMENT

I offer my enduring gratitude to the faculty, staff and my fellow students at the President University, who have inspired me to continue my work in this field.

I owe particular thanks to Mr. Suresh Kumar as my advisor who gave me this time, knowledge, advice and contribution to guide me finish my thesis.
I also want to say, thanks to my new special friend, Maple Wang, who always support me to finish this thesis and also gives me her valuable spare time to cheers me up. Thank you very much Maple, your encouragement does mean a lot to me.

Thanks to Mr. Mike McCabe for enlarging my vision of science and providing coherent answers to my endless questions.

Special thanks are owed to my parents, whose have supported me throughout my years of education, both morally and financially.

Cikarang, Indonesia, January, 2013

Wang Biwei
TABLE OF CONTENT

THESIS ADVISER RECOMMENDATION LETTER ..................i
DECLARATION OF ORIGINALITY ..................................ii
PANEL OF EXAMINERS APPROVAL SHEET .......................iii
ABSTRACT ....................................................................iv
ACKNOWLEDGEMENT ....................................................v
TABLE OF CONTENT .....................................................vi
LIST OF TABLES ..........................................................ix
LIST OF FIGURES ........................................................x

CHAPTERS

I INTRODUCTION .......................................................1
1.1 Background of Study ...............................................1
1.2 Company Profile ...................................................6
1.3 Problem Identified ...............................................7
1.4 Statement of the Problem .......................................8
1.5 Research Objective ..............................................9
1.6 Significance of Study ..........................................10
1.7 Theoretical Framework .......................................11
1.8 Scope and Limitations .......................................12
1.9 Assumptions .....................................................14
1.10 Definition of Terms .........................................14
LIST OF TABLES

Table 1.2 Beacon Net Profit Margin 2007-2010
Table 3.1 Relative Grading System for Each Dimension
Table 3.2 Terms of Variable Measurement
Table 4.1 Sample Characteristics
Table 4.2 Construct’s Mean, Std Dev, Aplha
Table 4.3 Factor Analysis Results
Table 4.4 Pearson Correlation Matrix
Table 4.5 Fit Statistics, SMC, Path Coefficients and Significance Value
Table 4.6 Modified Fit Statistics, SMC, Path Coefficients and Significance Value
Table 4.7 The Summary of Hypothesis Testing
LIST OF FIGURES

Figure 1.1 Beacon’s Customers Distribution 2002-2006 ...........................................5
Figure 1.3 Margin Comparison of Bawang Salon 1994-2011 .................................7
Figure 1.4 Theoretical Framework ........................................................................11
Figure 2.1 Customer Loyalty ..............................................................................20
Figure 2.2 Relationship between satisfaction and loyalty .................................32
Figure 2.3 The Value of Loyal Customer Base ...................................................33
Figure 2.4 Percentage of Customers Repurchase .............................................33
Figure 2.5 Common Loyal Personality Divisions .............................................34
Figure 2.6 The KMV (Key Mediating Variable) Model of Relationship
  Marketing .........................................................................................................37
Figure 4.1 Final Customer Loyalty Model .........................................................64
CHAPTER I
INTRODUCTION

1.1 Background of Study

Chinese economy develops high speed in the twenty-first century, people’s living standard enhances unceasingly, the demand for their beautification also day by day to grow, beauty is becoming a rapidly developing industry. After reform and opening up to now nearly 30 years of development, China’s beauty industry has developed into a quite space for development, industrial extension of broad, rich, strong and supply elasticity sunrise industry, with broad industry macroeconomic prospects in the creation of social and spiritual civilization, to solve the national employment, increase new economic growth point, stability and social order, pay taxes, etc. Beauty industry played an important role and has made outstanding contributions.

In fact, next to tourism, automobiles and real estate, beauty is the fourth-biggest industry in the biggest country in the world." Beauty salons featuring spas, massages and decompression treatments have sprung up across China in recent years, leaving industry insiders excited by the rapid expansion. The industry's market value has already surpassed 400 billion Yuan per annum and will reach 600 billion in the next three to five years, with an annual growth rate of more than 15 percent, according to a report published in June by China Venture Capital and Private Equity Association, a leading investment consultancy.

Beauty saw strong growth in China throughout the review period, with this largely due to an increasingly affluent consumer base. Strong economic growth during the review period led to rising disposable income levels encouraging
higher spending on non-essentials. Rising urbanisation was meanwhile coupled by a growing association between a well-groomed and youthful appearance and social and career success. Consequently, consumers became increasingly willing to invest in their appearance, particularly in urban areas.

Beauty and personal care is led by a number of strong multinationals, with Procter & Gamble, L'Oréal, Shiseido, Unilever and Amway being the top five players in 2010. These players competed aggressively for share, with L'Oréal and Shiseido proving particularly successful in 2010. Both companies focused on expanding distribution towards the end of the review period, while benefiting from strong marketing and new product development. They also benefit from a strong portfolio of well-differentiated brands such as Shiseido’s Aupres and L’Oréal’s Maybelline New York, alongside their eponymous flagship brands. These companies’ brands cover a wide range of prices and have a strong reputation for quality, thus attracting many consumers trading up in search of more effective and indulgent products.

Beauty is expected to continue to see dramatic sales growth during the forecast period. Constant value growth rates are expected to slow down in comparison to those seen during the review period due to a higher sales base but absolute growth rates will be stronger. Growth will be fuelled by China’s ongoing economic growth and consumers’ rising disposable income levels. Mid- and high-income consumers in first tier cities are expected to become increasingly affluent, consequently seeking out premium brands and value-added products. Low-income consumers and those outside of the largest cities will meanwhile remain price-sensitive but will begin to buy a widening range of beauty and personal care as their income levels rise. Men are expected to be a major driver of growth, with a growing number of men buying their own products as they seek to look well-groomed and youthful.

It seems that in the past 10 years, women in this Communist country have
started to enjoy all that the beauty industry has had to offer...and business is booming. Candlelight, fragrant essential oils and soft Zen music are rapidly becoming the order of the day, helping to calm frazzled minds, while therapies tailored to individual need and based on the use of natural herbs and spices, provide succor for body and soul.

And it's not just women. An increasing number of men are now visiting beauty salons - Banyan Tree Spa said that 45 percent of its customers are male - but their motivation is entirely different. "Like gyms, the salons are good places to build up “Guanxi” (relationships), and all businessmen need something like that," according to Chen, one of their male customers. The professional requirements of male customers are different, too. Unlike their female counterparts, men prefer body massages to skin care.

Since the beauty industry in China is growing faster and faster, beauty products and services are commonly be provided by the salons and beauty agencies in China. The competition in the market is running to a sharp period. Every company would like to figure out how to become the lead of the industry by increasing their profit and defeating others competitor. In terms of this, companies turn their eyes to the customers who are the source of the business for more transactions and benefits.

The Chinese hair care services industry includes about 86,000 establishments (82,000 beauty salons; 4,000 barber shops) with combined annual revenue of about $20 billion. Major companies include Taste, Yangma Companies, Amor Salons, and Zhong Style. The industry is highly fragmented: the 50 largest companies generate about 15 percent of revenue.

As the capital city of China, Beijing has more than 40,000 hair salon, which contains various consumptive standard of difference customer share. There are more than 20,000 salons with the cutting price of RMB 20-50, 1000 salons with the cutting price more than RMB 50 and around 20 hair salons with more than
RMB 150 cutting price.

Beacon Group is a famous hair salon company which offering a reasonable cutting price RMB 50 level in Beijing and provides professional stylists and services to customers. Just like any other salons, Beacon also has his marketing rules for earning more customers and increase business.

Just like any other salons, Beacon will provide a competitive price by selling products and services to different groups with different purchasing power. They not only service customer with their full range of needs, but also welcome to hear customers voices. There’s a Guestbook in every branch of Beacon, the company wants customers to give their comments, just like people suggesting comments after using the credit service in the bank. But in Beacon, if customer shared their suggestion seriously and sincerely, they will get a little gift from salons, the gift can be “one time free service” or any other benefits. So customers will surely have a very good image of salon by his modest attitude and open-minded business spirit with getting additional gifts.

Besides this, Beacon encourages their employee to bring their friends and families to the salons. If employee can attract more than 10 customers in a week, or one customer comes to salons re-purchasing more than 7 times a week, this employee maybe will double his wages and even get more dividends at the end of years.

Beacon is very welcome customer to join the company events. Beacon not only provide full of hair care goods and attentive service, but also hold the business activities and events occasionally. “We would like to try our best to build a bridge for communicating with our guests”. The CEO of Beacon Group said. He called this as “Relationship marketing” in China. It is seen that Beacon’s man knows how to communicate with their guests and how to earn more customers.

By the distinctive marketing strategy and honest company philosophy, Beacon wins a very good name in the industry. With the customer growing faster
and stronger, Beacon also a considerable income. Figure 1.1 shows the customers of Beacon salons is increasing in the year of 2002-2006.

**Figure 1.1 Beacon’s Customers Distribution (Year of 2002-2006)**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential Customers</td>
<td>Growth</td>
<td>Males</td>
<td>Females</td>
<td>Mothers w/children</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>9%</td>
<td>54,000</td>
<td>58,860</td>
<td>64,157</td>
<td>69,931</td>
<td>76,225</td>
</tr>
<tr>
<td>Females</td>
<td>10%</td>
<td>28,000</td>
<td>30,800</td>
<td>33,880</td>
<td>37,268</td>
<td>40,995</td>
</tr>
<tr>
<td>Mothers w/children</td>
<td>9%</td>
<td>23,400</td>
<td>25,506</td>
<td>27,802</td>
<td>30,304</td>
<td>33,031</td>
</tr>
<tr>
<td>Total</td>
<td>9.27%</td>
<td>105,400</td>
<td>115,166</td>
<td>125,839</td>
<td>137,503</td>
<td>150,251</td>
</tr>
</tbody>
</table>

Source: SAGAWORKS Database

Beacon salon doesn’t hold a high price with ornate decoration and trendy equipments in store, but it still keep a stable profit rate annually. Beacon salons had an average annual sales growth of 5.37% in 2010 and 2011, which is slightly below the two-year average in Sageworks’ database. Still, that’s a faster growth rate than the industry saw in 2009, when sales among the private companies examined increased 2.25%.

And profitability for privately owned Beacon salons improved throughout the recession and is still climbing, according to Sageworks’ data. Net profit margin averaged 7.77 percent the last two years, higher than any year between 2007 and 2009 as Table 1.2.

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Table 1.2 Beacon Net Profit Margin 2007-2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Pct Change</td>
<td>7.71%</td>
<td>5.05%</td>
<td>2.25%</td>
<td>5.37%</td>
</tr>
<tr>
<td>------------------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>5.01%</td>
<td>4.25%</td>
<td>6.37%</td>
<td>7.77%</td>
</tr>
</tbody>
</table>

Source: SAGAWORKS Database

## 1.2 Company Profile

As the beauty industry is growing faster and stronger, however, there’s also exists some salons’ business without a optimistic situation. Bawang Salon is also a hair salon located in Beijing. The company located in the downtown business district with advanced equipment and customer services standing in full of store.

Bawang salon was founded in 2002 in mainland China, by Mr. James Li (Li Chengbo), the CEO of Bawang salon, it is from professional salon in Hong Kong. James Lee Hairstyle Cultural Transmission Agency established in 1994. His headquarters in Beijing was established in 2002. Bawang salon cooperated with profession hair salon MAESTRO Salon in British and founded a joint agency named "BAWANG ® MAESTRO" professional hair salon during the year of 2004 to 2005, it is awarded by hairdressing associations as "Top Ten Well-known Enterprises in Beijing". As for today, the Outlets, chain stores of Bawang salon covering Beijing, Shanghai, Tianjin, Xi'an, Chengdu and so on first-tier and second-tier cities.

Bawang Salon always put service and technical expertise as the core competitiveness of enterprises in the industry, the formation of a business model to build the core competitiveness rely on technology, service culture. The business goals of Bawang salon is start from Beijing while overlook of nation. The enterprise purpose is to create the best technology and best service brand, it determined to build Chinese "McDonald" of hair style in China. Bawang salon is
the freelance hairstylist units of <Stars> live show of Beijing TV, it is the specified modeling agency of Third Beijing" My Show "entertainment programe and Bawang is also the specified hair styling units of the hosts of Beijing TV.

The Bawang salon always carried a strong team of Stylists for customers to help to create your tailored and original hairstyle. Bawang salon has talented team, classic design, fashion show and leisurely original peak of creativity to attract and develop a large number of customers in Beijing.

