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**ADDIS ABABA UNIVERSITY**

**SCHOOL OF COMMERCE**

**DEPARTMENT OF MARKETING MANAGEMENT**

**The Mediating Role of Customer Satisfaction on the Relationship  
between Customer Relation Management and Customer Loyalty:  
In Case Bank of Abyssinia**

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July 2023

Addis Ababa, Ethiopia

**The Mediating Role of Customer Satisfaction on the Relationship between  
Customer Relation Management and Customer Loyalty:  
In Case Bank of Abyssinia, Addis Ababa, Ethiopia**

**Addis Ababa University  
School of Commerce  
Department of Marketing Management**

**A Thesis Submitted to the School of Graduate Studies of Addis Ababa  
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Masters of Arts degree in Marketing Management**

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## DECLARATIONS

I, Fanuale Melaku, the undersigned, declare that this thesis, " The Mediating Role of Customer Satisfaction on the Relationship between Customer Relation Management and Customer Loyalty: In Case Bank of Abyssinia" is my original work and that it has not been submitted in part or in whole by any other person for an award of degree in any other university/institution.

I conducted the research on my own, with the guidance and support of the research supervisor.

Submitted by:

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Place: School of Commerce, Addis Ababa University, Ethiopia

Date of submission: July 2023

## **CERTIFICATION**

This is to certify that the thesis prepared by. Fanuale Melaku, titled " The Mediating Role of Customer Satisfaction on the Relationship between Customer Relation Management and Customer Loyalty: In Case Bank of Abyssinia", is submitted in partial fulfillment of the requirements for the award of the Degree of Master of Arts (Marketing Management), complies with the University Regulations and meets the accepted standards in terms of originality and quality.

**Approved by The Board of Examiners.**

Advisor-----Signature----- Date-----

Internal Examiner-----Signature-----Date-----

External Examiner-----Signature-----Date-----

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Furthermore, individuals who have made significant contributions to the overall work, either directly or indirectly, deserve to be recognized.

Thank you

## **List of Acronyms**

ANOVA-----	Analysis of Variance
BoA-----	Bank of Abyssinia S.C
CATS-----	Customer account and transaction service
CLV-----	Customer lifetime value
CRM-----	Customer relationship management
MIS-----	Management information system
RFM-----	Recency, frequency and monetary value
SME-----	Small and medium enterprise
SPSS-----	Statistical Procedure for Social Sciences

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## **ABSTRACT**

*This study investigates the impact of Customer Relationship Management (CRM) on banking customer loyalty in Addis Ababa, Ethiopia, using customer satisfaction as a mediating variable. Most studies focus on the effect of CRM on loyalty, so there is less emphasis on using a mediating variable. This study is significant to academicians because it adds to the body of knowledge, and May fills a gap in the literature by referring to the major findings of this study. Customers of Abyssinia Banking in Addis Ababa were sampled for this study using both stratified and convenience sampling methods. Based on data from Abyssinia Bank in 2023, this study sampled 399 respondents who are registered as customers at 24 BoA branch offices. 374 (94%) of the 399 questionnaires were completed and returned. The close-ended questionnaire used five-point Likert scales to collect data. The researcher used quantitative data, which was coded and analyzed using SPSS 23 statistical software. The developed model aims to measure customer loyalty through the implementation of a customer relationship management (CRM) strategy in the banking services industry in Addis Ababa. According to the study's findings ( $\beta = 0.925$ ,  $p = 0.000$ ), the CRM regression coefficient result has a favorable and significant impact on customer loyalty. Customer satisfaction is positively and significantly impacted by CRM ( $\beta = 0.789$ ,  $p = 0.000$ ). Contrarily, customer satisfaction significantly and favorably influences customer loyalty ( $\beta = 0.215$ ,  $p = 0.000$ ). Model 3 has less beta value than Model 1, implying that customer satisfaction support is partially mediated by the relationship between CRM and Customer loyalty. The implications of this research for practitioners are that companies can improve the effect of CRM on loyalty by improving customer satisfaction. CRM increases client loyalty, which is indirectly influenced by customer satisfaction, it is critical for bank management to implement a proper CRM strategy and maintain long-term relationships with prime customers.*

**Key Words:** *Customer relationship management; Customer satisfaction; Customer loyalty; Bank of Abyssinia (BoA)*

# Chapter One

## Introduction

This chapter discusses the study's background, problem statement, research questions, objectives, scope, and paper organization.

### 1.1 Background of the Study

In the face of intense competition, all players in the banking industry must be more creative in order to increase customer loyalty and trust in the bank as a partner institution for business expansion. Furthermore, bank customer behavior is becoming increasingly unpredictable. Some customers prefer low interest rates (for loans), high interest rates (for savings and demand deposits), and low administrative costs (Azzam, 2014).

Financial institutions need to develop strategies that prioritize customer satisfaction and retention, as maintaining strong relationships with customers and ensuring their complete satisfaction has become the main objective in the industry. Customer relationship management (CRM) offers various strategies and solutions to achieve long-term customer loyalty and happiness. CRM involves managing interactions with customers, clients, and sales prospects to enhance customer satisfaction and loyalty. Implementing CRM involves using different methods, technologies, and procedures to support the relationship between the company and its customers, ultimately aiming to increase sales and profitability. It is important to note that CRM is a strategic business process rather than just a technical policy (Azzam, 2014; Khedkar, 2015; Hassan, 2015; Long, 2013).

Creating customer loyalty is one of the keys to a company's success, but this strategy requires the company to focus on understanding consumer desires and adding more value (added value) to the company's products or services. (Haryandika, 2021)

Banks play an important role in the Ethiopian economy, lending money to businesses and traders. As a result, banks compete to provide the best services to their customers in their local markets. As a result, banks devote resources and expertise to improving customer relationships through decision-making, marketing, customized services, and pricing changes.

BoA is a top bank in Ethiopia with extensive experience in Customer relationship management (CRM) for guiding in classifying various segments of customers based on their profitability and business type, creating a better understanding of customer retention and identifying associated risks with customers' loans, capturing customers' data and increasing customer information

accessibility, and allowing bank branches to reclaim their business identity. However, as is obvious, the banking industry is highly competitive, and the industry still suffers from a lack of knowledge management, market linkages based on technology, and customer focus.

As a result, the study is intended to assess the Mediating Role of Customer Satisfaction on the Relationship between Customer Relationship Management and Customer Loyalty, and it is anticipated that the study will assist banks in customer retention, satisfaction, and loyalty actions.

## **1.2 Background of Bank of Abyssinia**

The purpose of this study is to look into the role of customer satisfaction in mediating the relationship between customer relationship management by Bank of Abyssinia and its impact on customer loyalty. The history of Ethiopian banking began near the end of Emperor Menilek's reign. During this time, the Bank of Abyssinia, or "Ye-Ityopya Bank" in Amharic, was established as an affiliate of the National Bank of Egypt.

Bank of Abyssinia was established on February 15, 1996, following the Ethiopian commercial code of 1960 and the Banking Business Proclamation No.84/1994. This date coincided with the 90th anniversary of the first private bank in Ethiopia, which was established in 1906 during Emperor Menelik II's reign. The bank currently employs 9,696 individuals and serves 7,514,405 account holders or customers in Ethiopia (Bank of Abyssinia website).

Bank of Abyssinia has a strong collaboration with renowned money transfer companies like Western Union and Express Money. With 788 branches spread across the country, the bank caters to over 7.5 million customers. The T-24 core banking system facilitates a well-organized financial services system, allowing customers to access their accounts 24/7 from anywhere. This convenience is made possible by 1,271 ATM machines, 16 virtual banking centers, and over 1,256 point-of-sale (POS) terminals located throughout Ethiopia. As a result of its growth, Bank of Abyssinia's capital has increased from ETB 50 million to ETB 5.5 billion.

As a result, even though the Bank of America is one of the top banks in our country, customer loyalty or behavior is dynamic and multidimensional in this competitive era. To improve customer retention over time and gain a competitive advantage, assessing the effectiveness of CRM on customer loyalty is critical, and the researcher was motivated to conduct this study on BoA.

### **1.3 Statement of the Problem**

Customers want the best value in offerings; if organizations and businesses do not excel at serving and maintaining strong relationships with their customers, customers will change their decisions and do business with organizations that do. While these businesses use their best strategies to satisfy customers and attract new customers by providing high-quality goods and services (Long, 2013).

Customer loyalty is one of the most important issues for businesses because it is related to market share and long-term customer retention (Galeb & Alabadi, 2010). Customer Loyalty was created because the customer was pleased with the service that was provided to them. Businesspeople provide the best service to their customers so that they remain loyal to the products that have been offered or used by customers over the years. Customers were satisfied if their needs were always met properly, and Customer Satisfaction will have an effect on the product that was offered or the product that was used. (Hsieh, 2009).

Several empirical studies have been conducted on the mediating role of customer satisfaction on the effect of customer relationship management on long-term customer loyalty in the banking sector. According to Abu Daqa (2018) study, there is a high level of CRM implementation, customer satisfaction, and long-term customer loyalty. The author demonstrated that three variables: CRM, customer satisfaction, and customer loyalty all play a vital role in the finance industry. CRM and its dimensions are positively correlated, as are customer satisfaction and long-term customer loyalty. Furthermore, the study discovers that customer satisfaction plays no role as a mediator variable in enhancing the impact of CRM on long-term customer loyalty.

On the other hands, (Zainurrafiqi, 2012) study finding shows that there is an effect between Customer Satisfaction on Customer Loyalty.

Few studies on this topic have been conducted in our country. Specifically, the impact of CRM on customer loyalty. Helen M. (2014), for instance, evaluated the use of CRM and its impact on customer loyalty in the context of AIB and The Effectiveness of CRM on Customer Loyalty; In the Case of Selected Commercial Banks in Ethiopia (Ayda E, 2017). However, the researchers did not look into any moderating variables between CRM and customer loyalty. Furthermore, most studies concentrated the target group is employees rather than customers.

Ethiopia's banking sector is rapidly expanding. As a result, banks compete fiercely to lure customers away from one another, making it difficult to retain customers who have switched from one bank to another. The main problem is a lack of advanced banking technologies, as well as a lack of customer focus and emphasis on customer relationship management.

A similar study, such as customer satisfaction, has been conducted in terms of BoA, but not using the dimensions used in this study. Most study data is gathered from branch customers, many of whom have commercial and personnel accounts. The researcher believes it is critical to consider all customers as the bank grows in size. One of Bank of Abyssinia S.C's commercial and personnel customers contributes significantly to the bank's profit.

Considering this gap, the primary goal of this study is to assess the Mediating Role of Customer Satisfaction on the Relationship between Customer Relationship Management and Customer Loyalty in the case of BoA.

## **1.4 Research Questions**

The researcher list down the following question to address the effect of CRM on customer loyalty as customer satisfaction is a mediating variable.

1. How does Customer Relationship Management effect on customer satisfaction in case of the Bank of Abyssinia?
2. How does Customer Relationship Management affect customer loyalty in case of the Bank of Abyssinia?
3. How does Customer Satisfaction effect on customer Loyalty?
4. How does customer satisfaction mediate in the relationship between Customer Relationship Management and customer loyalty?