1.3 Problems Identified

With running business from year of 1990, company still keeping a black and white business situation. Below Figure 1.3 shows the margin comparison of Bawang salon in the year of 1994-2011.

![Figure 1.3 Margin Comparison of Bawang Salon (year of 1994-2011)](image)

As the observation of Figure 1.3, it is seen that the business of Bawang salon doesn’t show any surprise during the year of 1994 to 2007. The Net margin of
Bawang Salon met a sharp decreasing in the year of 2009, even the situation met a quick recovery in the following year, the operating margin was still keep decreasing, so as the net margin.

According to the research, it is know that there are more than 64% of salons’ business isn’t ideal, their daily income can just maintain spending. Even there’s more and more new hair salon open the business constantly, there still has 45% of salons are going to collapse each day in Beijing. The reasons why business goes termination can be many. But most of the reason turned to the essence of unhealthy business, which is lack of customer. The company is unable to maintain old customers or develop new customers in order to keep business health and refresh, the life of business will be hard and poor.

With the decreasing of the business in Bawang Salon, it is easy to know that Bawang salon is keep losing their income source, which referring to the customers who buy their products and services. Old customer are not keep their eyes on Bawang Salon any more while Bawang Salon is no longer attract new customers for running a health business, which means that trust is no longer exists between Bawang salon and customers. But only by looking at the figure and simple analysis, it is hard to figure out what are the factors coursed this situation and how they happened. Why Bawang salon cannot maintain the relationship with customers? Why some customers don’t purchase or enjoy the products or services again? What is the major mediating variable of relationship marketing? These are the questions Bawang salon needs to figure out.

1.4 Statement of the Problem

Topic: This research is analysis the relationship commitment and trust towards customer loyalty: A case study of Bawang Salon in China..
Questions:
1. Does economic benefits impact relationship commitment?
2. Does relationship benefits impact relationship commitment?
3. Does shared value impact relationship commitment?
4. Does shared value impact trust?
5. Does company reputation impact trust?
6. Does company reputation impact relationship commitment?
7. Does communication impact trust?
8. Does trust impact relationship commitment?
9. Does relationship commitment impact customer loyalty?
10. Does trust impact customer loyalty?

Rationale:
The analysis is based on the KMV (Key Mediating Variable) Model by Morgan and Hunter (1994) as well as the model questionnaire design and data collection. Questionnaire designed to take into account the content of the commitment - trust relationship marketing in order to explore internal factors that affect customer midfielder.

1.5 Research Objectives

With studying the deep-seated customer loyalty on the basis of the relationship commitment and trust, and prefect customer loyalty model, then learn the major corn with quantitative research, the objectives are to find out whether:
1. Economic benefits impact relationship commitment;
2. Relationship benefits impact relationship commitment;
3. Shared value impact relationship commitment;
4. Shared value impact trust;
5. Company reputation impact trust;
6. Company reputation impact relationship commitment;
7. Communication impact trust;
8. Trust impact relationship commitment;
9. Relationship commitment impact customer loyalty;
10. Trust impact customer loyalty.

1.6 Significance of the Study

The characteristics of this topic are mainly like: study the customer loyalty on the basis of commitment - trust relationship marketing research, quantitative empirical research on customer loyalty marketing factors.

The main outcomes expected to be achieved include: prefect customer loyalty model based on the commitment - trust relationship marketing theory, how to manage and marketing customer loyalty through commitment-trust relationship marketing and how to implement marketing strategies. Study the deep factors of marketing customer loyalty and the influence of customer loyalty membership role in the enterprises.

Value: This results of this paper are expected to be able to help businesses identify influence factors of customer loyalty, based on the strength of the impact of these factors, businesses can combine with the characteristics of the enterprises themselves, expand targeted customer relationship marketing and marketing strategy to implement practical in limited human, material, financial and other resources to obtain maximum customer loyalty in order to achieve the maximum benefit of the long-lasting.
1.7 Theoretical Framework

Figure 1.4: Theoretical Framework

Source: reconstructed from Morgan & Hunter (1994)
1.8 **Scope and Limitations of the Study**

Limited to the difficulty of time and data obtained, the researcher chose the service industry as the research object. Based on Boweii (1990) classification the services can be divided into the following three categories:

- **High-touch, customized, personal service.**
  In this kind of service, relationship marketing implementation works greater degree of influence customer awareness of products and services. Such as beauty salons and other service industries.
- **Moderate contact, semi-developed, non-personal services.**
  Such as equipment maintenance industries.
- **Moderate contact standardized service,**
  Such as transportation, fast food service.

In this paper, research chose the beauty industry as the research object, mainly based on the following considerations:

1. Beauty industry belongs to the first class in the above classification, it has the characteristics of high-touch and personalized service, customer relationship marketing variables impact more obvious and it is conducive to analysis easily.

2. Chinese beauty industry is developing very rapidly while the competition is quite fierce. In order to better serve the customer, all businesses with a number of marketing tools, relationship marketing is also the business directly or indirectly use mostly. So how relationship marketing goes on, what is customer focus points of interests and so on also need to be mastered, otherwise it will be pointless and cannot make effective use of the resources of company.
As the core of the relationship between commitment - trust theory of relationship marketing research has been subject to the attention of scholars in marketing circles. According to domestic and international commitment - trust and customer loyalty and some research results, this thesis combined with the knowledge and cognitive abilities, studied and analysed how it affects the core commitment - trust theory of relationship marketing customer loyalty.

As limited research resources and conditions as well as writer's own knowledge and limited level of research, the paper also exist many deficiencies and great limitations.

Although this research model fit the data well, but there is still insufficient, because no matter a model looks how perfect, it can not be a detailed description of impact of all factors of customer loyalty. When carrying out academic research, we need to come up with a more comprehensive model and try to summarise all influencing factors as much as possible. But at the same time we are also facing that challenges, it is that we are trying to use the simple model instead of a complex model, we cannot say that a model is perfect, and it is the most valuable model, the model is valuable mainly depends on the ability to reflect practice as well as guiding the practice.

In this thesis writer do not take into account some of the key antecedents affect customer loyalty as well as intermediary, such as environmental characteristics, product quality, brand, customer personal characteristics, activity characteristics.

This paper briefly described customer membership. T-Test statistical tests of the mean of the two samples of data, but not validate the model because of the lack of the number of samples.

There are some inadequacies in the survey:

- The study only selects beauty industry customers in the Beijing area for the survey, the survey sample size is not large (296 valid questionnaires), it is
difficult to ensure the representativeness of the sample. For these reasons, the research conclusions of the external effect are difficult to guarantee.

- There is a widespread error hesitate measurement method, the existences of error can affect factors thus assume that the expected level of assessment too high or too low, which possible cause a deviation to the results.

Academic research is on the way of continued development while together with fixing the past deficiencies and correct the mistakes, every studies have shortcomings, what we have to do is try to avoid human error, so that the research results can be conducted as perfect as possible.

1.9 Assumptions

1. Economic benefits have positive impact on relationship commitment;
2. Relationship benefits have positive impact on relationship commitment;
3. Shared value has positive impact on relationship commitment;
4. Shared value has positive impact on trust;
5. Company reputation has positive impact on trust;
6. Company reputation impact relationship commitment;
7. Communication have positive impact on trust;
8. Trust have positive impact on relationship commitment;
9. Relationship commitment has positive impact on customer loyalty;
10. Trust have positive impact on customer loyalty.

1.10 Definition of Terms

Relationship Commitment: Relationship commitment is the state or quality of being dedicated to a cause, activity, etc.. It is also known as a pledge or an undertaking.

Trust: Trust referring to reliance on another person or entity
**Relationship Benefits**: Relationship benefits referring to retaining relationship for the long-term offers many benefits.

**Relationship Termination Costs**: Relationship termination costs referring to the cost that customer re-select a new product or service providers, which including not only the cost of money, but also uncertainty caused the psychological and time costs.

**Shared Value**: Shared value referring to companies that have developed deep linkages between their business strategies and corporate social responsibility.

**Opportunistic Behavior**: Opportunistic behavior occurs where one party takes advantage of his superior knowledge, in order to further his/her interests, by failing to disclose such information to the other party

**Acquiescence**: Acquiescence referring to the act or condition of acquiescing or giving tacit assent; agreement or consent by silence or without objection; compliance.

**Propensity to Leave**: Propensity to leave referring to a evacuation trend.

**Cooperation**: Voluntarily arrangement in which two or more entities engage in a mutually beneficial exchange instead of competing. Cooperation can happen where resources adequate for both parties exist or are created by their interaction.

**Functional Conflict**: Functional conflict within the context of Organizational Behavior occurs when low to moderate levels of conflict improve the effectiveness of a group. Conflict is constructive when it improves the quality of decisions, stimulates creativity, innovation and encourages interest and curiosity among group members. It provides a medium through which problems can be aired and tensions released and fosters an environment of self-evaluation and change. Conflict is the antidote for groupthink.

**Uncertainty**: Uncertainty is a multi-faceted characterization about data or predictions made from data that may include several concepts including error, accuracy, validity, quality, noise and confidence and reliability.
CHAPTER II
LITERATURE REVIEW

2.1 Theory of Customer Loyalty

2.1.1 Customer loyalty theoretical concepts and classification

The concept of loyalty can be traced back to research by Copeland (1923) in the commercial market. Since then, scholars explore a large number of customer loyalty, but the true meaning of customer loyalty spring up with the gradual rise of the service economy, the gradual rise of the research began the test study of customer behavior. The study results suggest that high purchase frequency is customer loyalty, but the emergence, development and change of behavior of loyalty is different to explain regarding to single behavior. High repeat purchase behavior may not be based on a preference for the intention, it rather due to the various constraints of formation of the the switching barriers, low repeat purchase may be due to the role of situational factors or random factors (Storbacka & Gronroos, 1995). People began to correct attitude orientation on customer loyalty behavior research, it is said that attitude orientation represents the customer's tendentiousness towards service orientation, it reflect a commitment to the service as the preferred service and actively recommend behavior. The real customer loyalty should be an repeat purchase behavior accompanied by higher attitude orientation.

The concept of customer loyalty is first proposed by Dick and Basu, which preliminary summarized as the strength of the relationship between attitudes and patronage behavior of a brand. Later on, there are a lot of marketing experts supplemented the definition of customer loyalty. According to the summary of
more than 300 literatures, Jacoby and Chestnut (1978) found that there're more than 50 different points of view on customer loyalty, but after summing them up, it seems nothing but two basic methods: behavioral approaches and attitudes. From a behavioral point of view, customer loyalty is defined as an act of commitment repeat purchase products or services. This form of loyalty can be measured through the purchase of share and purchase frequency. Based on the view of the attitude, customer loyalty can be looked as a preference and dependence for products and services, this view believe that in addition to considering the actual purchase behavior of customers, but also need to analyze the potential attitudes and preferences of customers, the measures can be purchase intention measure and degree of preferences. After that, Dick and Basu (1994) introduced the concept of relative attitude, which means from customer's view, valuation of one products is superior than the degree of valuation of other products.

The Jacobby and David B.Kyner (1973) has proposed that a definition of customer loyalty must pay attention to the six necessary and sufficient conditions: 1. Bias (not random); 2. Behavioral responses (repeat purchase); 3. Persists decision over time; 4. Decided by a groups; 5. Select behavior refers to choose one or more than one in a brand; 6. It is a psychological process.

Marketing expert, Jill Griffin, gave the definition of customer loyalty: resist the discounts offered by competitors and purchase the company's products and services, and even recommended to their friends or colleagues. After a lot of market research, he proposed that high degree of satisfaction is not necessarily lead to repeat purchase behavior, only loyalty can be used to anticipate customer repeat purchase behavior.

Customer loyalty contains two factors: customer retention and customer share. Customer retention is the length of time to maintain a relationship between businesses and customers; customer share refers to the percentage rate that
customer spend their budget on company. The marketing experts Clauen Northrop expended customer loyalty to the company's internal marketing and external marketing, that is, to expand the internal marketing to internal customers, external marketing to external customers. Internal customer is the enterprise employee, this is the most important extension of the concept of customer loyalty. As for service business with a high degree of customer contact, whether the scheme work or not depends on internal customers closely. Because customers tend to judge the quality of service from their contact with service personnel, and establish a solid views on the image of the entire company. Therefore, company must acquire the employee satisfaction and loyalty in order to gain the customer satisfaction and loyalty. Internal marketing is a must to build customer loyalty. Internal marketing includes two levels: strategic internal marketing and tactical internal marketing.