## **1.5 Objective of the study**

### **1.5.1 General Objective**

This study's main goal is to determine how customer satisfaction affects the relationship between customer relationship management and customer loyalty in the context of the Bank of Abyssinia.

### **1.5.2 Specific Objectives**

The following precise study goals, which are in line with the research questions, are listed by the researcher.

1. To ascertain how Customer Relationship Management affects customer satisfaction in the Bank of Abyssinia example.
2. To ascertain the impact of customer relationship management on customer loyalty.
3. To investigate the relationship between customer loyalty and customer satisfaction.
4. To investigate the role of Customer Satisfaction as a mediator in the relationship between Customer Relationship Management and Customer Loyalty.

### **1.6 Significant of the Study**

The primary aims of this study is to assess the role of customer satisfaction in mediating the relationship between customer relationship management by Bank of Abyssinia and its impact on customer loyalty in Addis Ababa, Ethiopia. This study will be contributes to the financial services to get competitive advantage by retaining their customer for long time. In addition, the finding will helps any other stokeholds for pure understanding of the powerful CRM's impact on customer loyalty and satisfaction too. The research also adds knowledge to those enterprises tasked with developing strategic documents. It aids in the dissemination of critical information to financial institution decision makers.

It enables the bank (Bank of Abyssinia S.C.) to understand the degree of CRM and how each factor affects customer satisfaction across all customer loyalty dimensions. It can also assist other banks with the same structure as Bank of Abyssinia S.C with customer relationship management. Others who perform CRM-related studies in the future will find it helpful.

### **1.7 Scope of the Study**

The scope is restricted to the mediating role of customer satisfaction in the relationship between customer relationship management and customer loyalty in the case of BoA, Addis Ababa, Ethiopia. This means that the research concentrated on geography, time, subject, and methodology/data. CRM, customer satisfaction, and customer loyalty were all variables in the study.) In addition, the assessed branches of Bank of Abyssinia S.C that are only found in Addis Ababa and have (Grade 1 up to Grade 4) per the Bank's disunion score system. S.C (BoA).

## **1.8 Limitation of the Study**

The study's goal was to evaluate how CRM affects customer loyalty by addressing all branches of BoA, the scope and sample size of this study are limited. As a result, the findings of this study may not provide a comprehensive picture of the Mediating Role of Customer Satisfaction on the Relationship between Customer Relationship Management in the Banking Sector in Ethiopia (BoA). However, it will help with future research on the quality of the banking sector in (BoA) Ethiopia.

## **1.9 Operational Definition of Terms**

- ❖ All of the company's relationships with current and potential customers are managed using a system called customer relationship management (CRM). The goal is straightforward: strengthen business relationships in order to grow your company. A CRM system assists businesses in staying connected to their customers, streamlining processes, and increasing profitability.
- ❖ Customer loyalty- it refers to an ongoing emotional relationship between you and your customer that is established by how willing a customer is to engage with and repeatedly purchase from you as opposed to your competitors.
- ❖ Customer Satisfaction: - A product's or service's ability to deliver (or continue to provide) a pleasurable degree of consumption-related satisfaction, including levels of under- or over-fulfillment, is determined (Oliver, 2010).

## **1.10 Organization of the Paper**

Five chapters made up the organization of the research. The study's background, statement of the problem, fundamental research questions, and study objectives are covered in the first chapter, while related literature is covered in the second. The conceptual framework for the study was included, along with an introduction, a theoretical and empirical review. The third chapter talks about research techniques. It explains the research kind and design, the study's sources, the tools/instruments used for data collecting, the data gathering procedures, and the techniques for data analysis. The fourth chapter contains the results and discussion/data analysis, and explanation. The ending unit is divided into three sub sections: a summary of findings, conclusions and recommendations.

## **Chapter Two**

### **Review of Related Literature**

The literature review begins by outlining the current academic context of CRM before moving on to present what CRM can be thought of as within organizations. The goal of this chapter is to demonstrate the wide range of perspectives and opinions found in the literature on CRM, customer satisfaction, customer loyalty, and related concepts. This chapter provides a conceptual framework, theoretical research, and empirical studies. Independent and dependent variables, and a conceptual framework.

#### **2.1 Theoretical Literature**

##### **2.1.1 Meaning of CRM**

CRM is a technique that can help build long-term relationships with the customers and increase profits through efficient management systems and the application of customer-focused strategies. Customer relationship management is a customer oriented marketing effort, which is responsible for accumulating and managing customer details in order to serve the customers in the present and future. CRM is a strategic marketing process whose purpose is to predict, understand and manage the demand of customers. Customer Relationship Management is the establishment, development, maintenance and optimization of long-term mutually valuable relationships. It is a set of business practices to identify, verify, acquire, develop and maintain sustainable profitability and customer loyalty through providing appropriate product and services, in due time (Galbreath and Rogers, 1999).

Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining and partnering with customers to create superior values for the company and the customer (Parvatiyar and Sheth, 2001). It is a method of understanding the customer behavior through intense communication with him/her to improve the performance, which is represented in attracting the customer, keeping him/her and increasing his/her loyalty and profitability (Swift, 2000). A company uses CRM in the held of research methodology, technology and e-commerce in order to manage customer relationships (Foss and Stone, 2001). This definition for CRM regards it as the ability to use technology in the domain of dealing with customers.

CRM is the activity which is interested in the main customers of the organization, in the efficiency of an organization and in the customer knowledge management, with the aim of enhancing the effectiveness of organizational decisions related to customers, leading, therefore, to the improvement of marketing performance in particular and organizational performance in general (Zablah, 2004)

CRM developed from the concept of relationship marketing and is simply the execution of reliable relationship marketing principles (Gummesson, 2004). CRM is vaguely defined. Instead, there are multiple alternative descriptions, and viewpoints, like the author's, vary greatly. CRM is a the company approach to understanding and influencing consumer behavior through meaningful communications in order to improve the acquisition, retention, loyalty, and profitability, according to Swift (2001).

CRM is a comprehensive strategy and process for acquiring, retaining, and collaborating with select customers in order to create superior value for both the company and the customer." It entails integrating the organization's marketing, sales, customer service, and supply-chain functions to improve efficiencies and effectiveness in providing value to customers. In addition, it goes beyond the foregoing by emphasizing the positive exchange of information between the company and its customers. Sheth and Parvatiyar (2001)

In contrast to the above definitions, this one says that in order to benefit both the company and the chosen clients, a corporation should work in concert with them. A business must decide which customers to service because not all customers desire to have long-term relationships with them (Peelen, 2005). Information technology and information systems can be utilized to support and integrate the CRM process in order to satisfy customers (Ngai, 2005).

CRM is "the activity that is interested in the organization's main customers, in the organization's efficiency, and in customer knowledge management, to improve the effectiveness of the organization's customer-related decisions, leading to the improvement of marketing performance in particular and organizational performance in general" (Soliman, 2011).

Table 2.1: The most important concepts of CRM

Point of view	Description	Success requirement	Concept
---------------	-------------	---------------------	---------

<b>As a process</b>	Improving the seller-buyer relationship, which must be strong.	The institution should be able to detect and respond to the customer's desires.	CRM is the process of establishing and strengthening relationships with third parties, particularly agents and end users.
<b>As a viewpoint</b>	Customer maintenance can be improved by converging on building and maintaining relationships.	The customer should be the focus of the organization's attention, which should be oriented towards understanding the varying desires of the customer.	CRM is not a previous scheme, but a work attitude that aims to put the client at the center of the organization's attention.
<b>As an ability</b>	Profitable and lasting connections can only be formed when enterprises can continuously adapt their actions to each customer	The organization should have an accumulation of intangible as well as tangible assets that it can use to continually and easily remodel its customer conduct.	CRM refers to the company's want and capacity to tailor its actions to each customer based on the information provided by the customer and what the business knows about that consumers.
<b>As a tools</b>	Knowledge and response are the primary resources that the institution needs in order to build profitable and lasting customer connections.	To determine the degree of client knowledge, the institution should be directed with the functional method, as well as the user's acceptance of the technology used by the institution.	CRM is the technology that integrates sales, marketing, and information systems to establish customer relationships.

Source- Soliman (2011)

### 2.1.2 Drivers of CRM

According to Richards (2008), the following factors/drivers establish the need for customer relationship management in the banking industry.

- **Intense competition:** Both private and public sector banks are engaged in fierce competition to attract and retain clients. To provide exceptional customer service and ultimately meet customer satisfaction, these banks have developed various strategies.

These include adopting new technologies, establishing research facilities, expanding services globally, introducing a wide range of new products, and embracing the concept of offering comprehensive facilities under one roof. These initiatives aim to enhance the overall banking experience and meet the evolving needs of customers (Azzam, 2014; Khedkar, 2015; Hassan, 2015; Long, 2013).

- **Customers who are well informed:** Today's banking clients are knowledgeable. The size of the planet has decreased to that of a small hamlet because of the development of new technology. Thus, if a bank wants to gain more customers, it should cultivate a positive relationship with its current customers and strive to maintain it in the future.
- **Declining brand loyalty:** Brand loyalty is decreasing in the current environment. Customers are frequently switching to other banks to take advantage of better services. As a result, banks have to enhance their goods, enhance client service, and build trust by offering proper customer care and interacting on a regular basis. CRM can aid in the growth of strong customer loyalty as well as an excellent reputation for the company in question.
- **The need to improve customer retention:** Retaining existing customers is critical in the highly competitive banking industry; this can be accomplished through the CRM process.

### 2.1.3 Part of CRM Technology

Pieces of CRM system includes: - Customer, relationship, and management (Gray & Byun, 2001).

- **Customer:** No company will endure if it lacks a customer base because the firm's present and future, profit and growth everything rely on customers. Good firms are always reluctant that customers are full of knowledge and competition can bring these individuals anywhere else, because smart customers are not as dependent on one firm and have numerous choices. You may never know your customer because the actual buyer is not always the actual user, and there is always influence on the customer's decision-making steps. CRM is highly effective and useful at this stage because it is completely the customer information base and customer priority can be set and more profitable and less profitable customers can be determined.
- **Relationship:** Trust is the basis of any relationship; without it, no long-term relationship can exist; thus, the concept of long-term and short-term relationships exists. No company in the world desires to be in just one conversation with its customers.

Relationships can be attitudinal or interactive, and developing a positive attitude with your customer is not a guarantee that he will no longer conduct business with you. All customers are required to receive positive treatment and service fulfillment for a period of the customer's lifetime value; it may be used to assess your relationship with customers.

- **Management:** CRM software is fully manageable and effective; it is capable of not only collecting information but also transforming it into a competitive advantage. It enables businesses to obtain complete information and knowledge, allowing them to plan all future activities accordingly.

#### 2.1.4 Types of CRM

CRM is divided into four categories by many writers, including Buttle (2009): operational CRM, strategic CRM, analytical CRM, and collaborative CRM.

- **Operational CRM:** - Selling, marketing, and customer service are instances of operational CRM processes. It is concerned with automating some essential presentation, selling, and service functions of a company (Buttle, 2009).
- **Strategic CRM:** - A customer-centric business strategy necessitates a personality shift away from Product, production, and selling orientation are examples of traditional business models (Buttle, 2009).
- **Analytical CRM:-** Understanding customer activity in the front office is critical. The primary goal of analytical CRM is to collect, process, interpret, and apply customer-related information for tactical or strategic reasons. It is heavily reliant on customer-related data (Buttle, 2009).
- **Collaborative CRM:-** This CRM technique involves sharing any information gathered from customer interactions with multiple company departments, including sales, technical support, and marketing.