Oliver (1997) believes that customer loyalty is the depth of the commitment of the preference for a product or service, it is a consistent repeat purchase and thus generate repeat purchase behavior of the same brand or same brand products or services in the future, and it will not occur any transfer behaviors because of the competitive marketing power impacted by marketsituation.

Oliver's definition is consistent with Dick and Basu described regards of customer loyalty, the definition reflects the dual characteristics of the customer loyalty behavior and attitudes, it is recognized by most scholars'view. Oliver's point of view is more stressed tangible brand loyalty, the proportion of the service sector increased with the changes in the structure of the global economy. Western scholars did a lot of research on the connotation of customer loyalty within service industry. In the 1990s, according to more than 50 papers published in the last decade of major magazines, Dwayne and Stephen (2001) and other scholars found that customer loyalty factor components in the service industry are mainly concentrated in the following four aspects:
1. Behavioral loyalty, which stressed on repeat purchase;

2. Emotional loyalty, emphasizing love and other emotional factors;

3. Cognitive loyalty, manifestations are: preferences, purchase preferred and priority in the decision-making.

4. Future loyalty intentions, future intentions research is the most frequently used term towards the definition and measurement of customer loyalty. It emphasizes customer loyalty is a concept of "degree", which reflected by the possibility of customers re-purchase, price tolerance and recommended possibility and such indicators. Therefore, customer loyalty is a multidimensional complex phenomenon, it is not only a repeated buying behavior, but also a high-quality psychological tendencies, it is the inherent organic fusion of psychological attachment and repeat purchases.

These various studies have shown that customer loyalty should rise to an economic management disciplines, the meaning of customer loyalty should exhibited following the requirements:

1) Customer loyalty behavior characteristics, which is the customer repeat purchases during a certain period of time;

2) Customer loyalty should emphasize the psychological or mental component of the customer in order to reflect the spiritual needs of the customer, to achieve positive and pleasant customer loyalty rather than a "hostage" type of customer control;

3) Customer loyalty also should include the tangible brand loyalty and intangible services loyalty in order to reflect the integrity of the concept of customer loyalty;

4) Customer loyalty's promotion characteristics, which refers to promote the purchasing of products or services from loyal customers to their family and friends;
5) Customer profitability, customer loyalty should reflect value creation, long-term and non-profit customer loyalty will destroy the overall value of loyalty eventually. Customer loyalty should achieve the purpose of the double value for customers and businesses in order to create and share value between loyal customers and companies.

There're two classifications has been recognized in customer loyalty academia: one is based on the level of the two dimensions of attitudes toward the strength and behavior-oriented division, the other is to be divided in accordance with the height of customer loyalty.

Based on customer repeat purchase frequency and the strength of the positive attitude, Conway and Fitzpatrick (1999) combined the attitude orientation and behavior and divided customer loyalty into four kinds of attitude, as shown in Figure 2.1 below:

![Figure 2.1 Customer Loyalty](image)

Source: Conway & Fitzpatrick (1999)
Griffin (1995) divided the customer loyalty into four states: potential loyalty, loyalty, disloyalty and false loyalty. Furthermore, Kathlee Sindell (2000) divided the false loyalty into monopoly loyalty, inertia loyalty, convenience loyalty, price loyalty and inspire loyalty. According to Gremler and Brown (1996) based on the degree of customer loyalty, it can be divided into three levels: behavioral loyalty, intentional loyalty and emotional loyalty intentions. Cartwright (2001) took loyalty segmentation as super loyal, loyalty, pseudo-loyal, non-loyal, anti-loyalty and inverse loyal six categories. Then he combined level of loyalty and the level of customer satisfaction, so customer loyalty is divided into fanatical pursuit, loyalty, involuntary, mercenary and "terrorists".

2.1.2 Relationship between customer loyalty and the related concept

1) Customer Loyalty and Customer Satisfaction

In the initial stage, customer satisfaction explains the theory of customer loyalty. The basic view of the theory is that satisfaction is the only major factors to predict the degree of customer loyalty, the higher customer satisfaction, the more customers will buy. So do the more and more company cognition and its brand loyalty.

In 1930s, Hoppe and Lewin started to study customer satisfaction theory in the society and experimental psychology, they found that the satisfaction is related to self-esteem, trust and loyalty. Cardozo (1995) started the experimental research on customer satisfaction in the market areas, he thought customer satisfaction will lead to purchase behavior. In the study of the relationship between these two, McKinsey (2005) found that if the satisfaction divided into satisfied, satisfied and very satisfied these three regions, customer loyalty will change while the satisfaction is moving in the "not satisfied" and "very satisfied" areas. But customer loyalty unchanged in the "satisfaction area".
The unchanged satisfaction of customer loyalty areas are called "irrelevant areas" by McKinsey while some scholars called it "satisfaction trap". Jones and Sasser (2007) found that the relationship between the two is non-linear, and it is quite different between the different industries. In a highly competitive industry, the customer will produce a strong loyalty effect only in the area of "high" satisfaction, and satisfaction improved very little towards loyalty in the "low" satisfaction area. But in a monopoly industry, customers seem like very "loyal" even in "low" satisfaction and dissatisfied region, but when this monopoly breaks, this relationship will be dramatic change. According to the empirical research of Xerox, Hart and Johnsoi (2008) found that the presence of the "quality" of non-sensitive areas, basically satisfied and satisfied customer loyalty is very low here, only a very satisfied customer showed high repeat purchase rate and word-of-mouth effect, the loyalty of "very satisfied customer" is 6 times of satisfied customers.

Based on the conclusions of different scholars, Oliver (1999) divided these concepts of the relationship into six categories:

1. Customer satisfaction and customer loyalty are two aspects of the same problem;
2. Customer satisfaction is the core of customer loyalty, customer satisfaction lock customer’s loyalty;
3. Customer loyalty is part of customer satisfaction;
4. Customer satisfaction and customer loyalty are concept elements of the overall loyalty;
5. Customer loyalty also includes customer satisfaction fractional factorial;
6. Customer satisfaction is the basis and leads to customer loyalty, which means that customer loyalty should be based on the foundation of customer satisfaction.
2) **Customer loyalty and company image**

The famous brand experts Keller (1993) defined that corporate image is that consumers reflects the perception of the organization in the memory by association. In the comprehensive model of perceived quality by an expert, perceived quality is a function of expectations of quality and quality of experience,. perceived quality, expect quality comes from marketing communication, image, reputation and customer needs, quality of experience conducts by technical quality and functional quality, but technical quality and functional quality is not formed to the customer's perceived quality directly, it also through the regulation of the corporate image. So, according to his point of view, the corporate image is a filter which affecting company operations perception. According to the summaries of results of the research by scholars, corporate image affects customer loyalty is mainly through the following means:

1. Affect customer loyalty by affecting customer satisfaction;
2. Direct act on customer loyalty (Michael 2003);

Good corporate image can help the customer to explain, processing and store the information about products or services, also to help customers simplify the purchase decision-making, reduce customer costs, motivate customers to repeat purchase. Some scholars (Tor.Bodil.2004) empirical studies have shown that corporate image influenced deeply on customer loyalty bigger than through the customer satisfaction in the complex field.

3) **Customer loyalty and customer profitability**

Customer profitability profit is defined as a specific customer brings the profits (Reichheld 1996)in a certain period of time . The customer profitability reference here is the value of the vendor rather than the value of the customer (customer value refers to the difference between the sum of profits from product or service bring to them and the interests paid by customer). There are two types
of customer profitability: the first one is customwe profit based on the calculat the actual income of accounting earnings, this calculation method is usually work as all income that enterprise sales to a single customer in a specific period of time minus all related costs. The second is customer profitability based on the profitability of future income of customers, which also known as Customer Lifetime Value (Heskettetal 1997). Scholars keep the different opinions on this, which mainly focus on the definition of income, but they agreed that customer lifetime value is the discounted of future earnings.

4) Customer Loyalty and Customer Delivered Value

Many scholars think that customer value is a key factor to improve customer loyalty. Philip Kotler, the marketing lecture, think that customer delivered value represent the customer perceived value, customer delivered value is the difference between total customer value and total customer cost. Total customer value is that customers expect the group of interests from a particular product or service, which including product value, service value, personnel value and image value. The total cost of the customer is the price paid by the customer in order to buy a particular product, which including the monetary cost, time cost, energy cost and physical cost. The William D.Neel believed that customer loyalty is driven by value but not driven by customer satisfaction. So, to make customer loyalty must provide customers products or service which meet their value. According to cognitive quality and cost perspective, Bradley T.Gale analyzed and calculated customer value customer value based on the relative quality and relative value of these two factors, he thinks only those products with high quality bid will promote customer satisfaction and even pleasure, then lead to customer loyalty ultimately. Based on the theory analysis, loyalty is a behavior, interests are the driving factors for this behavior, pursuance of interests is the motivation for this behavior, customer delivered value is the return on investment and efforts to return the consolidated.
2.1.3 Measurement study of customer loyalty

There're two measurement study of customer loyalty. One is the measurement of the core loyal customer groups, which is the research of frequency of repeat purchase (Cohombo.Morrison, 1999; Grover, 2002; Dillon, Gupta, 2006). The core loyal group of customers is the customers that enterprise won by the value they offered. They will be loyal to the existing selection and to avoid conversion product (brand), competitors frequent measurement of advertising or price promotion does not impact this group. The marketing costs spent on this group will be low. On the other hand, another one is measurement of those customers who easy departure, it can be called as strengthen loyalty. The concept has been involved in the articles (Papatla, Krishnamurti (2002), Kannan, Sancilez (2006)). Strengthen loyalty is for the potential conversion customers of those companies by purchasing multiple brands of similar products, to a certain extent repeat purchase various brands of products, thus shows loyal performance on more than one company. Despite strengthen loyalty and core loyalty are demanding a repeat purchase premise, but they are aimed at two distinct customer groups. Strengthen loyal target customer groups who easily departure, this group can not completely loyal to a business or a brand by the purchase of a product, while the core loyalty target the most loyalty customer in the enterprise customer groups.

The analysis regards to related customer loyalty factors include: the study of NBD model, customers departure rate study, customer loyalty marketing variables, the explanatory variables are added in brand choice behavior: for customer loyalty analysis of the relevant factors, including: integration of the purchase of time and brand of choice, which consider the marketing variables change over time (Wagner, 1986; Taudes, 1999); forecast customer repeat purchase (Zufryden, 2002); the dynamic structure of the model of evaluation of customer buying behavior(Erdem Keane, 1994; Gonul Srinivasan, 2005).
Research on customer loyalty model is trying to use its method that depicting customer loyalty to help enterprises to improve the financial results while gain the process assessment through statistical analysis. According to the national customer satisfaction index implementing in more than 20 countries and regions currently, econometric model has been mostly used to measure customer satisfaction index, but the end result of these models are customer loyalty. Fomell (2002) pointed out that the ultimate goal of customer satisfaction index model is the prediction and interpretation of customer loyalty. In Sweden and the United States, in the customer satisfaction index (SCSB, ACSI) model, customer loyalty = (customer satisfaction, customer complaints); In European customer satisfaction index (ECSI) model, customer loyalty = (customer satisfaction, corporate image, customer complain). Michael (2001) came up a customer satisfaction or customer loyalty model of service industry on the basis of analysis of SCSB, ACSI and ECSI model, this model emphasis on customer loyalty status. In the model, customer loyalty = (customer value, employee loyalty, loyalty investors).

The Chinese scholars Yingbao Huo believed a dynamic model of customer loyalty in a competitive industry: customer expectations - customer buying - customer perceived value - customer satisfaction - customer trust - customer behavioral loyalty - customer loyalty attitude - customer comprehensive loyalty. The model can be divided into three stages: the satisfaction stage of trust, trust stage of re-purchase and comprehensive loyalty stage. In the satisfaction stage of trust, companies want to meet or exceed customer expectations through value creation in order to win customer satisfaction and thus win customer trust. At this stage, the enterprises should pay special attention to customer satisfaction; In trust stage of re-purchase, enterprises have to maintain the good image of the enterprises actively to establish company image in the minds of customers, integrity management and positive publicity can win customers multiple purchase; In comprehensive loyalty stage, cooperation become partners of
customer to work together of business in order to create and share value, this is the essence of customer loyalty.

In recent years, the foreign cutting-edge research on customer loyalty including:

1. Divided loyalty research: that the loyalty that customer is loyal to several industries and enterprises with similar products brand at the same time;

2. Customer loyalty segmentation research: customer loyalty segmentation study includes the sub-studies related to customer core strengthening loyalty and customer loyalty these two classifications;

3. Customer cross-purchase research: it is an expand research/studies based on previous customer repeat purchase behavior. It has shown that customer can not only keep their repeat purchase behavior in the necessary marketing tool stimulation, but also be able to purchase their consumption of other categories of products. It also provides the basis for value-added customer loyalty research.

According to this, even though many scholars engaged in the study of customer loyalty, but the research has not yet matured, there are many issues still in the exploratory stage, what is the essence of customer loyalty? Whether or not is has the pattern of changes in customer loyalty? What are the factors affecting the deep level of customer loyalty? These are being study in-depth of customer satisfaction to the customers.

2.2 Theory of Relationship Commitment and Trust

2.2.1 Basic relationship commitment and trust content

Commitment is the state or quality of being dedicated to a cause, activity, etc.. It is also known as a pledge or an undertaking. Many of the model of commitment in the social psychology literature have in common the notion that a person’s
intent to continue or dissolve a relationship is a function of the factors that draw a person to a relationship and those that drive the person away from the partnership (Le & Agnew, 2003). Yet little consensus has emerged in the literature as to what exactly comprise the components of relationship commitment (Adams & Jones, 1997). Rusult and Bunk (1993) defined relationship commitment as a subjective psychological state that influences a variety of behaviors in a relationship, and Rusbult’s (1998) Investment Model of commitment has generated a large amount of research (Le & Agnew, 2003). This model is based, in part, on interdependence theory (Kelley & Thibaut, 1987; Thibaut & Kelley, 1995) and its notion that a person’s satisfaction with and attraction to an association is a function of the discrepancy between the value of the outcomes of the relationship and the person’s expectations.

The investment Model states that commitment is affected not just by the outcome value of the current relationship and alternatives, but also by the amount of investment a person has made in a relationship. Rusbult (2005) argued that commitment should increase as the relationship becomes more valuable (or rewarding, with fewer costs), as alternatives decreases in quality, and as the magnitude of a person’s investment in the association becomes larger.

Proposing a model relationship commitment similar to but distinct from the Investment Model, Johnson (2006) argued that a person’s decision to continue a relationship results from experience of three types of commitment. One commitment experience is termed personal commitment, and arises when a person is emotionally attached and wants to continue a relationship. Another form of commitment is moral commitment, which involves a person feeling an obligation to continue a relationship. The third commitment experience in the model arises when a person feels they have to continue a relationship and is referred to as structural commitment. According to its author, the commitment model is different from the Investment Model due to the centrality of experience in the
development of commitment. (Johnson, 2007). That is, the Investment Model is more strictly calculative, applying a straightforward calculus to the construct of commitment. One component of the Investment Model, however, acknowledges the use of experience – referencing past relationship – in a person’s decision making regarding continuing a relationship (Rusbult, 2006).

Despite the commitment in relationship marketing has a very important position, there is a huge difference in its definition from many marketing scholars. Rossonand Ford (2002) believed that higher relationship commitment means the height of the investment between both sides of the relationship. Children and Rucket (2006) thought that commitment is evolved from the cooperation emotional intention. Anderson and Weitz held a different view. They stressed that the tendency of behavior and continuing relationship is the key indicators of the commitment. Morgan and Hunter (1994) believed the commitment is the integrity, confidence and reliability of one party of business towards the transaction with their exchange partners, they believed that make great efforts to maintain the relationship between each other is very important. Hermig-Thurauand Klee (2005) believed that the commitment should include both rational and emotional levels, in addition to measure from a rational perspective, the economic benefits can be gained from the relationship, the emotional attachment relationship is also important. As it can be seen from the definition of the commitments above, no matter which definition of thees believed commitment is a positive value, it is an ongoing process and once formed is not often change. With references to Morgan and Hunter (1994) defination, the trading partners who keep commitment believe a relationship is valuable; willing to work hard to maintain the relationship continued. According to this definition, commitment to customers like to stay in the same business, because they believe that relationship with the enterprise is very important, so they tend to make maintenance relationship lasting action. One of variables that closely related to relationship commitment is to customer
loyalty, they are the core problem in relationship marketing theory study, some
scholars believe that loyalty and commitment studied have different research areas,
loyalty comes from the consumer market and commitment comes from the
industrial market. Oliver (1999) defined customer loyalty that despite the
existence of alternatives, the customer still show a strong ongoing purchase and
patronage desire to corporate or brand in competitive markets, it is the high degree
of relationship commitment. Jones and Sasser (2008) defined customer loyalty
commitment is a recognition of the relationship between businesses and their
employees.

By the research of cooperation between suppliers and distributors, Ganesan
proposed the trust consists two factors: one is the reliability that enterprises
believe that the partners will work really perform and effective completion of
professional strength; another one is charity, which is the intent that enterprises
believe motivation of partners treat the enterprise well when the future the
accident happens. Berry and Parasuraman (1996) believed when dealing with the
relationship, only to establish a high level of trust in the exchange relationship
between the two sides will bring the two sides to focus on the long-term benefits
rather than short-term speculative behavior.

The trust is usually easy to set up under risk circumstances. Kini. Choobineh
showed the risk is a very important factor in a relationship of trust. When
customers decide to trust or not trust, the most important considerations is the
risk.

Trust is more and more important in the case of the greater degree of
environmental uncertainty. As for the customer, it can reduce risk expectations
and uncertainty if the customer is confidence in a corporate or brand at the time of
the transaction. In the long run, it will make the customer easy to loyal to business
or brand.
At the same time, trust affects relationship commitment. Cravens and Piercy thought trust is the main conditions of successful cooperative relationship. Since the trust and commitment is very important mediating variables in relationship marketing, many scholars believe that trust and commitment correlation exists, and believed trust is a antecedents of marketing commitment. Commitment implies a possible potential sacrifice, if it cannot establish business or brand trust firstly, customer commitment is difficult to represent the marketing relationship. At the same time, if the customer has a high degree of trust level, they can easily believe that the presence of a marketing relationship is very valuable, it is easy to loyalty and has a commitment to the relationship of corporate performance. Therefore, the existence of the trust increases customer commitment.

2.2.2 The Customers satisfaction and loyalty

The Leadership Factor's experience has shown that, customers may have very little choice over which supplier to use. This can lead to the feeling that customer loyalty is irrelevant since they have no option but to come back. Such reasoning is flawed on two counts.

1) Customer loyalty goes beyond mere retention to a range of attitudes and behaviours, something which will be covered in more detail later.

2) Customers do come back when they have no other choice, but they will be vulnerable if any competitor arrives on the scene. Companies that are in a virtual monopoly situation can be vulnerable to this way of thinking.

The difference between companies in beauty industry is due to a combination of factors - the amount of competition, the sophistication of the customers and the perceived switching barriers. If all competitors were equally easy to use then we
would expect an almost perfect correlation between customer satisfaction and loyalty. Figure 2.2 shows the relationship between satisfaction and loyalty for one Leadership Factor client.

**Figure 2.2 Relationship Between Satisfaction and Loyalty**

![Graph showing the relationship between satisfaction and loyalty](image)

*Source: Beauty Service Journal: Customer Satisfaction, Loyalty and Profit*

It is a phrase that can be used to embrace a range of customer attitudes and behaviors. On most of The Leadership Factor's surveys customer loyalty is measured in two ways: loyalty behavior is gauged by a measure of retention, or intention to buy again; loyalty attitudes are termed commitment.

Figure 2.3 shows the value of a loyal customer base in a beauty agency in China. Reputation influenced 44% of a company’s customers to use them, 23% were repeat users, and 14% chose this supplier based on a recommendation.
As an illustration of how the process of building loyalty can work, Figure 2.4 shows for one consumer client in beauty industry in Beijing, China, the percentage of customers that requested quotes from other companies, split by whether they had used out client before or not. It shows that this company’s strong performance means that past customers are less likely to shop around than others. The company is building a very loyal customer base.

**Figure 2.4 Percentage of Customers Repurchase**

<table>
<thead>
<tr>
<th>Used Before?</th>
<th>Yes</th>
<th>No</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>60.6%</td>
<td>39.0%</td>
<td>0.4%</td>
</tr>
<tr>
<td>No</td>
<td>70.9%</td>
<td>28.3%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Total</td>
<td>67.5%</td>
<td>31.8%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

Source: Beauty Service Journal: Customer Satisfaction, Loyalty and Profit
Surveys have consistently shown very strong correlations between customer satisfaction and loyalty. As for other beauty service agencies, suggests that customer loyalty is driven by a combination of customer perceptions such as satisfaction, image and perceived value, and is further subject to something called ‘loyalty personality’. Loyalty personality refers to innate differences in the way customers form their opinions. Commonly these differences can be predicted by a number of geo-demographic factors, such as age, gender, occupation and location.

Figure 2.5 shows how customer satisfaction and loyalty vary by age in a beauty service agency in China. It is important to note that the shape of the lines is different - satisfaction personality is not the same as loyalty personality, though they are usually similar. In both cases scores tend to get higher with age.

**Figure 2.5 Common Loyal Personality Divisions**

In simple terms the modelling of a relationship is no more complex than drawing a line of best fit on a scatter diagram. Researcher believes that for almost every organisation improving customer satisfaction will improve customer loyalty, which will in turn improve profit. But researcher cannot prove this is the case for every organisation, and cannot predict by how much. To predict what an improvement in satisfaction will in terms of loyalty and profit that have to model the relationships between these items.
This thesis explores how relationship marketing towards customer loyalty aim as a priority objective of the strategic marketing planning, construct and manage customer relationship marketing based on customer loyalty correctly and effectively.

Only well dealing with management of customer loyalty is able to better meet customer demand as differentiated, diverse and individual requirements in order to stabilize the market, thus reducing market risk effectively.

The customer loyalty on the level of relationship marketing, customer loyalty management, conversion mechanism from customer satisfaction to customer loyalty, whether the customer loyalty changes regularly, customer loyalty marketing deep-seated problems, how to implement a loyalty marketing services and so on series of issues are very worth to have in-depth study.

2.2.3 The commitment and trust theory

In the previous discussion, there’re ten kinds of relationship in four groups of succeed enterprise marketing by Morgan& Hunter (1994). They believed relationship exchange based on the intangible things such as emotion, commitment and trust. This can be track back to the exchange activity previously that reflects a processing incessancy.

They built the KMV (Key Mediating Variables) model and analysis the pre-variables and their impact between relationship commitment and trust, which can explain the intension of relationship marketing and reasons why or whether relationship marketing works or not. They believed that relationship interest is one of the key variables of commitment and trust. The others pre-variables are relationship termination costs, shared value, communication and opportunistic behavior. KMV model shows as Figure 2.6.

Morgan and Hunter believed the commitment and trust is the key mediating
factors which can affect the success of relationship marketing activities. That is because commitment and trust encourages marketers as:

1. Cooperate with exchange partners in order to protect investment on relationship;
2. Refuse the attraction of short-term scheme in order to maintain long-term benefits with current cooperative partners;
3. Be cautious about the potential of high-risk behavior and believe partners will not take opportunistic action.

Key mediating variables model does not exclude the other relevant factors in the specific relationship marketing activities, but it believe the relationship between pre-variables, which are relationship termination costs, relation benefits, shared value, communication and opportunistic behavior, and 5 results, which are acquiesce, agree tendency, cooperation, functional conflict and decision uncertainty is based on mediated variables between commitment and trust. The model shows that the occurrence of relationship marketing behavior has its direct causes and indirect causes, but also indirect causes: antecedents are direct causes while mediated factor is the direct causes. The affection from 5 pre-variables and 2 mediated factors to the results of the 5 relationship can be both positive (“+”) and negative (“-”).
The KMV model had a significant impact on relationship marketing study towards the entire marketing profession. This module shows the importance of Relationship Commitment and Trust in a customer relationship, with its involving elements, the antecedents and the outcomes. The relationship mediated factors expanded seems to be a trend. For example, the four mediated factors from Boone

(1998) including binding force, perception, reciprocity and trust in the relationship marketing mode.

The research standing from customers point of view towards relationship benefits can be studied of Gwinner, Gremler and Bitaer(1998). Their analysis towards service industry can be divided into two parts. The first phase of stage is depth visits, based on this, they summarized the four major categories of the interests of the customer relationship, they are social interests, psychological interests, economic interests, and customized interests. And then the second phase of the empirical study, through the analysis of the data collected, there are three different types of the interests of the customer relationship, they are confidence benefits, social benefits and special treatment benefits.