#### 2.1.5 Benefits of CRM

Milovic (2012) states that in the banking industry, intense competition makes it challenging for banks to differentiate themselves from their competitors. This difficulty arises because the services offered by banks are often very similar. As a result, the only way for banks to stand out is through their interactions with clients. This holds true for insurance companies as well, where differentiation is also primarily achieved through customer interactions.

The author discussed the advantages of using CRM in banks. The requirement to attract a large number of new customers is dwindling. Lower customer acquisition costs mean more cross-selling and up-selling opportunities. Selling expenses are reduced.

Service enhancement, loyalty, and retention Enhances call center efficiency All customer interactions are being recorded. Improved profiling and targeting higher close rates reduced expenses; customer data is saved in a single database. Customer life cycle management, increased market share increased overall profitability Being able to assess customers.

According to Goldenberg (2008). CRM systems are widely used to assist businesses simplify their sales, marketing, and customer service functions. Loyal customers are intangible assets that provide a significant competitive advantage to any this is estimated that the cost of acquiring new customers is five times that for typical customer retention.

This is done for a reason: to pay nearer attention to the needs of today's customers. Improved customer retention/loyalty has been an important objective for most companies; however, companies in the United States are losing approximately fifty percent of their customers over five years, which is directly related to the aforementioned advantages. It has been proven that keeping a customer for an extended period of time increases his profitability. A good CRM system will help companies keep the majority of their customers over time (Goldenberg, 2008).

### **2.1.6 Major factors affecting CRM Successes**

The following are barriers to CRM success, according to Payne (2006).

- Lack of skills: - Technically skilled individuals are always required in large-scale CRM implementation projects. Companies occasionally realize the value of their employees' abilities in terms of implementation.
- Poor data quality and quantity: - CRM, as a combination of the management concept and the technical system, necessitates a large number of databases.
- CRM cannot provide full scope to a If a corporation cannot guarantee the quantity and quality of data during the implementation phase, it risks failure. The level of focus placed on data quantity and quality, however, differs depending on where a CRM is in its development. Data quality is crucial for some businesses in the early phases of CRM development.; however, for some established companies that plan to or have assumed data modification and de-duplication, amount is more significant than quality.

- Letdown to understand the business aids: A lack of understanding of the commercial benefits will also have an impact on CRM success. For example, The marketing database is the main topic of CRM analysis and research, yet certain senior managers in a firm always have a poor comprehension of it. However, the data warehouse cannot be ignored during CRM deployment, especially in the early stages, as it can help the business estimate prospective advantages and profits following the research.
- Lack of leadership and involvement of top management: The CRM's long-term performance depends on the participation of the best leadership and top management. The tasks of leadership actually include keeping the executive at a high level, taking decisive action, and ensuring that the idea is innovative. However, the most crucial job of leadership is to understand the overall situation and strive to be the true champion in the CRM implementation process.

### **2.1.7 The CRM Models**

Peppers and Rogers (2004) created the IDIC Model. To build closer one-to-one relationships with customers, companies should take four steps, according to the IDIC model: identification, distinction, interaction, and customization:

- Identify and understand company's customers.
  - Differentiating their clients to identify which have the greatest value now and the greatest potential for growth in the future
  - Communicating with them to make sure companies are aware of what the public expects from them and how they relate to other brands or suppliers.
  - Tailoring the offer and messaging to meet the needs of the customer.
- Using the Quality Competitiveness Index (QCI) Model:- The word "relationship" has been removed, and the model is now referred to as a customer management model.
  - They highlight a variety of activities that businesses must carry out because the model's core goal is to attract and keep customers. In this concept, individuals carry out tasks while receiving assistance from technology.
  - CRM Value Chain Model: - Businesses can establish CRM strategy using the CRM value chain as a model (Buttle, 2004). This model was created by a varied group of SMEs from the construction, manufacturing, retail, media, financial services, IT, software, and telecommunications sectors.

This model is based on both realistic business requirements and sound theoretical precepts. Buttle (2004) asserts that this model's primary objective is to make sure that the business establishes long-term, mutually beneficial relationships with its strategically significant clients. As a result, it is simply more expensive to acquire and maintain some clients.

- According to the Payne's Five Forces Model: Adrian Payne was the author of this comprehensive model. The model identifies five essential CRM processes: information management, value generation, performance evaluation, and strategy building. Strategic CRM, operational CRM, and analytical CRM are the three categories into which they are separated.
- The Forrester Model:- It is divided into four categories: process, technology, people, and strategy. The model resulted in conclusions on hundreds of businesses who employ CRM strategically, in-depth examinations of numerous vendors' solution providers, and interactions with numerous consultants.
- Gartner's CRM is the Maturity Model. The business evaluates an enterprise's capacity to use CRM effectively using a maturity model.

## **2.1.8 The Dimensions of CRM**

Based on Sin (2005) the following dimension are core for CRM.

### **2.1.8.1 Key Customer Focus**

Sin (2005), key customer focus define as a customer-centric marketing, key customer lifetime value identification, personalization, and interactive co-creation marketing define this dimension. Key customer focus, according to Sin (2005), is a combination of conversations with customers about customizing their needs, customizing products, assessing customer needs, and implementing customer need information.

According to Arnett and Badrinarayanan (2005), customer needs driven CRM strategy that contains uncovering insights about customer needs and creating specialized programs to address the identified needs. Therefore, as part of their CRM strategy, organizations should create CRM plans that can offer key clients both financial and non-financial advantages.

### **2.1.8.2 CRM Organization**

According to Ryals and Knox, (2001); Hoffman and Kashmeri, (2000) CRM is a key fundamental for the changes in how businesses are organized and business processes are carried out

The following are the most important factors to consider when organizing an entire company around CRM: organizational design, commitment to company-wide resources, and human resource administration. In order to create customer-centric values and enhance coordination of customer-focused cross-functional teams, organizational structures must be adaptable and, if necessary, reconfigured (Homburg, Workman, and Jensen, 2000)

Soliman's (2011) study found a optimistic, strong direct and statistically significant correlation between organizational efficiency and marketing performance. According to the research, the following actions should be taken:

- It is crucial to assess employee performance and pay them according to how well they are able to serve customers and meet their needs.
- Efforts have to be made to improve employees' abilities to acquire customers and deepen relationships with them through the development of qualified training programs.
- To make dealing with customers easier, ensure that the organizational framework associated with the financial institution is properly designed.
- Setting up specific objectives for attracting and keeping new clients is essential..
- For CRM success, it is essential to offer the required marketing knowledge and tools
- Performance standards must be established and tracked. throughout all stages of customer communication.

### **2.1.8.3 Knowledge Management**

To increase customer profitability, data should be collected on customers through interactions or touch points in all activities or areas of the form (Brohman, Richard, Piccoli, and Parasuraman, 2003)

According to the knowledge-based view of the organization, the primary reason for a firm's existence is the creation, transfer, and application of knowledge. CRM knowledge can be obtained through prior experience or through empirical research on consumer data. Knowledge learning and generation, dissemination and sharing of knowledge and responsiveness to knowledge are all important components.

Knowledge does not exist in any firm's database and can only be created from information found in the database or elsewhere, which is an important aspect of knowledge development.

Customer retention and knowledge management According to the findings of Sayed's (2011) study, knowledge management has a significant positive linear relationship with customer satisfaction. Customer satisfaction and customer loyalty are also linked. According to the author's research, there is a positive, strong, direct, and statistically significant correlation between customer knowledge management and marketing performance. According to the findings, It is advised that:

- Financial institutions must be well aware of the requirements of their main clients.
- It is crucial to help clients estimate the timing of service delivery appropriately.
- Maintaining constant two-way channels of contact between key clients and financial institutions is crucial.

In comparison to the other dimensions, At the third level, AIB has implemented knowledge management., according to findings of Helen Mamo's (2014) study. When compared to the other CRM dimensions, knowledge management had the least impact on customer loyalty.

#### **2.1.8.4 Technology-Based CRM**

For successful CRM performance, accurate customer data is required (Abbott, Stone, and Buttle, 2001). In reality, advances in information technology enable the collection, analysis, and sharing of customer information, resulting in increased customer satisfaction and, as a result, customer retention (Butler, 2000).

Customer relationship management calls for "information-intensive strategies" that use technology such as computers to build relationships, such as computer-aided design/manufacturing, databases, data mining, and CRM software applications, which enable firms to offer more customization with greater accuracy at a lower cost (Agarwal, 2004).

Furthermore, it enables employees at all customer contact points to provide better customer service. As a result, without appropriate technology, many customer-centric activities would be impossible to carry out (Sin 2005).

Generally speaking, integrating the four components of a CRM strategy—concentrating on key clients, structuring around CRM, managing knowledge, and adopting technology-based CRM—will result in greater CRM effectiveness. --is critical to successful CRM implementation. Any of these failures can render the firm's CRM activities ineffective.

### **2.1.9 CRM in the Banking Industry**

CRM now includes the creation of a customer base. As a result, the bank must devote adequate attention to expanding its customer base; if performance is up to par, current customers may recommend the bank where he or she works to others. As a result, requesting a referral from an existing customer can assist them in expanding their client base. Profitability increases as the base grows.

As a result, in order to capture and retain customers, the bank must implement a variety of innovative CRM strategies (Saeed, Grover, & Malhotra, 2011). Activities that are focused on the consumer are replacing those that are bank-centric. Banks have come a long way in their CRM journey, understanding the benefit of precisely targeting consumers, as well as figuring out the worth of certain customers and the expenditure needed to win their loyalty.

They use technology.

- To collect accurate, up-to-date information on customers
- To target products and services to customers' life stages
- To provide greater customer access to products and services (24-hour banking)

They demand productive procedures:

- To ensure transaction security
- To reassure customers that their transactions are secure
- To consolidate multiple records for individual customers
- To alleviate distress when errors occur

### **2.1.10 Customer Satisfaction**

The consumer's response to fulfillment is satisfaction. It is the conclusion that a feature of a good or service, or the good or service itself, has offered (or continues to offer) a gratifying level of consumption-related satisfaction, including levels of under- or over-fulfillment (Oliver 2010).

Firms are increasingly reliant on the relationships they have with their customers in today's environment. Customer satisfaction, positive word of mouth, referrals, and loyalty are all common outcomes of committed customer relationships (Kim & Cha, 2002).

High customer satisfaction should indicate increased loyalty for current customers, reduced price elasticity, insulation of current customers from competitive efforts, lower costs of future

transactions, lower failure costs, lower costs of attracting new customers, and an improved firm reputation (e.g., Anderson et al., 1994).

According to Oliver (2011), product features play a significant role in the creation of customer satisfaction. Based on some of the above definitions, consumer satisfaction can be defined as a post-purchase evaluation resulting from the selection of specific purchasing where the perception of the performance of the products selected meets or exceeds expectations prior to purchasing decision.