In the study on the basis of Gwinner, Hennig-Thuraus (2002) proposed a model of the relationship benefits, relationship quality and customer behavior.

In the model, confidence benefits and social benefits have a positive impact on customer loyalty, special treatment benefits doesn’t have a big impact on loyalty; On the other hand, confidence benefits have a positive impact on customer satisfaction, but confidence benefits doesn’t have great impact on commitment; social interests have no direct impact on special treatment benefits and customer satisfaction, but is do have positive impact on commitment; customer satisfaction and commitment of relationship quality have a positive impact on customer behaviors, at the same time, it can approved relationship quality played the medium roles of customer loyalty transferring from customers get relationship benefits.
CHAPTER III
METHODODOLOGY

3.1 Research Method

The research method was used in this study is quantitative research. Quantitative research is the systematic scientific investigation of properties and phenomena and their relationships. The objective of quantitative research is to develop and employ mathematical models, theories and/or hypothesis pertaining to natural phenomena. The process of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships. Quantitative research is generally approached using scientific methods.

Simply say, quantitative research uses data that are structured in the form of numbers or that can be immediately transported into numbers. It is a very controlled, exact approach to research. In this study, the formalized questions will be asked and answers options which will be chosen by respondents. And the results used to analyze relationship commitment and trust towards customer loyalty.

According to Patton (2002), quantitative research method allows for large-scale measurement of ideas, beliefs and attitude. The results are projectable to the population, which means that proportion of respondents answering a certain way are similar to the proportion of the total population that would have answered the way if they all had been asked.(Mccullough, 2006)

In this thesis, quantitative research method is better than qualitative research
method because there are three reasons. Firstly, since the problem of this research is to analysis relationship commitment and trust towards customer loyalty, the result of this research remained uncertain and need to be investigated. Secondly, quantitative research method is more suitable for this research because it is more objective. All the results are generated based on the reliable data which are gained from the population. Thirdly, the population of this research is considerately small, and the data collecting process of qualitative research are not suitable.

3.2 Research Instrument

3.2.1 Research Tool

The researcher use self-constructed questionnaire to collect data. To make sure that the questionnaire is reliable and valid, the testing of each question is necessary. The tool used for testing in this research is SPSS version 16.0

Microsoft Excel 2007 will be used during the data analysis for preparing data and getting average number.

Factor analysis becomes the method that will be used in determining the factors that affect customer loyalty with relationship commitment and trust. Discovering simple pattern in the pattern of relationships among variables is the purpose of factor analysis method. The purpose of factor analysis is to discover simple patterns in the pattern of relationships among the variables.

There will be 2 types of variables in factor analysis, which are:

1. Manifest variable

Manifest variable is a variable that is directly observable or measurable.

(www.statsoft.com)
2. Latent variable

Latent variable is a variable that are not directly observed but are rather inferred (through a mathematical model) from other variables that are observed and directly measured.

Manifest variables will construct latent variable that will be the statement for explaining each factor. This latent variable cannot explain all the variance in its manifest variable. A part that can be explained by latent variable considered as an error.

There are some steps in computing factor analysis, which are:

i) Preparing data

This matrix comes from the questionnaire result that has been conducted. The format of this data is amount of respondent in column area, and variable in row area.

ii) Creating correlation matrix

The main purpose of creating this matrix is finding the relationship degree between variables. This degree will be used for further process in factor analysis. High correlation value is needed in order to get good factor analysis. High correlation value refers to correlation value which is its determinant value is closer to 0.

The correlation matrix that has been created must be tested, whether it is identity matrix or not. Identity matrix happened when the relationship between variable is zero. This kind of matrix is not suitable to be processed by using factor analysis that is why limitation is important to identify the matrix. In Bartlett test of Sphericity, significant value of for identifying matrix is less than 0.001. If the
matrix is identity matrix, so we cannot used it in the further step in factor analysis. Bartlet Test of Sphericity is the formula that will be used in testing of matrix identity.

Kaise-Meyer-Olkin (KMO) is used in testing the suitability of factor analysis towards sampling design. There are some measurements in KMO, which are:

High values (close to 1.0) generally indicate that a factor analysis may be useful with the data. If the value is less than 0.50, the results of the factor analysis probably won’t be very useful.

iii) Extracting factor

Loading factor shows the contribution proportion on latent variables, which according to statistic significance of the coefficient correlation loading. Coefficient correlation is the size used to determine the degree of correlation. Variable that has higher loading shows that the influence is bigger on the latent variables. Relying on that loading factor value, the manifest variables grouping can be performed. Variable that has lower than 0.6 loading factor value will not be considered in the latent variable.

iv) Rotated Varimax

This rotation shows the maximal value and manifest variable contribution to latent variable.

3.2.2 Questionnaire Design

There are two parts in the questionnaire. It contains information background of the subjects and multiple chose questions. There are four questions referring to the relationship commitment, four questions referring to the trust, 22 questions
referring to the economic benefits, relationship benefits, company reputation, shared values, communication and customer loyalty.

According to the scale used in the literature and the purpose of this study, we use Likert five-point scale as a measuring tool to assist in the formation of the questionnaire of this paper. The statement contains strongly disagree, disagree, no feeling, agree and strongly agree these five descriptors, which give different scores from 1-5 to each of them.

**Table: 3.1 Relative Grading System for Each Dimension**

<table>
<thead>
<tr>
<th>Relative Grading Statement</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>1</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
</tr>
<tr>
<td>No feelings</td>
<td>3</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Duyff (1998)

**Table 3.2 Terms of Variable Measurement**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Terms&amp; Variables</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship</td>
<td>the relationship between me &amp; Bawang Company</td>
<td>Hunter (1994)</td>
</tr>
<tr>
<td>Morgan &amp; Commitment</td>
<td>......very please to commit</td>
<td>CMT</td>
</tr>
<tr>
<td>Hunter (1994)</td>
<td></td>
<td>CMT1</td>
</tr>
<tr>
<td>CMT2</td>
<td>……very important to me</td>
<td></td>
</tr>
<tr>
<td>CMT3</td>
<td>……I care so much</td>
<td></td>
</tr>
<tr>
<td>CMT4</td>
<td>……worth to maintain relationship……</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trust</th>
<th>According to previous experience, Bawang company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morgan&amp;</td>
<td></td>
</tr>
<tr>
<td>(TRU)</td>
<td></td>
</tr>
<tr>
<td>Hunter(1994)</td>
<td></td>
</tr>
<tr>
<td>TRU1</td>
<td>…extremely honest and loyal</td>
</tr>
<tr>
<td>TRU2</td>
<td>….very loyal</td>
</tr>
<tr>
<td>TRU3</td>
<td>….upright and trustworthy</td>
</tr>
<tr>
<td>TRU4</td>
<td>….able to trust and follow</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Economic</th>
<th>According to my experience, Bawang company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weibaker(1988)</td>
<td></td>
</tr>
<tr>
<td>(EBE)</td>
<td></td>
</tr>
<tr>
<td>(EBE) Russell</td>
<td></td>
</tr>
<tr>
<td>Ueey(2003)</td>
<td></td>
</tr>
<tr>
<td>EBE1</td>
<td>……provide me very please purchasing</td>
</tr>
<tr>
<td>EBE2</td>
<td>……provide the right product with right price</td>
</tr>
<tr>
<td>EBE3</td>
<td>……reach the value of products&amp; services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Bawang Company…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morgan&amp; Benefits</td>
<td></td>
</tr>
<tr>
<td>Hunter(1994) (BEN)</td>
<td></td>
</tr>
<tr>
<td>BEN1</td>
<td>……make me feel very warm</td>
</tr>
<tr>
<td>Gwinner(1998)</td>
<td></td>
</tr>
<tr>
<td>BEN2</td>
<td>…..provide me added value exceeding expectations</td>
</tr>
<tr>
<td>BEN3</td>
<td>…..can make feel good service</td>
</tr>
<tr>
<td>BEN4</td>
<td>…..let me enjoy favorable treatment than others</td>
</tr>
<tr>
<td>BEN5</td>
<td>…..reduce my risk and worries</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(COR)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>COR1</td>
<td>…..have a good reputation</td>
<td></td>
</tr>
<tr>
<td>COR2</td>
<td>…..famous for a high-quality service</td>
<td></td>
</tr>
<tr>
<td>COR3</td>
<td>…..have a overall positive reputation</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shared Values</th>
<th>The fundamental values of Bawang Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crutchfield(1998)</td>
<td>(SHV)</td>
</tr>
<tr>
<td></td>
<td>…..consistent with my personal values</td>
</tr>
<tr>
<td>Morgan&amp; Hunter(1994)</td>
<td></td>
</tr>
<tr>
<td>SHV1</td>
<td>…..consistent with my believe</td>
</tr>
<tr>
<td>SHV3</td>
<td>…..understand my expectations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>COM1</td>
<td>…..inform me the information and valuable</td>
</tr>
<tr>
<td>COM2</td>
<td>…..always communicate with me</td>
</tr>
<tr>
<td>COM3</td>
<td>…..good communication quality</td>
</tr>
<tr>
<td>(COM)</td>
<td>Communication with company regularly Morgan&amp; Hunter(1994)</td>
</tr>
</tbody>
</table>

Vatanasombut(2000)
<table>
<thead>
<tr>
<th>COM4</th>
<th>……provide timely information on new products &amp; services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cremler &amp; Gwinner (2000)</td>
<td></td>
</tr>
<tr>
<td>COM5</td>
<td>……listen to my advises of enterprise services carefully</td>
</tr>
<tr>
<td>Customer</td>
<td>From now on, I will……customer loyalty</td>
</tr>
<tr>
<td>Loyalty (CLO)</td>
<td></td>
</tr>
<tr>
<td>CLO1</td>
<td>……I will increase the share of purchases in the company in a year</td>
</tr>
<tr>
<td>CLO2</td>
<td>……I will willing to continue to maintain the exchange relationship with company in a year</td>
</tr>
<tr>
<td>CLO3</td>
<td>……I always recommend products &amp; services Of the company to my friends</td>
</tr>
</tbody>
</table>

Source: constructed by researcher

In addition, in order to ensure the effectiveness and understandability of the questionnaire, writer conducted a test of the small sample size among the students just before giving the questionnaire out, the two purposes are listed below:

To test measuring items of questionnaire and verify the reliability of the questionnaire;

To further amended questionnaire through the feedback of those who completed the questionnaire including layout and wording.

For the first purpose, detection of the questionnaire reliability is using Cronbach's coefficient. The prediction of this thesis, a is greater than 0.7, which indicate that the questionnaire reliability acceptable. The realization of the second purpose is to communicate with respondents in order to understand whether the
various measurement topics is reasonable, clear and easy to understand or not in questionnaire. In addition, since the terms of this measurement are integrated from the previous studies, the factor analysis conducted on a small sample of data shows that the connotation of structural variables defines its corresponding measurement terms is still very reasonable.

3.3 Sampling Design

3.3.1 The Actual Sample Size

This study is empirical research with a cross-sectional survey as research methods, sampling formed from customers of Bawang Salon in Beijing.

The survey taken methods are the person survey and also asked people to help complete the survey. A total of 400 questionnaires were distributed with 358 questionnaire gained back of which 296 valid questionnaires. The valid questionnaires determine by the integrality and seriousness towards the questionnaire.

The sampling method is non-probability sampling. Convenience sampling is probably the most common of all sampling techniques. With convenience sampling, the samples are selected because they are accessible to the researcher. Subjects are chosen simply because they are easy to recruit. This technique is considered easiest, cheapest and least time consuming.
### 3.3.2 Margin of Error

According to Lind, Marchal, and Mason (2003), margin error is the difference between a sample statistic and its corresponding population parameter. It means that, margin error is the error accepted during the research. In this research, the researcher uses the margin error of 5%.

### 3.4 Hypothesis Testing

Ho1: Relationship commitment has no impact on customer loyalty.
Ha1: Relationship commitment has positive impact on customer loyalty.
When P value (significance) is less than 0.05, then reject null hypothesis.

Ho2: Trust has no impact on customer loyalty.
Ha2: Trust has positive impact on customer loyalty.
When P value (significance) is less than 0.05, then reject null hypothesis.

Ho3: Trust has no impact on the relationship commitment.
Ha3: Trust has a positive impact on the relationship commitment.
When P value (significance) is less than 0.05, then reject null hypothesis.

Ho4: Economic benefits have no impact on the relationship commitment.
Ha4: Economic benefits have positive impact on the relationship commitment.
When P value (significance) is less than 0.05, then reject null hypothesis.
Ho5: The relationship benefits have no impact on relationship commitment.
Ha5: The relationship benefits have a positive impact on relationship commitment.
When P value (significance) is less than 0.05, then reject null hypothesis.

Ho6: Company reputation has no impact on relationship commitment.
Ha6: Company reputation has a positive impact on relationship commitment.
When P value (significance) is less than 0.05, then reject null hypothesis.

Ho7: Company reputation has no impact on trust.
Ha7: Company reputation has a positive impact on trust.
When P value (significance) is less than 0.05, then reject null hypothesis.

Ho8: Communicate have no impact on trust.
Ha8: Communicate have a positive impact on trust.
When P value (significance) is less than 0.05, then reject null hypothesis.

Ho9: Shared values have no impact on the relationship commitment;
H19: Shared values have positive impact on the relationship commitment;
When P value (significance) is less than 0.05, then reject null hypothesis.

Ho10: Shared values has no impact on trust
Ha10: Shared values has a positive impact on trust.
When P value (significance) is less than 0.05, then reject null hypothesis.
CHAPTER IV
DATA ANALYSIS AND INTERPRETATION OF RESULTS

This chapter consists of five sections, the first section the description which is the characteristics of the sample; Section two is the verification of measurement quality of scales; Section three describes the inspection process and results of the research model; the fourth section results are simple discussion; And the last section which is section five describes the role of customer loyalty membership.

4.1 Basic Features of the Sample

Questionnaire pre-investigation and modification work is carried out in November 2012, and a formal investigation has been made two weeks later. A total of 400 questionnaires were distributed with 358 copies of questionnaires back, the response rate of 89.5%, of which 296 valid questionnaires, the effective rate of 74%. Information on the samples has shown in Table 4.1.

<table>
<thead>
<tr>
<th>Basic Information</th>
<th>Subdivision</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total No. of Sample</td>
<td>Member</td>
<td>188</td>
<td>63.5%</td>
</tr>
<tr>
<td>(296)</td>
<td>Non-member</td>
<td>108</td>
<td>37.5%</td>
</tr>
<tr>
<td>Gender (2%)</td>
<td>Female</td>
<td>184</td>
<td>62.1%</td>
</tr>
<tr>
<td>------------</td>
<td>--------</td>
<td>-----</td>
<td>-------</td>
</tr>
<tr>
<td>Age (291)</td>
<td>&lt;20</td>
<td>9</td>
<td>3.1%</td>
</tr>
<tr>
<td></td>
<td>30-39</td>
<td>92</td>
<td>31.6%</td>
</tr>
<tr>
<td></td>
<td>&gt;50</td>
<td>11</td>
<td>3.78%</td>
</tr>
<tr>
<td>Education (296)</td>
<td>High school or less</td>
<td>30</td>
<td>10.1%</td>
</tr>
<tr>
<td></td>
<td>Graduate and above</td>
<td>92</td>
<td>31.1%</td>
</tr>
<tr>
<td>Marital Status (272)</td>
<td>Unmarried</td>
<td>138</td>
<td>50.7%</td>
</tr>
<tr>
<td></td>
<td>Divorce or others</td>
<td>4</td>
<td>1.5%</td>
</tr>
<tr>
<td>Monthly family income (270)</td>
<td>1000-1999</td>
<td>8</td>
<td>3.0%</td>
</tr>
<tr>
<td></td>
<td>3000-4499</td>
<td>113</td>
<td>41.8%</td>
</tr>
<tr>
<td></td>
<td>&gt;6000</td>
<td>24</td>
<td>8.9%</td>
</tr>
</tbody>
</table>

Source: Microsoft Excel 2007

There are a lot of information can be seen from the above characteristics of the table. The number of members is bigger than non-members, which can tells that the membership is very common in the beauty industry. Membership is a beauty industry marketing loyalty programs. Female consumers are larger than male consumers, which are determined by the nature of the beauty industry. The range of age of the consumer groups is between 20 to 39, which tells that the people of this age are very concerned about their image; educational background
in college and above customers in the sample has taken almost 90% share, which means the deeper background knowledge itself has a higher aesthetic requirements; the unmarried also accounted for a large proportion of consumers, which tells the concept of consumer beauty has changed significantly. It also may be somewhat related and select the business location (near the school), but it also shows that modern young people's sense of beauty treatments in advance, it has improved to advance prevention; household income in 2000-4999 accounted for a large proportion of consumers, it shows the economic base determines their spending power.

### 4.2 Reliability and Validity Testing

In order to make the study has a relatively accurate results, scale quality must be detected. This section will test the quality of the measurement tool based on two of the reliability and validity from the structure variable.

In this paper, writer used statistical analysis software SPSS to complete the analysis of the data model, and draw the following results on the reliability of each variable. Peterson (1994) has shown: When the scale of Cronbach coefficient higher than 0.7, it indicates that the scale has a considerable degree of reliability. As it can be seen from the following table, the scale reliability are above 0.820, which with a higher reliability. This indicates that the scale has high stability and consistency.

<table>
<thead>
<tr>
<th>Construct Variables</th>
<th>Number of Items</th>
<th>Mean</th>
<th>Std Dev.</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment</td>
<td>4</td>
<td>3.872</td>
<td>1.114</td>
<td>0.901</td>
</tr>
</tbody>
</table>
Factor analysis is a summary of a relatively small number of condensed information from a large number of available observational data, which is factor. The purpose of factor analysis is to get the loading between each measurement terms and potential variables (common factor), the higher the factor loading is, the greater the correlation between the representatives measurement terms and latent variables. The research combine each level of the terms of by using EFA method, which take Primary Factor Analysis (PFA); then combine the Varimax in orthogonal, the purpose is to make factor loadings to 0 and 1 two differentiation. Figure 4.2.2 is figure formed after Varimax orthogonal selection.

Kaise-Meyer-Olkin (KMO) is used in testing the suitability of factor analysis towards sampling design. There are some measurements in KMO, which are:

- High values (close to 1.0) generally indicate that a factor analysis may be useful with the data. If the value is less than 0.50, the results of the factor analysis probably won’t be very useful.

<table>
<thead>
<tr>
<th></th>
<th>CMT</th>
<th>TRU</th>
<th>CLO</th>
<th>BEN</th>
<th>EBE</th>
<th>COR</th>
<th>COM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>4</td>
<td>4.091</td>
<td>0.985</td>
<td>0.912</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>3</td>
<td>3.797</td>
<td>0.895</td>
<td>0.890</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Benefits</td>
<td>3</td>
<td>3.644</td>
<td>1.221</td>
<td>0.851</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship Benefits</td>
<td>5</td>
<td>3.729</td>
<td>0.957</td>
<td>0.820</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company Reputation</td>
<td>3</td>
<td>3.901</td>
<td>0.943</td>
<td>0.843</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shared Values</td>
<td>3</td>
<td>3.579</td>
<td>1.219</td>
<td>0.885</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>5</td>
<td>3.892</td>
<td>1.092</td>
<td>0.907</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS 16.0
<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SHV</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CMT2</td>
<td>0.889</td>
<td></td>
</tr>
<tr>
<td>CMT3</td>
<td>0.847</td>
<td></td>
</tr>
<tr>
<td>CMT4</td>
<td>0.809</td>
<td></td>
</tr>
<tr>
<td>CMT1</td>
<td>0.732</td>
<td></td>
</tr>
<tr>
<td>TRU1</td>
<td>0.872</td>
<td></td>
</tr>
<tr>
<td>TRU4</td>
<td>0.863</td>
<td></td>
</tr>
<tr>
<td>TRU2</td>
<td>0.831</td>
<td></td>
</tr>
<tr>
<td>TRU3</td>
<td>0.778</td>
<td></td>
</tr>
<tr>
<td>CLO1</td>
<td>0.852</td>
<td></td>
</tr>
<tr>
<td>CLO2</td>
<td>0.779</td>
<td></td>
</tr>
<tr>
<td>CLO3</td>
<td>0.754</td>
<td></td>
</tr>
<tr>
<td>BEN1</td>
<td>0.824</td>
<td></td>
</tr>
<tr>
<td>BEN3</td>
<td>0.803</td>
<td></td>
</tr>
<tr>
<td>BEN2</td>
<td>0.776</td>
<td></td>
</tr>
<tr>
<td>BEN3</td>
<td>0.725</td>
<td></td>
</tr>
<tr>
<td>BEN5</td>
<td>0.703</td>
<td></td>
</tr>
<tr>
<td>EBE3</td>
<td>0.858</td>
<td></td>
</tr>
<tr>
<td>EBE2</td>
<td>0.814</td>
<td></td>
</tr>
<tr>
<td>EBE1</td>
<td>0.758</td>
<td></td>
</tr>
<tr>
<td>COR2</td>
<td>0.810</td>
<td></td>
</tr>
<tr>
<td>COR1</td>
<td>0.764</td>
<td></td>
</tr>
<tr>
<td>COR3</td>
<td>0.753</td>
<td></td>
</tr>
<tr>
<td>COM4</td>
<td>0.845</td>
<td></td>
</tr>
<tr>
<td>COM2</td>
<td>0.819</td>
<td></td>
</tr>
<tr>
<td>COM1</td>
<td>0.773</td>
<td></td>
</tr>
<tr>
<td>COM3</td>
<td>0.748</td>
<td></td>
</tr>
</tbody>
</table>
The Table 4.3 comes from orthogonal rotation by varimax method, the analysis showed that the most terms of scale are loaded on the same factor, which meets the aforementioned evaluation criteria, it indicates the scale convergent validity on able to achieve a better quality requirements, and also shows the scale has a high degree of single dimension. Single dimension is a group of measurement items only the presence of a single trait or construct. Specifically perform in the following two aspects:

1. Each measurement items must be significantly associated with the corresponding latent variable;
2. The measurement items can only be associated with the only potential variable.

<table>
<thead>
<tr>
<th></th>
<th>CMT</th>
<th>TRU</th>
<th>EBE</th>
<th>BEN</th>
<th>COR</th>
<th>COM</th>
<th>SHV</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CMT</td>
<td></td>
<td>(0.901)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRU</td>
<td>0.527</td>
<td></td>
<td>(0.921)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
EBE  0.591  0.492  (0.851)
BEN  0.548  0.526  0.425  (0.820)
COR  0.379  0.682  0.290  0.317  (0.843)
COM  0.433  0.614  0.386  0.512  0.295  (0.885)
SHV  0.529  0.649  0.392  0.474  0.362  0.384  (0.907)
CLO  0.596  0.581  0.493  0.485  0.498  0.447  0.529 (0.890)

Source: SPSS 16.0

CMT: Relationship marketing; TRU: Trust; EBE: Economic benefits;
BEN: Relationship benefits; COR: Company reputation; SHV: Shared values;
COM: Communication; CLO: Customer loyalty.

The table 4.4 Pearson Correlation Matrix shows the Pearson correlation
coefficient matrix between the various structural variables. Each items Alpha
(KMO coefficient) is more than 0.7, which means it is fit for factor analysis. The
figure 4.1 on the diagonal is the structure variables Cronbach’s coefficient.
According to the foregoing description, we can determine the discriminating
validity of the Scale meet the requirements.

4.3 Model Checking

4.3.1 The Introduction of Structure of the Model Equations

This section uses structural equation modeling SEM (Structural Equation
Modeling) analyse, SEM refers to a confirmatory technology. SEM is a new
development in the field of statistical analysis method, which has been widely
used in the early 1990s. SEM doesn't have strictly limited conditions, while it
allows the independent variable and the dependent variable measurement error
exists, it has some special even superior to multiple regression, econometric simultaneous equations and factor analysis method. LISREL is corresponding computer software with structural equation model.

The application SEM analysis has five major steps:

1. Model setting: assume the initial theoretical model;
2. Model identification: whether or not the model can answer only solution of parameters estimated;
3. Model estimating: the most commonly used model estimation method is maximum likelihood and generalized least squares;
4. Model evaluation: evaluate whether the model fit with the data directly after getting parameter estimates;
5. Model Update: it is necessary to correct the model and set again if the model does not fit the data very well,

In this paper, writer set model in the third chapter of this research, and describe it through the road map, and the model is over-identified, the unique solution of parameter estimation can be derived, model estimation method is the maximum likelihood method.