According to Fornell (1992), customer satisfaction is defined as an attitude formed based on experience after clients purchase a product or use a service and pay for it. Similarly, Ningsih and Segoro (2014) defined satisfaction as a consumer's attitude, assessment, and emotional response following the purchase process. It indicates that you are pleased with a product or service. Yap, Ramayah, and Shahidan (2012) defined satisfaction as an overall customer attitude towards a service provider.

Furthermore, Customer Relationship Management (CRM) provides data and information relating to customers, such as shopping habits, product consumption habits, and so on (Agrawal, 2004). These data and information are used to improve understanding of how to communicate with customers in order to create value and customer satisfaction (Agrawal, 2004). Based on the foregoing, it is possible to conclude that customer relationship management has an impact on customer satisfaction. In other words, the better the customer relationship management, the higher the level of customer satisfaction.

#### I. Effect of Satisfaction on Customer Loyalty

According to Lupiyoadi (2014), it is the feeling of satisfaction after evaluating the product experience. The author also mentioned that in the banking industry, customers who are satisfied have a high likelihood of becoming loyal, so a loyal customer will use all bank products. The greater the customer confidence, the greater the love of the bank's customers, and, of course, customers will be more like the bank's product.

#### II. CRM's indirect impact on customer loyalty via customer satisfaction

The difference between expectations and perceived performance is the difference in customer satisfaction and dissatisfaction.

Understanding customer satisfaction thus implies that the performance of the goods or services received by consumers is at least equal to their expectations.

Companies that provide services should be able to offer a value to gain more customers and maintain customer loyalty in order to create customer satisfaction. Then, through a good and right customer relationship management programs, it is expected that customers will be loyal; of course, when customers are completely satisfied. In other words, only when such customers are satisfied will customer relationship management have an effect on their loyalty. As a result, customer relationship management programs have an indirect impact on loyalty.

### **CRM Effects on Customer Satisfaction**

Customer satisfaction is the extent to which customers are satisfied with their purchased goods and services (Boone and Kurtz, 2013). Customer satisfaction is a statement to the buyer about the appropriateness of the reward, received in exchange for the service experienced. Every firm tries to fulfill customers' needs, desires, wants, aims and expectations. Therefore, production and marketing department collaboratively produce economic utility for customers. Customer satisfaction is generally understood as the pleasure of using product and service. Customer satisfaction is the voice of customer that will differ from person to person. It is an appraisal of how products and services of a company meet up or exceed customer anticipation.

Jeong and Lee (2010) depend customer satisfaction as:

- Customers' satisfaction is an emotional (sentimental) reaction or a manner of inter-active recognition and perception.
- Customers' satisfaction is a response to the specific concentration on the expectations of production and the experience of using services and consumption.
- Customers' satisfaction is a judgmental reflection of customers about a product or service during the time period of its usefulness.
- Customers' satisfaction is a summary of the psychological manner in which a composite of customers' feeling about the unexplained expectations and his/her previous consumption experiences are encompassed

#### **2.1.11 Customer Loyalty**

In today's competitive market, customer loyalty plays a crucial role in the success of any company, including banks (Osayawe Ehigie, 2006). A loyal customer in the banking industry is someone who continues to use the services of the same bank, is inclined to purchase additional products from the bank, and is likely to recommend the bank's services to others (Fisher, 2001).

This highlights the importance of building and maintaining strong relationships with customers to foster loyalty and drive business growth.

Duncan and Elliott (2002) assert that there is a connection between customer loyalty and organizational profitability, suggesting that any business with devoted customers has a competitive edge. If there is a climate, customers are also expected to be loyal (Clark, 1997). According to Bridgewater (2001), this environment entails understanding actual client demands and developing goods to address them.

If a company can make a customer happy by elevating them in their organization, that company becomes a magnet for customers, resulting in the company's success.

Loyal customers are the most profitable for a manager because they spend more time with them. Customers who are loyal to you have enormous lifetime values.

Customer loyalty to a particular organization not only reduces the risk of service but also contributes to societal development. Loyalty can be categorized based on factors such as product identification, purchase frequency, customer recommendations, and visit frequency (Szymigin and Carrigan, 2001). These classifications help in understanding and measuring the level of loyalty exhibited by customers towards a company. By fostering loyalty, organizations can enhance customer satisfaction, strengthen their reputation, and drive positive social impact.

According to the literature, loyalty levels are categorized as follows.

- a. Customer: the one who regularly purchases a variety of offerings from that company.
- b. Expect: a customer who has previously registered but has not purchased any products.
- c. Customers who sponsor other clients: Customers who recruit new members for the company by explaining its advantages to others.
- d. The primary client: The one made the first purchase of the product.
- e. Prohibited prospect: A client whose desire to buy the products is less than that of management.
- f. Dormant customer: a client who doesn't make any purchases throughout the allotted time.
- g. Repeat customer: Someone who makes several purchases. (Szymigin, 2020).

## **CRM Effects on Customer Loyalty**

Customer loyalty can be seen as a customer commitment to deal with a particular crm, and buy their products and services. A loyal customer encourages others to do business with the crm. Loyal customers are also considered to be the most important assets of a company and it is thus essential to keep loyal customers who will contribute long-term profit to the organization.

In a business context, loyalty is a psychological awareness process or the observable reaction of a consumer, where intentional and factual retention or intensification of the relationship is based on specific reasons (Keaveney, 1995).

Loyalty requires a positive attitude of the consumer towards a company and its services; retention, on the other side, can also exist with a negative attitude towards a company (Bruhn, 2009).

Customer loyalty is related to a service provider's ability to maintain its customers' loyalty and persuade them to recommend its services to potential customers (Zeithaml, Berry and Parasuraman, 1996). Six indicators were used to measure customer loyalty: share information, say positive things, recommends a friend, continue purchasing, purchase additional service and test new service (Brodie, Roberts and Varki, 2003).

Customer loyalty can be achieved through a successful CRM implementation. An effective customer relationship management is positively related to the loyalty of customers. CRM helps organizations to build long-term relationships with their customer.

Nowadays, customer retention is becoming very flexible. Customers switch to products and services offered by other organizations when they are dissatisfied.

Organizations should offer high-quality products and services with a competitive price in order to promote customer loyalty. Customer relationship management can be a useful mechanism to render the customers loyal. The level of loyalty can be measured by observing the frequency of visits and buying behavior of customers. Today's customers are aware of the power they have on the market and that every activity is realized for them. It is now easier to and products and services. Before choosing a given trademark, consumers look at the price, newness, accessibility of the product and the additional services offered. As the alternatives increased, consumers' loyalty to the products and services decreased.

Today, firms have entered into an effort to present at a lower cost than their rivals the products and services that can meet the customer wishes and expectations fully, so that they can render customers more loyal. CRM provides the exact and right time information about products and services quality, feature, core value etc (Koçolu and Kirmaci, 2012)

## **2.2 Empirical Reviews**

Sadek et al. (2011) found an advantageous connection between consumer happiness and customer loyalty, and Erimias (2016) noticed that since all indicate findings indicate room for enhancement, the bank could work to improve every aspect, particularly its lowest scoring dimension, and the management of knowledge. CRM acts as a bridge between the two, and there is a significant positive relationship between CRM and customer loyalty. As a result, previous research was taken into account in this study, which discovered that CRM variables are determining factors for increasing loyalty and achieving banking customer satisfaction as a mediating variable. According to Panjaitan and Laely (2017), customer satisfaction can act as a motivator.

As a mediator between CRM and loyalty, there is an important optimistic association between CRM and customer loyalty. As a result, this study took previous research into account, which discovered that CRM variables are determining factors for increasing loyalty and achieving banking customer satisfaction as a mediating variable. Colgate and Danaher (2000) in the banking industry, look into how a customer relationship strategy implementation affects client happiness and loyalty. A random sample of 1917 people was drawn from the phone book in New Zealand.

Swaminathan (2004) investigated the relationship between CRM and customer outcomes. The researcher chose 1223 service companies at random from the Hong Kong job directory. Banks, financial companies, insurance providers, and other businesses with solid clientele were represented in the sample. An investigation list was used to collect information from senior managers in these organisations. There were 215 complete lists received, representing a 17.6% response rate. According to the study, CRM has four dimensions.

The Malaysian city of Kota Kinablu served as the study's representative of society. Only 15 of the 20 banks in the city consented to let researchers interview consumers there. In a similar vein, just 400 bank clients consented to take part in the study.

With a response rate of 55%, only 220 usable lists were authenticated. Based on the study, every aspect were related to customer satisfaction, and the dimension with the greatest association was

reflected in the overall increase in customer relationship quality; the Pearson correlation coefficient was 0.88, with a level of significance less than 0.05.

An den Brink, OdekerkenSchroder, and Pauwels (2006) looked into the influence of CRM on client loyalty. At a university in Western Europe, the researchers planned an experiment in which 240 students shared a library. A list of questions was utilized to collect information from them. Following lunch, the experiment continued for more than three days. To encourage students to share and precisely fill out the investigation list, each was given a monetary incentive. Customer loyalty is higher when CRM is strategic rather than tactical, according to the study. The correlation coefficient was 0.88 in general.

The CRM dimensions (degree of harmonisation, invested resources, and senior management support) were also discovered to have no effect on customer loyalty, with the exception of the duration of the CRM campaign, which had a big impact. Coltman (2007) calculated the extent to which CRM improves overall customer performance; the correlation coefficient was 0.88 with a level of significance less than 0.05.

The researcher chose a sample of Australian banks based on a variety of criteria (including the use of CRM technology and the number of customers). 32% of people responded. CRM application capabilities were assessed Organizational skeleton, information technology framework, and human abilities and experiences make up the three dimensions.

To evaluate performance, three dimensions were used: the return on investment (net of taxes), income from new product sales, and increase in sales. The study found that performance is enhanced by strong CRM application skills.

An empirical study was undertaken by Krishnamoorthy and Srinivasan (2013) to ascertain the effect of customer relationship management on customer loyalty among private and public sector bank clients. The results show that CRM and customer loyalty have a significant and favorable link.

It also shows that banks fulfil their obligations to customers by offering advice on how to invest, which is the most important variable that influences customer loyalty. As a result, the banking industry must place a greater emphasis on these factors in order to increase customer loyalty.

### 2.2.1 Research Gap

According to the aforementioned theoretical and empirical reviews, it is critical to understand customer relationship management in order to increase customer loyalty because it is at the heart of the processes by which banks and other service firms sell their services and products to customers. Furthermore, it has been discovered that a variety of customer relationship variables, such as the bank's customer focus, level of customer satisfaction, knowledge, technology, and organizational dimension, can influence a customer's loyalty. Furthermore, in developed countries, the link between customer relationship management and customer loyalty is well established.

In some cases, these elements have a detrimental effect on client loyalty. Thus, it is critical to investigate the issues surrounding this subject and how these relationship- CRM practices influence customer loyalty, particularly in the local context. This study aims to provide relevant information that will assist the banking sector and other stakeholders in developing a firm understanding of these variables, allowing them to make the best decisions in terms of relationship CRM strategies aimed at reducing customer defection and clearly understanding the reasons for inconsistency results among the variables.

According to the researcher's observations in previous empirical reviews, the majority of the literature reviewed in this study focused on developed countries in terms of the Mediator Role of Customer Satisfaction on the Relationship between the Management of Customer Relationships by Bank of Abyssinia Branches. Although such studies have been conducted in developing countries, there is a paucity of literature in the Ethiopian context.