4.3.2 Model Estimation and Model Evaluation

The primary task of LISREL program is to estimate parameter estimation of model by using the sample data, and then to rebuild the variance-covariance according to these parameters, then try as much as possible to match the variance-covariance matrix reconstruction (SIGMA said) and the observed variance-covariance matrix S. The extent of reconstruction SIGMA match observations S determines whether the structural equation model fit the sample data or not. When the model reconstruction SIGMA is very close to observation S, various elements of the residual matrix is close to zero. So we can say the model
fits the data.

There are many measures of overall model fitting degree, ideally speaking, each fitting indicators should be used to explain whether the model is able to fit the data well or not. The fit index is influenced by many factors, such as the size of the sample, the model's complexity etc. (Anandarajan, 2001). The most commonly used indicators of fitting the chi-square test of goodness of fit ($\chi^2$ goodness-of-fit test), it is results of fitting function value multiplied by the sample size minus 1, and its formula is shown as follows:

$$X^2 = (n - 1)F$$

Where $F$ is the fitting function, we hope to get a small chi-square value, a large chi-square value means it is bad fit (i.e. SIGMA and S have a big difference). However, the chi-square value is the result of the $(n-1)$ multiplied by the minimum value $F$ of the fit function, the square of $x$ often influenced by the size of the sample. Hair (1995) said that $x$ squared suitable scale is in the 100-200 sample. Test of significance may become very tricky when the sample size is not in this range.

Although there are lots of statistically model fitting index is available to use, but there's no one indicators can be used to test the success of the structural equation as completely determine the standard or not, so we need more than one fit index as aspects of the judgment and the makes the results more reliable.

In reference to the basis of the previous literature on several relatively stable fit indicators to determine the extent of the model fit the data, the relative chi-square value ($x^2 / df$), comparative fit index (CFI Comparative Fit Index) and root mean square error of approximation (RMSEA, Root Mean Square Error of approximation).

The formula of relative value of chi-square equals to the chi-square value
divided by the degrees of freedom. In the IS research, Gefen (2000) believed relative chi-square value is less than 3 means that the model fit the data very well. Wheaton and others considered indicators less than 5 may also be acceptable as well. CFI is comparative fit index by Bentler (1987), CFI indicated shows 0.90 and above means model fit values very well. It is from the fit of set model (Specified Model) comparing with fit of independent model (Independence). Independent model is the assumption that all variables do not have directly relationship, which means model path coefficients and exogenous variables directly co-variance are fixed to 0, and focus only on its variance. Formula as follows:

\[
CFI = 1 - \frac{T_{\text{model}}}{T_{\text{indep}}}
\]

\[
T_{\text{indep}} = X^2_{\text{indep}} - df_{\text{indep}}, \quad T_{\text{model}} = X^2_{\text{model}} - df_{\text{model}}
\]

RMSEA Fit Index received more attention in recent years, when RMSEA value less than 0.08 it means that the model fit the data well. Less than 0.05 indicates the model fit the data better, the formula as follows:

\[
\text{RMSEA} = \sqrt{F_0/df}
\]

\[
F_0 = \max[F - (df/(n - 1)), 0]
\]

Relative chi-square value of the model fit the sample can be seen from the table, CFI and RMSEA are 3.016, 0.978 and 0.055, SMC value of relationship
commitment, trust and customer loyalty is 62.5%, 57.9% and 50.1% respectively. CFI value is 0.978, which is close to 1; RMSEA slightly larger than 0.05, less than 0.08; relative chi-square value is slightly larger than 3, but the excess quantity is only 0.016. SMC value of commitment, trust and customer loyalty is above 50%, which indicate that there is a considerable degree of explanatory power of the explanatory variables in the model of these three. From the above data, the model has a good fit.

According to verification of the assumptions of this study, there are some analyses:

1) Relationship commitment, trust and customer loyalty

Relationship commitment, trust and customer loyalty among the three endogenous variables standardized regression coefficients (path coefficients) on the level of probability level of 0.001 assumptions H1 and H2a, which tells that relationship commitment and trust have a positive effect on customer loyalty, and it also confirmed trust has positive role to relationship commitment (H2b).

2) Commitment antecedents

It is assumed that there are four pre-factors relationship commitment in the model of this study. The findings confirm the assumption H3 and H4, which showed probability of economic interests and relations interests are larger than 0.01 level, it has a positive effect on relationship commitment. Share values have a significant role (assuming H7a) relationship commitment at the 0.001 level of probability, but corporate reputation (H5a) had no significant effect on relationship commitment.
3) Trust antecedents

With reference to assumptions in Chapter III, it is assumed that there are three antecedent factors affect the relationship between the level of trust. The following table confirms the, H5b and H6, H7b, which are company reputation, communication and shared values have a positive effect on trust.

Table 4.5 Fit Statistics, SMC, Path Coefficients and Significance Value

<table>
<thead>
<tr>
<th>Path</th>
<th>Standardized Regression Coefficients</th>
<th>P(Probability Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBE→CMT</td>
<td>0.151</td>
<td>0.000</td>
</tr>
<tr>
<td>BEN→CMT</td>
<td>0.262</td>
<td>0.000</td>
</tr>
<tr>
<td>COR→CMT</td>
<td>0.054</td>
<td>0.288</td>
</tr>
<tr>
<td>SHV→CMT</td>
<td>0.356</td>
<td>0.000</td>
</tr>
<tr>
<td>COR→TRU</td>
<td>0.620</td>
<td>0.000</td>
</tr>
<tr>
<td>SHV→TRU</td>
<td>0.287</td>
<td>0.000</td>
</tr>
<tr>
<td>COM→TRU</td>
<td>0.385</td>
<td>0.000</td>
</tr>
<tr>
<td>TRU→CMT</td>
<td>0.297</td>
<td>0.000</td>
</tr>
<tr>
<td>CMT→CLO</td>
<td>0.381</td>
<td>0.000</td>
</tr>
<tr>
<td>TRU→CLO</td>
<td>0.322</td>
<td>0.000</td>
</tr>
</tbody>
</table>

x²/df=3.016 (P<0.01); CFI=0.978; RMSEA=0.055

SMC

<table>
<thead>
<tr>
<th>SMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship Commitment</td>
</tr>
<tr>
<td>Trust</td>
</tr>
<tr>
<td>Customer Loyalty</td>
</tr>
</tbody>
</table>

Source: SPSS 16.0

SMC: Square Multiple Correlation

CMT: Relationship marketing; TRU: Trust; EBE: Economic benefits;
BEN: Relationship benefits; COR: Company reputation; SHV: Shared values; COM: Communication; CLO: Customer loyalty

As the Figure 4.5 shows that the P value (Sig) COR to CMT is bigger than 0.05, so researcher deleted this item and revised the item. It is seen that COR (company reputation) doesn’t big impact to relationship commitment, so the delete of this path is correct. The modified Fit Statistics, SMC, Path Coefficients and Sig Value as Figure 4.6.

Table 4.6 Modified Fit Statistics, SMC, Path Coefficients and Significance Value

<table>
<thead>
<tr>
<th>Path</th>
<th>Standardized Regression Coefficients</th>
<th>P(Probability Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBE→CMT</td>
<td>0.153</td>
<td>0.005</td>
</tr>
<tr>
<td>BEN→CMT</td>
<td>0.262</td>
<td>0.000</td>
</tr>
<tr>
<td>SHV→CMT</td>
<td>0.359</td>
<td>0.000</td>
</tr>
<tr>
<td>COR→TRU</td>
<td>0.621</td>
<td>0.000</td>
</tr>
<tr>
<td>SHV→TRU</td>
<td>0.287</td>
<td>0.000</td>
</tr>
<tr>
<td>COM→TRU</td>
<td>0.385</td>
<td>0.000</td>
</tr>
<tr>
<td>TRU→CMT</td>
<td>0.298</td>
<td>0.000</td>
</tr>
<tr>
<td>CMT→CLO</td>
<td>0.381</td>
<td>0.000</td>
</tr>
<tr>
<td>TRU→CLO</td>
<td>0.322</td>
<td>0.000</td>
</tr>
</tbody>
</table>

x²/df=2.992 (P<0.01); CFI=0.983; RMSEA=0.051

SMC

<table>
<thead>
<tr>
<th>Source: SPSS 16.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMC: Square Multiple Correlation</td>
</tr>
</tbody>
</table>
As it can be seen from the table 4.3.3 Modified Fit Statistics, SMC, Path Coefficients and Significance Value, the RMSEA and relative chi-square value of the modified model have reduced, but CFI value is slightly elevated. This shows that the modified model can better fit the data. The final customer loyalty model as shown Figure 4.1, coefficient next to arrow represents the path coefficient between variables.

The above argument has proved that the economic benefits played a significant role directly in the relationship commitment. It also can be seen the impact of corporate reputation for trust is very large, it is not surprising, it confirmed that a survey done by the World Economic Forum and Fleishman-Hillard International dissemination of information at the end of 2003, the survey towards the CEO of the world's leading enterprises, NGO, academic institutions, the media, government representatives as well as religious leaders, the survey results show that corporate reputation has become a measure of corporate success beyond financial indicators.
Figure 4.1 Final Customer Loyalty Model
4.4 Research Results Discussion

Source: reconstruct from Morgan & Hunter (1994)
The assumptions in this article came from the customer's point of view. Based on KMV mode of Morgan and Hunter (1994), researcher put forward her own research model. By using structural equation modeling techniques to validate the results, researcher showed that the relationship commitment-trust and their antecedents have a significant impact in the formation and maintenance of customer loyalty, it provided evidence of the relationship between model variables and may assume the positive role of trust on relationship commitment. Assumptions also able to confirm the results once again and illustrate the key role of relationship commitment and trust in the relationship marketing strategy as well as the role of the contribution to customer loyalty.

Despite the importance of trust in the literature has been discussed, there are significant differences the issue of how to build a solid and maintain commitment and trust from research scholars. With reference to the issue that affecting commitment and trust antecedents, it is necessary to consider previous studies and joined their point of view.

This article firstly try to explore the economic benefits, assume economic benefits has positive impact on relationship commitment, the study results show that the economic benefits has a significant impact on relationship commitment.

In addition, this model has added a key indicator of the impact of business survival - company reputation, the findings show that company reputation has a very positive significant effect on trust. This shows that customers are very concerned about reputation or public prestige of the partner in the choice of trading partners. Good company reputation is not formed overnight, the customer is easy to trust a company which have a good reputation; company reputation has no direct significant impact for commitment. This shows that despite the good reputation can promote customer trust, but it does not directly increase the willingness of the customer to maintain a relationship, therefore, writer deleted
the company reputation to the path of relationship commitment in the model, but there is a positive role of trust for commitment, quality company reputation has indirect impact to the relationship commitment through trust.

<table>
<thead>
<tr>
<th>Grade</th>
<th>Hypothesis</th>
<th>Support or Not</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ha1</td>
<td>Relationship commitment has a positive impact on customer loyalty</td>
<td>Yes</td>
</tr>
<tr>
<td>Ha2</td>
<td>Trust has a positive impact on customer loyalty</td>
<td>Yes</td>
</tr>
<tr>
<td>Ha3</td>
<td>Trust has a positive impact on the relationship commitment</td>
<td>Yes</td>
</tr>
<tr>
<td>Ha4</td>
<td>Economic benefits has positive impact on the relationship commitment</td>
<td>Yes</td>
</tr>
<tr>
<td>Ha5</td>
<td>Relationship benefits has a positive impact on relationship commitment</td>
<td>Yes</td>
</tr>
<tr>
<td>Ha6</td>
<td>Company reputation has a positive impact on relationship commitment</td>
<td>No</td>
</tr>
<tr>
<td>Ha7</td>
<td>Company reputation has a positive impact on trust</td>
<td>Yes</td>
</tr>
<tr>
<td>Ha8</td>
<td>Communicate has a positive impact on trust</td>
<td>Yes</td>
</tr>
<tr>
<td>Ha9</td>
<td>Shared values have a positive impact on the relationship commitment</td>
<td>Yes</td>
</tr>
<tr>
<td>Ha10</td>
<td>Shared values have a positive impact on trust</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: SPSS 16.0

According to the observation above, it is easy to say the relationship commitment and trust has a great impact to customer loyalty, beside this, researcher concluded several items for the further study below:
1) Return rate of questionnaire

Before the questionnaire selection, the number of members and non-members were 240 and 160, a total of the return questionnaires was 358, the number of members and non-members were the 221 and 137, so the rate of return of 92.08% and 85.625% respectively. It can been seen that the positive response of the member higher than that of the non-member response.