To the best of the researcher's knowledge, few empirical studies have been conducted on the direct effects of relationship CRM on customer loyalty and have failed to investigate the mediating role of customer satisfaction in the banking sector.

As a result, the researcher is motivated to investigate the Mediator Role of Customer Satisfaction on the Relationship between Customer Relationship Management and Customer Loyalty in BoA.

## 2.3 Conceptual Framework

As a result of the overall review of existing literature, the following conceptual model governs this study. Figure 2.1 depicts the hypothesized conceptual framework model, which includes the independent and dependent variables.

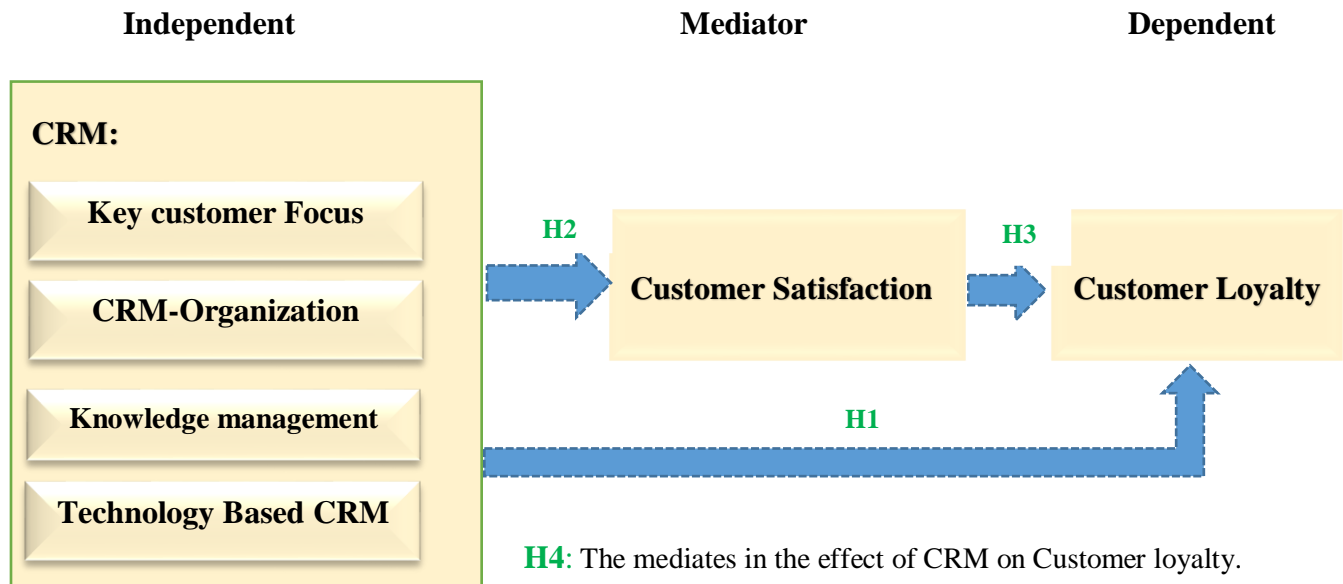


Figure 2.1: Conceptual Framework on the Study

Source: own work based on different literatures (2023)

As a result, the following hypotheses were proposed in the study:

- H1.** CRM has a positive effect on customer loyalty.
- H2.** CRM has a positive effect on customer satisfaction.
- H3.** Customer satisfaction has a positive effect on customer loyalty.
- H4.** Customer satisfaction support mediates the effect of CRM on customer loyalty.

## **Chapter Three**

### **Research Methodology**

The procedures and techniques used to collect and analyze research data are referred to as research methods. Questionnaires, observations, and statistical and non-statistical techniques are examples of research methods (Saunders, M., Lewis, P., & Thornhill, A., 2009). The following topics were discussed and covered in this chapter: research design and approach, study population and sampling techniques, data source, data collection and data analysis method, validity and reliability and others.

#### **3.1 Study Site**

This study focuses on the Bank of Abyssinia in Addis Ababa selected branches. The researcher selected this bank because the BoA is one of the top Ethiopia's competitive banking service provider industries. The bank now has 788 branches, 9,696 employees, and, most importantly, 7,514,405 customers, which is no small feat. As a result, the researcher chose BoA branches in Addis Ababa based on the selection criteria.

#### **3.2 Research Design**

The goal of this study is to determine the effect of customer satisfaction as a mediating role in the relationship between CRM and customer loyalty in the case of BoA. The study used both descriptive and explanatory research designs. Descriptive research attempts to describe systematically a situation, problem, phenomenon, service, or programs, provides information about, say, the living conditions of a community, or describes attitudes towards an issue. We could start to question why things are the way they are when we come upon a problem that is well known and has a description.

In this study, the relationship between the dependent variable (loyalty) and the independent variable (CRM) was analyzed to determine any causal links. Correlation and regression analyses were employed to investigate this relationship. The research aimed to be explanatory in nature, and customer satisfaction was considered as a potential mediating factor. Therefore, both descriptive and explanatory methods were utilized to gain a comprehensive understanding of the variables and their interplay (Azzam, 2014; Khedkar, 2015; Hassan, 2015; Long, 2013).

### **3.3 Research Approach**

A quantitative research method was used in this study to collect data from a sample of respondents via questionnaire.

The collected data was analyzed, and based on the results; generalizations about the population were made. This study also quantifies the impact of the independent factors (CRM) on the dependent variable (customer loyalty).

Quantitative research aims to develop and utilize mathematical models, theories, and hypotheses to understand natural phenomena. It usually starts with a theory or a general statement proposing a relationship between variables. Researchers in quantitative studies often employ methods such as surveys and experiments to test hypotheses or statements and draw inferences from specific observations to general conclusions (Azzam, 2014; Khedkar, 2015; Hassan, 2015; Long, 2013).

### **3.4 Sampling Design**

#### **3.4.1 Target Population**

A population is defined as all people or items (units of analysis) with the characteristics that are being studied. The unit of analysis can be a person, group, organization, country, object, or any other entity about which you want to draw scientific conclusions.

The study was carried out to assess The Mediating Role of Customer Satisfaction on the Relationship between CRM and Customer Loyalty in Bank of Abyssinia. The study's population consisted of all Bank of Abyssinia S.C. customers.

The study's target population is total 473,436 Bank of Abyssinia S.C. customers. (Bank Annual Report, 2021-2022).

#### **3.4.2 Sampling Technique**

Because the entire population of the bank could not be available at the same time, a non-probabilistic sampling technique, i.e. convenience sampling, was used.

Convenience sampling, also known as accidental or opportunity sampling, is a technique in which a sample is drawn from a population segment that is close at hand, readily available, or convenient.

The sample selection process is repeated until your required sample size is reached. (Saunders, Lewis, and Thornhill 2009). Furthermore, the researcher divides customers based on BoA branches. As a result, the researcher employed both stratified and convenience sampling techniques.

### 3.4.3 Sample Size

To determine the sample size for this study, the researchers used the formula developed by Kreijcie and Morgan (1970). This formula calculates the desired sample size as  $n = \frac{N}{1 + N(e)^2}$ , where N represents the total population, n represents the sample size, and e represents the error term. In this case, the error term was set at 5% for a 95% confidence interval. Using this formula, the researchers determined that the sample size for the study would be  $n = \frac{473,436}{1 + 473,436(0.05)^2}$ , which equals 399.

Thus, a sample size of 399 customers is chosen from the 473,436 branches of All of Addis Ababa (BoA) customers.

As a result, the number of participants in each group was calculated using the formula mentioned earlier to determine the sample size. as shown in Table 3.1 below. Because the branches were chosen for the convenience of the researcher and the bank Branch Customer relationship management performance inclusiveness from Grades 1-4. On the other hand, the total number of customers with BoA accounts has been taken from each branch's Customer relationship management data (Bank Book).

Table 3.1 Sample Proportion Taken from (BoA) Branches.

S.No	Name of Branch	Grade	Number of Customers	Sample
1	<ul style="list-style-type: none"> <li>▪ 4Kilo</li> <li>▪ Africa union</li> <li>▪ Kazanchis</li> <li>▪ Africa Avenue</li> <li>▪ Lfeto Mebrat</li> <li>▪ Jemo 3</li> <li>▪ Mexico</li> </ul>	1	121,138	102
2	<ul style="list-style-type: none"> <li>▪ Aba Koran</li> <li>▪ Olympia</li> <li>▪ Churchil</li> <li>▪ Jemo</li> <li>▪ Lafto</li> <li>▪ Abnet</li> <li>▪ Balcha</li> </ul>	2	135,260	114

3	<ul style="list-style-type: none"> <li>▪ Airport</li> <li>▪ Gerji</li> <li>▪ Merkato</li> <li>▪ Aba mela</li> <li>▪ Ragueal</li> <li>▪ Ureal</li> <li>▪ Arada</li> </ul>	3	122,052	103
4	<ul style="list-style-type: none"> <li>▪ Bole</li> <li>▪ Filweha</li> <li>▪ Ras</li> </ul>	4	94,986	80
Total			<u>473,436.</u>	<u>399</u>

Source: Source: From *HRM of the organization, 2023 and own construct.*

Using the formula mentioned earlier, samples were collected from each branch. For instance, the number of samples taken from Grade 1 was approximately 102, calculated as 399 multiplied by the ratio of 121,138 to 473,436.

### **3.5 Sources of the Data**

#### **3.5.1 Primary Sources**

The primary data was provided by the BoA targeted customer. To collect primary data, the researchers used a self-administered structured questionnaire. It was used to gather primary data from Bank of America customers.

#### **3.5.2 Secondary Sources**

Secondary data collected indirectly related to the purpose through a theoretical study comprised of research thesis, articles, the internet, manuals, and annual reports.

The study's premises were supported by data from secondary sources, which comprised information from books, websites, publications, journal articles, and other sources.

### **3.6 Data Collection Instruments**

The student researcher essentially uses a questionnaire as an instrument to ask the same question to everyone in the sample. It is the primary tool for collecting information from study participants via self-administered questionnaires. Questionnaires were chosen over other tools because they are the quickest way to collect information from a diverse group of people. (2004) (Kothari). The questionnaire was closed-ended and asked questions on a five-point Likert scale.

And the research questionnaire was adapted from Terblanche, N. S.; Boshoff, C. (2001): Measuring customer satisfaction with some of the controllable elements of the total retail experience.

### **3.7 Data Collection Procedure**

In this study, a total of 399 questionnaires were distributed to potential respondents using a convenience sampling technique with a stratified method. Convenience sampling involves selecting participants based on their availability and accessibility, while the stratified method involves dividing the population into distinct groups or strata and then selecting participants from each stratum to ensure representation (Azzam, 2014; Khedkar, 2015; Hassan, 2015; Long, 2013). The questionnaire was then distributed to all respondents, with one month to complete it. The researcher has provided his personal contact information in order to help respondents with any problems they may encounter while filling out the questionnaire. The researcher collected the data after several weeks and immediately checked its completeness; a few respondents did not complete a form for a specific day.

However, the researcher followed up with respondents that fall to ensure that the form was correctly filled out.

### **3.8 Data Analysis and Methods**

The study was designed to examine the level of customer loyalty by Bank of Abyssinia and was conducted using a structured questionnaire and Software version 23 of SPSS (Statistic Package for Social Science). To address the study's initial research question, descriptive statistics and frequency are used, as well as inferential statistics such as the study of multiple regressions and Pearson's correlation as a correlation test.

All questionnaire statements were graded on a 5-point scale (strongly agree, agree, neutral, disagree, and strongly disagree). This scale was given a number: Neutral: 3, agree: 4, strongly agree: 5, disagree: 2, and strongly disagree: 1. Instruments that can accurately and efficiently calculate these constructs are critical components of the research standard (Kimberlin, C. L., & Winterstein, A. G., 2008).

## **3.9 Validity and Reliability**

### **3.9.1 Validity**

The validity of a measuring instrument is how well it performs the function for which it was designed. How accurately an instrument measures a quality, ability, talent, attribute, or piece of information, and so on that it was designed to measure, according to Onunkwo (2002), is referred to as validity. The content validity test was one of the several validity kinds (construct, predictive, face, criterion related, etc.) that were utilized. This is due to the fact that it a complete assessment of all study-related topics as well as adequate study-related topic coverage.

As a result, the questionnaire was examined by the researcher's adviser to ensure content validity, the research questions were adopted & adapted from published journal U. Zeynep Ata, Aysegul Toker, (2012) and Terblanche, N. S.; Boshoff, C. (2001) and the validity of the questioners is tested & are valid including acceptable language use, relevance to the topic, study purpose, and coverage of the content categories.

### **3.9.2 Reliability Test**

Reliability refers to the extent to which results are consistent over time and an accurate representation of the total population under study. The instrument is reliable if the results can be reproduced using a similar methodology. According to Kothari (2004), The consistency of the measuring instrument's results is its reliability.

The reliability analysis in SPSS was conducted using the Cronbach's alpha test.. This is done primarily to check the internal consistency of the data collected. In the reliability test, the Cronbach's alpha coefficient was calculated for each variable. Cronbach's alpha reliability coefficients are normally between 0 and 1. The lower the internal consistency of the scale's items, the closer Cronbach's alpha is to zero, and the higher the internal consistency of the scale's items, the closer Cronbach's alpha is to 1.0. As a result, the Cronbach's alpha coefficient for each item was tested; a Cronbach's alpha coefficient greater than 0.7% is considered good (George, D., & Mallery, P., 2003). (>70%).

Table 3.2. Main Data collection tool Reliability Statistics/Cronbach's Alpha Value

No	Research Variables	Cronbach's Alpha Value	Number of items
<b>1</b>	<b>CRM</b>	<b>.954</b>	<b>28</b>
1.1	Key customer focus	.891	7
1.2	CRM Organization	.885	8
1.3	Knowledge Management	.876	9
1.4	Technology-Based CRM	.798	4
<b>2</b>	<b>Customer Satisfaction</b>	<b>.878</b>	<b>4</b>
<b>3</b>	<b>Customer Loyalty</b>	<b>.927</b>	<b>7</b>

Source: own computation from survey data (2023)

### 3.10 Ethical Consideration

Ethics are behavioral norms or standards that guide moral decisions about our behavior and interactions with others.

The goal of research ethics is to ensure that no one is harmed or suffers negative consequences as a result of research activities (Cooper & Schindler, P.S., 2006). Everyone has the right to decline participation in a marketing research project in which they provide data. Researchers have the right to be safe, both physically and psychologically. Individuals may experience stress when an interviewer processes them to participate in a study.

## **Chapter Four**

### **Result and Discussion**

This chapter is divided into three sections that describe the results of an analysis of data collected from questionnaire respondents. The first section discusses demographic data for respondents, the second discusses descriptive data (CRM, customer satisfaction, and customer loyalty), and the final section discusses explanatory analysis. The study's target population was BoA customers. A total of 399 samples were collected, and questionnaires were distributed. However, the researcher received only 374 responses.

#### **4.1 Response Rate**

The study focused on 399 customers who use Abyssinia banking services in Addis Abeba on the listed branches. Furthermore, the researcher sampled 399 employees, with 374 (94%) completing and returning questionnaires. However, due to a variety of factors, 25 (6%) questionnaires were not collected. The main reason for uncollected questionnaires was that some customers did not respond after completing the questionnaires. The data collected for each respondent feedback was summarized using descriptive and inferential analysis in SPSS version 23.

In terms of respondent rate of item from total questioner's items, respondents answer nearly all items (99.9%). Because the researcher used self-administration for the majority of respondents, this validates the fact that no significant data was missed due to incompleteness. For greater data reliability, cases with missing variables are excluded (not considered) from SPSS processing throughout the analysis.

#### **4.2 Demographic Data**

The study attempted to determine demographic data in the following variables using 374 returned questionnaires, as shown in the table below

Table 4.1: Demographic respondents

Variable	Category	Frequency	Percent
Sex	Male	149	39.8
	Female	225	60.2
Age	≤30	28	7.5
	31-40	174	46.5
	41-50	157	42
	>50	15	4
Educational level	Certificate	23	6.1
	Diploma	166	44.4
	Degree	160	42.8
	Masters and above	25	6.7
Experience in the bank	1-5 years	128	25.7
	6-10 years	171	49.7
	>16 years	75	2.7
Reasons for use the bank	Personal	222	62.0
	Commercial	113	35.3
	Both	39	2.7
Service types that customer uses	Saving	196	52.4
	Account Current	75	20.1
	Credit	64	17.1
	Remittance	22	5.9
	ATM	17	4.5
Total		<b>374</b>	<b>100%</b>

*Source: survey data (2023)*

Table 4.1 shows that 149 (39.8%) of respondents were men, while 225 (60.2%) were women. This could imply that female respondents have a larger share of the Abyssinia bank customer relationship management than male respondents do. Furthermore, the majority of respondents are between the ages of 31 and 40, account for 174 (46.5%) of all respondents, followed by those between the ages of 41 & 50, i.e. 157 (25.7%), and the remaining respondents are between the ages of 30 and 51, accounts for 43 (11.5%). We can conclude from this that the bank has customers of various ages who may be shown that the bank's service is provided in a targeted/segmented manner in order to satisfy/be loyal to their customers.

In terms of educational level, 166 (44.4%) of respondents have a diploma, 160 (42.8%) have a degree, 25 (6.7%) have a master's degree, and 2 (42.8%) are certified. This could imply that the majority of respondents are capable of responding to the question and comprehend the bank loyalty offers.

In terms of Abyssinia Bank user experience, the majority of 171 (49.7%) have 6-10 years of experience, 128 (25.7%) have 1-5 years of work experience, and the remaining 75 (2.7%) have more than 16 years of user experience in BoA. This demonstrated that BoA has gained new and loyal customers, ensuring the bank's competitiveness.

Finally, 196 (54.4%) of customers used the bank for savings accounts, 75 (20.1%) for current accounts, 64 (17.1%) for credit accounts, and the remaining 10% for remittance and ATM purposes. This implies that the bank is preferable for savings accounts. Despite the fact that the researcher created an exhaustive list for the respondents, no one ticked another option simply to respond to another service from the bank.

### 4.3 Descriptive Analysis

Customer satisfaction perceptions as a moderator in the relationship between customer relationship management and customer loyalty. The mean shown disagreed, neutrality and agreed on the variables to be tasted.

The standard deviation is the amount by which the values deviate from the mean. On a five-point Likert scale ranging from 1 to 5, respondents were asked to rate the CRM customer satisfaction and customer loyalty questions. The researcher assumptions are listed below (1=strongly disagree, 2=disagree, 3=neutral, 4=agree).

Table 4.2 Mean Score decision rule

Mean Score	Interpretation
1.00-1.80	Strongly Disagreed
1.81-2.60	Disagreed
2.61-3.20	Neutral (Neither agreed not disagreed)
3.21-4.20	Agreed
4.21-5.00	Strongly Agreed

Source: Lind DA, Marchal WG, Wathen

According to (Lind DA, Marchal WG, Wathen SA, 2003) assumptions, the mean 3.0 as shown in the preceding paragraph is to be interpreted as measuring neutrality on the variables to be tasted. The standard deviation was used to represent and indicate deviation from the mean. The higher the standard deviation, the greater the number of customers who disagreed on the issue at hand.

### 4.3.1 Key Customer Focus

Key customer focus is one method of measuring CRM, so seven questions were asked.

**Table 4.3:** Key Customer Focus

Variables	N	Mean	Std. D
The bank offers its key customers customized services and products.	374	3.24	1.182
The bank is constantly striving to surprise and satisfy its key customers.	374	3.53	1.063
The bank responds quickly to customer observations, inquiries, and complaints.	374	3.68	1.191
By wishing its key customers on important occasions, the bank strengthens emotional bonds with them.	374	3.72	1.066
The bank uses a special promotional set to meet key customer expectations.	374	3.35	1.105
In order to provide customer value, the bank uses co-branding/affinity collaboration initiatives, which connect the bank with reputable organizations.	374	3.39	1.198
By using referral and marketing programs, the bank benefits from the power of word of mouth.	374	3.75	1.005
<b>Aggregate Mean</b>		<b>3.52</b>	<b>1.12</b>

*Source: own computation from survey data (2023)*

Table 4.3 depicts the various questions for key customer focus on which the majority of respondents agreed as the range from 3.21-4.20 (supported by the above mean score assumptions) this suggests that BoA prioritized key customers because they have a large share of savings and they are a possible to be loyal customer. Because the mean score for the first question is 3.24, which is close to neutral as a result the bank should concentrate on the trend of offer customization. The response (i.e. key customer focus average mean is 3.52, which is close to 4 than 3) indicates that customers viewed this dimension positively in terms of BOA. Furthermore, the standard deviation, which ranges from 1.005 to 1.198, indicates a large variation. Because there is a spread of ideas among the respondents, we can conclude that respondents were agreed on similar ideas but there are a significant number of variations that deviate from the mean value.

### 4.3.2 CRM Organization

CRM Organization is the second method of measuring CRM, so eight questions were asked.

**Table 4.4: CRM Organization**

<b>Variables</b>	<b>N</b>	<b>Mean</b>	<b>Std. D</b>
The bank's top management accepts and leads the bank's primary goal of developing and maintaining relationships with clients.	374	3.89	1.049
The bank spends time and resources to maintaining relationships with clients.	374	3.59	1.165
Bank platforms are designed to make doing business easier.	374	3.63	1.008
It increases client convenience by using an assortment of delivery channels/branches.	374	3.92	0.930
The bank staff are competent and have the required abilities for getting and improving relationships with clients.	374	3.26	1.167
The bank's business plan values customer needs.	374	3.59	1.028
Connections with clients are extremely important for the bank.	374	3.74	0.999
Front-line bank workers feel motivated and enabled to go the extra mile for their customers.	374	3.93	0.929
<b>Aggregate Mean</b>		<b>3.66</b>	<b>1.03</b>

*Source: own computation from survey data (2023)*

Table 4.4 shows the various CRM Organization questions and according to the above mean score assumption, the majority of respondents agreed. (i.e. 3.21-4.20). This implies that the BoA CRM organization, which includes management, strategy, system, and employees, is organized and designed in a way that makes doing business simple. Furthermore, the outcome makes customers happy and loyal to the bank. On the other hand, because the mean score of the question five is 3.26, which is close to neutral, the bank should focus on their employee existing training and development practice in order to improve competitiveness and internal customer satisfaction.