2) Efficient questionnaire

In the returned questionnaire, the valid number of members and non-members questionnaires were 188 and 108, the effective rate were 85.07% and 78.83% respectively. Member has a higher efficiency, which reflects the members answer the issued questionnaire seriously and looked business seriously.

3) Personal information and data feedback

As for non-members, they either did not fill out the personal background information, or simply fill out the first few selective open issues behind; members are generally filled out the top five selective issues, some of Member conscientiously fill in behind questions, this also shows that the member concerns the questionnaire seriously.

4) Support of corporate activities

Since the completion of process of the questionnaire, Member customer is willing to mention issues not addressed in the other questionnaire, it also shows member customer support corporate activities.

From more than a few specific details, it can be seen that member have high
willingness to participate in activities organized by customer enterprises, they shows more enthusiasm, more feedback and communication as well as positive word-of-mouth. This reflects the member customers a higher level of loyalty than non-member customers from the other side.

Membership is a specific form of customer loyalty programs, customer loyalty programs originated the grocery industry in America, it developed under the guidance of the S & H Green Bargain coupon company, but the birth of the modern form of loyalty marketing is in 1981, American Airlines introduced a frequent flyer program.

Loyalty marketing programs has a worldwide exponential growth over the past decade. As part of the overall marketing strategy, loyalty marketing program has now been spread in many industries, such as credit cards, food retail, hotels, restaurants, pharmacies, hotels, telecommunications, entertainment, beauty and other industries. In 2000, industry research report of Food Marketing Institute pointed out that more than 9,000 supermarkets in the United States has its own loyalty marketing programs, and the vast majority of American households have at least participate in a loyalty marketing plans.

The target of loyalty marketing programs is not only improve customer loyalty, the most fundamental purpose of enterprises is to take advantage as a tool for access to customer data, and then analyze the data in order to help enterprises to improve the efficiency and effectiveness of marketing activities. Well-designed corporate loyalty marketing programs can collect a lot of business with customers to establish long-term relationships, and obtain the necessary data structures, these critical information including customer demographic, geographic, psychological, transactions and contracts of these information, which is the data helps corporate marketing activities success. The increasing development of computer technology can provide technical support for the smooth implementation of the scheme.

As an important form of loyalty marketing programs, membership marketing
is a deep relationship marketing, it also has a very successful development in foreign countries, which also showed a membership marketing is able to help businesses develop and maintain customers. Membership marketing is mainly reflected in the following aspects for enterprise:

- The increase of customers purchasing share: the company pursuit more customer share but not just market share;
- The customer information: the important of information to company has described above;
- The positive word-of-mouth: word-of-mouth of loyal customers is more effective than the corporate advertising signs;
- The support of marketing activities.

Loyalty marketing programs and important of membership of business have been talked about above, so why do customers join loyalty marketing programs, what is the purpose of the membership? What kind of benefits can be provided if participate in the loyalty program towards customers?

The purpose of customers enjoyed to the loyalty marketing programs is to want to be able to get the economic or non-economic benefits and services. Such as value ultra-low special for member, member shopping integral card, member gifts specifically as well as VIP room service, professional shopping guide service, closed shop marketing, emergency rescue, the priority try of new products and "one-to-one accompanied" B2C services. If company make the customer feel expect preferential treatment or value-added by exchanging with the enterprise, customer will be willing to join loyalty marketing programs.

It is obviously that successful customer membership not only brings benefits, but also allows member benefit.

CHAPTER V
CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

In the model of relationship commitment - trust the researcher built here, the economic benefits replaced relationship termination costs, corporate reputation replaced opportunistic behavior, and customer loyalty replaced five results in the KMV model.

According to the results of this research, the items below can be approved:

Relationship commitment has a positive impact on customer loyalty. To maintain a good relationship with customer is good for maintain old customer and develop new customer.

Trust has a positive impact on customer loyalty. Once wins customers’ trust, they will not tend to another choice.

Trust has a positive impact on the relationship commitment. Trust is the base of develop a good relationship with customers.

Economic interests have a positive impact on the relationship commitment. Once customers feel they earn additional economic benefits, they will happy to purchase again.

Relationship interest has a positive impact on relationship commitment. If the customer feels less than the expected benefits, it will undermine the willingness of their relationship Corporate reputation has a positive impact on trust.

Communicate has a positive impact on trust. Good communication can increase the level of trust between the two sides, and a higher level of trust will encourage more communication with each other.

Shared values have a positive impact on the relationship commitment and
Shared values have a positive impact on trust. The values of strength between cooperative relationships make partners easier to appreciate each other’s behavior, it is easier to generate a high level of commitment and trust for enterprises.

In the analysis of the antecedents of relationship commitment - trust, firstly this thesis start from the economic benefits, which correct the trend that put customers economic interests behind to a certain extend in recent years.

In fact, no matter what way, as long as the exchange, the economic benefits cannot be an afterthought factors, the two sides who have exchange relations will measure the economic benefits they are going to get. China's consumption level is not high, the economic interests is an important factor to consider on consumer, academic theory focuses on the combination of theory and fact, the one suit for others may not be suitable for yourself, to develop the right decisions and avoid wastage of resources can only according to your own facts. The present study also confirmed the authenticity of the assumptions, the economic interests of the positive is significant to relationship commitment.

The exploration of non-economic factors includes the four aspects of the relationship interests, corporate reputation, value of public relations and communication. In fact, corporate reputation is also rarely consider factors in the research relationship marketing, but writer believe that corporate reputation as a role can do a positive impact when consumers added or joined to a marketing relationship. Corporate reputation is degree how company win public trust and the degree of praise, it usually contains a corporate / brand visibility, reputation and trust. The core of the reputation is trust, so this paper assumes that corporate reputation has a positive effect on the relationship commitment and trust. At the same time, the results also confirmed the corporate reputation has a very positive role for trust, although there's no direct effect to relationship commitment, but there's indirect impact on commitment and customer loyalty through trust. This is
a knock alarm to the enterprise in theory. To establish and maintain a good reputation for quality businesses is becoming one of the critical elements in the survival of company, it is also consistent with the situation that corporate reputation is becoming a very hot topic in China currently.

The results of research proved that the successful implementation of relationship marketing strategy requires a combination of economic interests and the interests of the non-economic factors in order to better achieve the purpose of marketing strategy. Only to provide economic factors interests or the non-economic factors interests cannot well maintain customer long-term to stay in business, and it is difficult to promote genuine loyalty as well.

By the testing to the member and non-member customers sample and contrast the questionnaire and other aspects, customer members have higher levels of relationship commitment, trust and loyalty than non-members of the enterprise. Customers joined the company's customer loyalty program, and become a member of the enterprise as well as enjoy some benefits that non-member cannot enjoy. Customers will provide some basic personal information and also allows businesses to be able to filter out the key to useful information on marketing activities. Customer membership can impact and adjust motivation factor of customer loyalty, the well-designed with fully implemented customer membership will brings benefit to customers effectively, it also stimulate the formation of awareness of customer loyalty. At the same time, it gives enterprises a number of loyal customers to maintain long-term marketing relationships in order to achieve corporate profits and long-term development.
5.2 Recommendations

Study about relationship marketing is a very interesting and esoteric knowledge, the writer is just getting started in the field when her about to finish her dissertation, there are a lot of issues worthy of further study. The writer proposed a few directions for future research below, and also for the reference for interested reader.

- Conduct in-depth research from comprehensive study of this thesis.
  Such as to study of personal characteristics increased commitment - trust as well as the consciousness of maintaining relationship, to study the impact of characteristics of customer involved in enterprise activities. For example, a person who likes to try new things may rarely maintain on a brand loyalty. Educational experiences will have an impact on the formation of the relationship between consciousness and keep. Customer participation in business activities mainly manifested in two aspects: one is the product design and production of participation, another one is the participation of marketing and entertainment activities. Writer believed that the customers can be more involved in the business activities, the customer will produce a higher level of trust and commitment to the enterprise.

- Research model cycle effects.
  Such as the economic value will bring more higher relationship commitment, and commitment will also increase customer purchase. Enterprise can provide more economic value to the customer through loyalty marketing programs. In fact, it has formed an ever-upward cycle loop, and construct variable in the circulating loop may exist cyclical effect. In another example, the trust can facilitate the
smooth communication between the two sides, and a good, frequent communication can enhance mutual trust. According to the philosophical point of view, the links between things are mutual, and so as the impact. Therefore, writer believed that the cycle effects between the study variables in the model will contribute to establish a solid customer loyalty as well as maintaining.

- Consider the customer relationship life cycle theory as well as longitudinal empirical research study in the different stages of the development of relations between various factors affect the mechanism of its changes.

  There is no doubt that this kind of study is the most persuasivet, of course, the difficulty of the study is big either.

- Choose more industries to validate the conclusions of this study.

  The replication is a high degree of attention should be given to the marketing research field. A multi-industry comparison to explore the impact of product categories and consumer attributes of the conclusions of the study is good to help provide research support for market segmentation and knowledge integration.
REFERENCE


Davies, D., & Dodd, J. (2002). *Qualitative research and the question of rigor.* *Qualitative Health research, 12*(2), 279-289.


Healy, M., & Perry, C. (2000). *Comprehensive criteria to judge validity and reliability of qualitative research within the realism paradigm.* Qualitative Market Research, 3(3), 118-


APPENDIX

QUESTIONNAIRE

Dear all:

This survey is conducted to obtain the data for supporting the thesis which is “THE ANALYSIS OF RELATIONSHIP COMMITMENT AND TRUST TOWARDS CUSTOMER LOYALTY”. The information given by respondent will be kept confidentially and used for academic purpose only. Please fill the questionnaire honestly based on your knowledge and experience. Thanks.

According to the below statement, please give difference score for each items.

<table>
<thead>
<tr>
<th>Relative Grading Statement</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly disagree</td>
<td>1</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
</tr>
<tr>
<td>No feelings</td>
<td>3</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>5</td>
</tr>
</tbody>
</table>

Part I. Background Information

Dear Mr./Mrs. Please answer the questions below:

1. Are you a member of company XXX?
   Yes ☐       No ☐

2. Your gender is
   Male ☐     Female ☐

3. Your education background is
4. Your marital status is
   - Unmarried
   - Married
   - Divorce or others

5. Your monthly family income is
   - RMB1000-1999
   - RMB 2000-2998
   - RMB3000-4499
   - RMB4500-6000
   - RMB 6000 and above

6. How long did you join our products or service?
   - Less than 3 months
   - 3-6 months
   - 6-12 months
   - 1-2 years
   - 2-3 years
   - More than 5 years

7. How often do you purchase our products or service?
   - Times a week
   - Once a week
   - Once a month
   - Times a month

8. If you ever switched your eyes to another products or service, please list your reasons.

9. If you would like to turn to other products or services, please list your reason.

Part II. Questions

<table>
<thead>
<tr>
<th>The relationship between me &amp; Bawang Company</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 very please to commit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 very important to me</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 I care so much</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Worth to maintain relationship</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
According to previous experience, Bawang company

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>extremely honest</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td>very loyal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>upright and trustworthy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>able to trust and follow</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Economic Benefits**

According to my experience, Bawang company

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>provide me very please purchasing</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>10</td>
<td>provide the right product with right price</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>reach the value of products &amp; services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Relationship Benefits**

Bawang Company

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>make me feel very warm</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>13</td>
<td>provide me added value exceeding expectations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>can make feel good service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>let me enjoy favorable treatment than others</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>reduce my risk and worries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Company Reputation**

Bawang Company

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>have a good reputation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>18</td>
<td>famous for a high-quality service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>have a overall positive reputation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Shared Values**

The fundamental values of Bawang Company

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>consistent with my personal values</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>21</td>
<td>consistent with my believe</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>understand my expectations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Communication**

Bawang Company

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>inform me the information and valuable communication with company regularly</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>always communicate with me</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>good communication quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>provide timely information on new products and services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>listen to my advises of enterprises service carefully</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Customer Loyalty**

<table>
<thead>
<tr>
<th></th>
<th>From now on, I will…customer loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>28</td>
<td>I will increase the share of purchases in the company in a year</td>
</tr>
<tr>
<td>29</td>
<td>I will willing to continue to maintain the exchange relationship with company in a year</td>
</tr>
<tr>
<td>30</td>
<td>I always recommend products &amp; services of the company to my friends</td>
</tr>
</tbody>
</table>

-------- Thanks for your participation --------