The response (i.e. CRM Organization average mean is 3.66, which is close to 4 than 3) indicates that customers viewed this dimension positively in terms of BoA. In addition, the average variance ranges from 0.930 to 1.167, suggesting a wide range of variation.

Because there is a spread of ideas among the respondents, we can conclude that respondents were agreed on similar ideas but there are a significant number of variations that deviate from the mean value.

### **4.3.3 Knowledge Management**

To analyze one of the CRM dimension, the study considered knowledge management and nine questions were asked. The outcome is also shown in table 4.5 below.

**Table 4.5: Knowledge Management**

<b>Variables</b>	<b>N</b>	<b>Mean</b>	<b>Std. D</b>
The bank takes in and reacts to client suggestions.	374	3.39	1.100
The bank uses promotional activities in attracting new customers and retaining old ones	374	4.03	0.985
Customers are satisfied with the range of services.	374	4.01	1.003
The bank has effective customer recovery strategies.	374	3.91	0.987
BoA has guarantees for service failures.	374	3.22	0.937
The bank has a well-developed privacy policy to ensure confidentiality of data collected from customers.	374	3.66	0.909
The bank reward system is based on segmented customer (either profit based or have consider other requirements)	374	3.33	1.183
The bank interaction is multi-channel to increase their customer knowledge	374	3.52	1.112
The bank employs segmented standards such as client lifetime value (CLV)/revenue contributions or additional pertinent variables.	374	3.54	1.107
<b>Aggregate Mean</b>		<b>3.60</b>	<b>1.03</b>

*Source: own computation from survey data (2023)*

Table 4.5 depicts the CRM knowledge management questions on which the majority of respondents agreed it range from 3.21-4.20 (Lind DA, Marchal WG, Wathen SA, 2003). This implies that the BoA knowledge management, which includes customer treatment, quick responses, customer value, a rewarding system, and other features, is organized and designed in a way that simplifies doing business. Customers are also satisfied and loyal to the bank because of the outcome. However, because the mean score of the one question (i.e. the bank has guarantees for service failures) is 3.22, which is close to neutral, the bank should focus on their existing guarantees for service failures practice to improve customer satisfaction.

The response (I.e. Knowledge management average mean is 3.60, which is close to 4 than 3), indicates that customers viewed this dimension positively as far as BOA is concerned. In addition, the average variance ranges from 0.937 to 1.183, suggesting a wide range of variation.

Because there is a spread of ideas among the respondents, we can conclude that respondents were agreed on similar ideas but there are a significant number of variations that deviate from the mean value.

#### 4.3.4 Technology-Based CRM

In order to analyze one of this CRM through technology based, four questions were asked.

**Table 4.6:** Technology-Based CRM

Variables	N	Mean	Std. D
The bank uses technological advances to simplify its services.	374	3.51	1.043
The bank provides its customers with fully capable technology-based services that are error-free.	374	3.13	1.057
The bank's information technology can collect, analyze, and share customer data.	374	3.82	0.842
The bank is responsive to the customer because its information system is designed inclusively.	374	3.13	1.180
<b>Aggregate Mean</b>		<b>3.40</b>	<b>1.03</b>

*Source: own computation from survey data (2023)*

Table 4.6 depicts the various questions for Technology-based CRM, with the majority of respondents agreed on second and third questions. This indicates that the bank has invested in technology-based CRM, which may aid in increasing customer loyalty and satisfaction.

The majority of respondents, on the other hand, were neutral (neither agreed nor disagreed) on questions, (i.e. the bank provides its customers with fully capable technology-based services that are error-free, the bank information system is designed inclusively, and the bank is responsive to the customer). 3.13 is the mean value. This implies that, despite the bank's technology-based CRM, there are still areas that need to be improved and expanded.

The response (i.e. Technology-based CRM average mean is 3.40, which is close to 3 but not quite 4), indicates that customers viewed this dimension. BOA rates it moderately (neutrally). Furthermore, the standard deviation ranged from 0.842 to 1.180, indicating a significant variation. As evidenced by the spread of ideas among respondents, we can conclude that respondents were generally in agreement on similar ideas, but there were a significant number of variations that deviated from the mean value.

### 4.3.5 Customer Satisfaction

In order to assess customer satisfaction, four questions were asked.

**Table 4.7:** Customer Satisfaction

<b>Variables</b>	<b>N</b>	<b>Mean</b>	<b>Std. D</b>
Customer continuity by using BoA services	374	3.50	0.990
The frequency of complaints that affect satisfaction	374	3.52	1.075
Returned unsatisfied product/service frequency has an impact on satisfaction	374	3.51	1.080
Overall satisfaction	374	3.41	1.054
<b>Aggregate Mean</b>		<b>3.48</b>	<b>1.05</b>

*Source: own computation from survey data (2023)*

The various questions for customer satisfaction in BoA are depicted in Table 4.7, with the majority of respondents preferring to continue using BoA services, with mean values of 3.50. This implies that respondents believe something is more likely (i.e., more "probable") than not to happen. In terms of the frequency of customer complaints about service in (BoA) and returned unsatisfactory product, the majority of respondents' feedback indicates that they complained it depends (occasionally) with a mean value of 3.52.

The response (i.e. customer satisfaction average mean is 3.48, which is close to 3 than 4), indicates that customers viewed this dimension moderately (neutrally) in terms of BOA. Furthermore, the standard deviation, which ranged from 0.990 to 1.080, indicated a significant variation. Because there is a spread of ideas among respondents, we can conclude that respondents were agreed on similar ideas but there are a significant number of variations that deviate from the mean value.

### 4.3.6 Customer Loyalty

In order to analyses customer loyalty in BoA, seven questions were asked. The results are shown in table 4.8 below.

**Table 4.8: Customer Loyalty**

<b>Variables</b>	<b>N</b>	<b>Mean</b>	<b>Std. D</b>
Stay with positive things about (BoA) CRM practice.	374	3.56	1.130
Recommendation to others about BoA products & services	374	3.52	1.122
Choose the Bank (BoA) for long period of time	374	3.49	0.995
I am a loyal customer of (BoA).	374	3.51	1.088
The preference of customer is loyal eve if somebody advocate for others.	374	3.51	1.085
I keep using the Bank as long as it is profitable for me.	374	3.40	1.053
I keep using the Bank as long as it offers the best interest rates for me.	374	3.40	1.056
<b>Aggregate Mean</b>		<b>3.46</b>	<b>1.07</b>

*Source: own computation from survey data (2023)*

The various questions for customer loyalty are depicted in Table 4.8. The vast majority of respondents to the BoA agreed. 3.21-4.20 mean score assumptions (Lind DA, Marchal WG, Wathen SA, 2003). This implies that the BoA considered how willing a customer is to engage with and use the bank's service even if a competitor exists. In addition, the bank works to foster trust by providing a positive customer experience.

The response (i.e. customer loyalty aggregate mean is 3.46, which is close to 3 than 4, indicating that customers viewed this dimension moderately (neutrally) as far as BOA is concerned. Furthermore, standard deviation, which ranges from 0.999 to 1.130, indicates a large variation. Because there is a spread of ideas among the respondents, we can conclude that respondents were agreed on similar ideas but there are a significant number of variations that deviate from the mean value.

Table 4.9: The aggregate mean all variables

<b>Variables</b>	<b>N</b>	<b>Mean</b>
CRM	374	3.55
Customer Satisfaction	374	3.48
Customer Loyalty	374	3.46

*Source: own computation from survey data (2023)*

According to Table 4.9, the response (CRM aggregate mean is 3.55, all of which are closer to 4 than 3 indicate that customers viewed those dimensions positively in terms of BOA.

In contrast, the remaining variables (customer satisfaction mean 3.48 and customer loyalty mean 3.46) are close to three, indicating that customers viewed the dimensions modality (neutrally) in terms of BOA.

## 4.4 Inferential Statistics

### 4.4.1 Correlation Analysis

Correlation denotes the interdependence of variables. In order to correlate two phenomena, the two phenomena must have a cause-effect relationship; if such a relationship does not exist, the two phenomena cannot be correlated.

The study used Pearson's correlation to investigate the relationship between the dependent variable and the independent variables.

The significance level of the correlation was determined at 5% and 1%, and the correlation result was interpreted using the (Somekh, B., & Lewin, C. (Eds.), 2011) criterion for evaluating the magnitude of a correlation, as shown in table 4.11 below.

The correlation coefficient (r) value, as shown in the table below, is used as a cutoff point to classify correlation strength as weak, moderate, or strong. As a result, if "r" is less than or equal to 0.33, the relationship is weak; between 0.34 and 0.66, it is moderate; and between 0.67 and 0.99, it is strong (Somekh, B., & Lewin, C. (Eds.), 2011) The table below shows the correlation coefficient for each variable.

Table 4.10: Correlation Test

<b>Correlations</b>		KK	CO	KM	TB	CS	CL
Key Customer Focus	Pearson Correlation	1					
	Sig. (2-tailed)						
CRM Organization	Pearson Correlation	.791**	1				
	Sig. (2-tailed)	0.000					

Knowledge Management	Pearson Correlation	.641**	.775**	1			
	Sig. (2-tailed)	0.000	0.000				
Technology-Based CRM	Pearson Correlation	.637**	.674**	.699**	1		
	Sig. (2-tailed)	0.000	0.000	0.000			
Customer Satisfaction	Pearson Correlation	.485**	.560**	.553**	.635**	1	
	Sig. (2-tailed)	0.000	0.000	0.000	0.000		
Customer Loyalty	Pearson Correlation	.551**	.593**	.620**	.692**	.947**	1
	Sig. (2-tailed)	0.00	0.00	0.00	0.00	0.00	
**. Correlation is significant at the 0.01 level (2-tailed).							

The researcher also performed a correlation test using CRM as the primary independent variable.

CRM	Pearson Correlation	1	.633**	.696**
	Sig. (2-tailed)		0.000	0.000
Customer Satisfaction	Pearson Correlation	.633**	1	.947**
	Sig. (2-tailed)	0.000		0.000
Customer Loyalty	Pearson Correlation	.696**	.947**	1
	Sig. (2-tailed)	0.00	0.00	
	N	374	374	374
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: survey data (2023)

As shown in Table 4.10 above (2-tailed), Pearson's correlation is applied to determine the interactions or level of association between CRM and Customer loyalty.

At the five percent threshold of P value (i.e., 0.000), all of the independent variables are strongly and completely correlated.

CRM and client satisfaction have a strong connection (Pearson Correlation > 66%). And, at the 5% level of P value (i.e., 0.000), they are positively and perfectly correlated.

#### 4.4.2 Common Assumption Test

The following are common linear regression assumption tests used in this study.

##### 4.4.2.1 Multi Collinearity

Multicollinearity occurs when the tolerance is greater than 0.10 and the average VIF is less than ten. (James, G., Witten, D., Hastie, T., & Tibshirani, R., 2013)

The multi collinearity test revealed that there was no problem with multi collinearity because each independent variable's tolerance value was greater than 0.10 and the variation inflation factor was less than 10. As a result, the model was examined to see if it had this flaw.

Table 4.11: Multi Collinearity Test

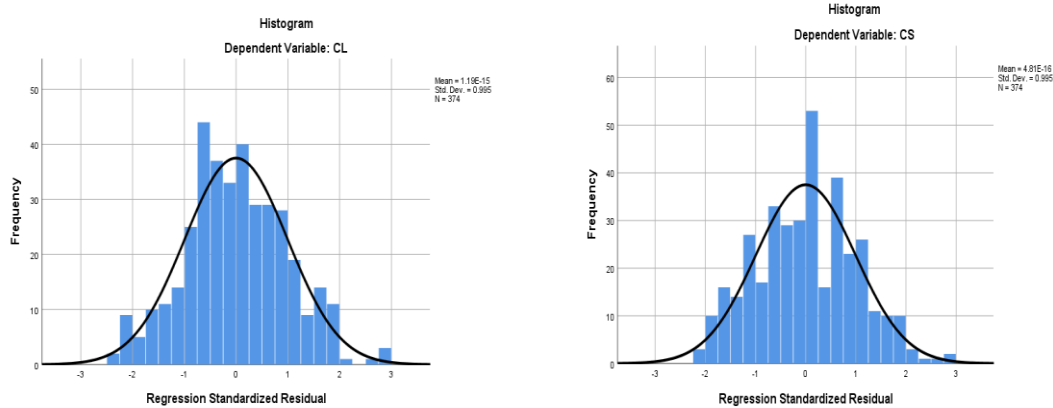
Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Key customer focus	.355	2.817
CRM Organization	.250	4.003
Knowledge management	.343	2.596
Technology based CRM	.385	2.248
Customer Satisfaction	.561	1.784

*Source: own computation from survey data (2023)*

As a result, the investigation fulfils the Multi collinear assumption.

##### 4.4.2.2 Normality Test for Residuals

This study is a test for the normality assumption accordingly.



Source: own computation from survey data (2023)

Figure 4.1: Normality Test for Residual

The histogram should be bell-shaped if the residuals are normally distributed (Bryman, A, 2017). The graph is bell-shaped showing that the residuals are normally distributed.

#### 4.4.2.3 Autocorrelation Assumption Test

The statistic has a value between 0 and 4. A value close to 2 indicates no autocorrelation, a value close to 0 indicates positive autocorrelation, and a value close to 4 indicates negative autocorrelation (Field, 2005).

As a such, the independent error assumption is almost certainly met by a Durbin-Watson value of 1.726, which is very close to 2.

Table 4.12: Autocorrelation Test

Model	Durbin-Watson
1	1.726
a Predictors: (Constant), CRM Variables	
b Dependent Variable: Customer satisfaction	

Source: own computation from survey data (2023)

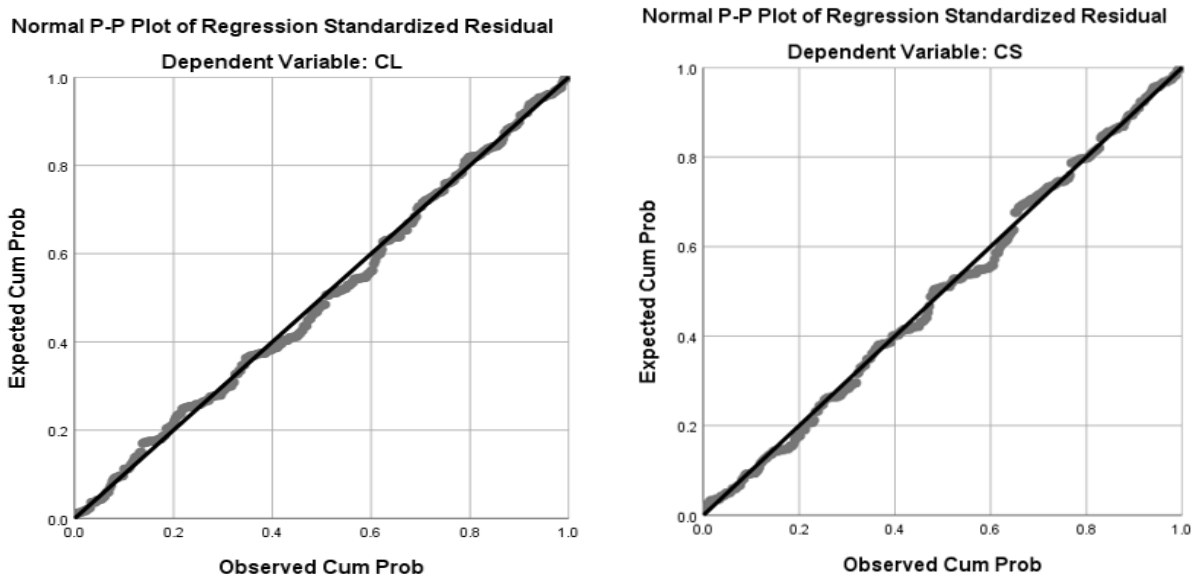
Model	Durbin-Watson
1	1.662
a Predictors: (Constant), CRM variables	
b Dependent Variable: Customer Loyally	

Source: own computation from survey data (2023)

In this case, the value of 1.726 for customer satisfaction and 1.662 for customer loyalty confirms that there is no autocorrelation, allowing us to conclude that this analysis is correct.

#### 4.4.2.4 Linearity Test

The degree to which a change in the dependent variables is related with a change in the independent variables is referred to as linearity. The points on such a plot should be close to the diagonal reference line in the case of a normal distribution. As a result, the p-p plot shown in the figure below fails near the diagonal reference line. It also meets the linearity requirements of linear regression.



Source: own computation from survey data (2023). Figure 4.2: Normal p-p plot of regression

#### 4.4.3 Regression model Specification

According to Baron and Kenny (1986) mediation testing framework, the following models were specified.

##### Model 1:

**H1:** Customer relationship management has positive effect on Customer Loyalty.

$$y = \alpha_1 + ax + \epsilon_y \dots \dots \dots \text{Model 1}$$

Where:

$y = \text{Customer Loyalty}$ ,  $x = \text{Customer relationship management (CRM)}$ ,  $\alpha_1 = \text{intercept of Customer loyalty}$ ,  $a = \text{coefficient}$ ,  $\epsilon_y = \text{the random error}$

**Model 2:**

**H2:** Customer relationship management has positive effect on Customer Satisfaction.

$$m = \alpha_2 + bx + \epsilon_m \dots \dots \dots \text{Model 2}$$

Where:

$m = \text{Customer satisfaction (CS)}$ ,  $x = \text{CRM}$   
 $\alpha_2 = \text{intercept of customer satisfaction}$ ,  $b = \text{coefficient}$ ,  
 $\epsilon_y = \text{the random error}$ .

**Model 3:**

**H3:** Customer Satisfaction has positive effect on Customer loyalty.

$$y = \alpha_3 + cx + dm + \epsilon_y \dots \dots \dots \text{Model 3}$$

Where:

$y = \text{Customer Loyalty}$ ,  $x = \text{CRM}$ ,  $m = \text{customer satisfaction}$   
 $\alpha_3 = \text{intercept of customer loyalty}$ ,  $c1 \ \& \ d = \text{coefficients}$ ,  
 $\epsilon_y = \text{the random error}$ .

**4.4.3.1 The mediating Test of Regression**

The three models proposed by Baron and Kenny (1986) demonstrate and test mediation variable.

- ❖ Model 1 is a regression model that predicts the dependent variable from the independent dependent variable. Model 2 predicts the mediator variable from the independent variable, and Model 3 predicts the dependent variable from both the independent variable and the mediator variable. Finally, Baron and Kenny (1986) propose a fourth condition for a variable to be considered a mediator: predict the mediation-testing model. As a result, all proposed models must have a significant effect on the dependent variable, and when comparing models 1 and 3, the independent variable must have a less strong effect on the dependent variable in model 3 than in model 1. As a result, the partial mediation occurs on the other hands, Perfect mediation holds if the independent variable has no effect on the dependent variable in model 3.

**4.4.4 Regression Analysis**

The aim of using regression analysis was to find out how CRM affected customer satisfaction and loyalty. For each significant relationship, the coefficients of determination (R square value),

regression coefficients (Beta coefficient), and p-values were reported. Each of the hypotheses proposed was empirically tested and discussed.

Table 4.13: Model fit [ANOVAa ]

Descriptions		Sum of Squares	DF	Mean Square	F	Sig.
<b>Model 1</b>	Regression	132.291	4	33.073	72.295	.000 <sup>b</sup>
a. DV: Customer Loyalty	Residual	168.808	369	0.457		
b. Predictors: (Constant), CRM	Total	341.638	373			
<b>Model 2</b>	Regression	120.537	1	120.537	248.336	.000 <sup>b</sup>
a. DV: Customer Satisfaction	Residual	180.562	372	0.485		
b. Predictors: (Constant), CRM	Total	301.099	373			
<b>Model 3</b>	Regression	311.940	2	155.970	1948.424	.000 <sup>b</sup>
a. DV: Customer Loyalty	Residual	29.698	371	0.080		
b. Predictors: (Constant), CRM,CS	Total	341.638	373			

a: dependent variables; b: predictors; *Source: own computation from survey data (2023)*

ANOVA (Analysis of Variance) is a statistically significant difference between the means of the variables in a study (Kothari C.R., 2004). In addition, the Sig. value 0.000, indicating that the results are significant.

Table 4.14: Model Summary

	R	R Square	Adjusted R Square	Std. Error of the Estimate
<b>Model 1</b>				
a. (Constant), CRM	.696 <sup>a</sup>	0.485	0.483	0.68782
b. Customer Loyalty				
<b>Model 2</b>				
a. (Constant), CRM	.633 <sup>a</sup>	0.400	0.399	0.69669
b. Customer Satisfaction				
<b>Model 3</b>				
a. (Constant), CRM, Customer satisfaction	.956 <sup>a</sup>	0.913	0.913	0.28293
b. Customer loyalty				

a: predictors; b: dependent variables;

*Source: own computation from survey data (2023)*

CRM accounted for 48.5 percent of the variance in customer loyalty, 40 percent of the variance in customer satisfaction, and CRM and customer satisfaction accounted for 91.3% of the variance in customer loyalty.

Table 4.15: Coefficients

Mode	Descriptions	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
<b>Model 1</b>	(Constant)	0.173	0.179		0.966	0.334
	CRM <sup>a</sup>	0.925	0.049	0.696	18.712	0.000
<b>Model 2</b>	(Constant)	0.685	0.181		3.779	0.000
	CRM <sup>b</sup>	0.789	0.050	0.633	15.759	0.000
<b>Model 3</b>	(Constant)	-0.444	0.075		-5.913	0.000
	CRM <sup>c</sup>	0.900	0.021	0.845	42.750	0.000
	CS	0.215	0.026	0.162	8.178	0.000

a. Dependent Variable: customer loyalty, b. DV: Customer satisfaction, c. DV: customer loyalty

*Source: own computation from survey data (2023)*

The regression coefficient results of Model 1 show that CRM has a positive and significant effect on customer loyalty (a, B=0.925, p = 0.000) (see table 15). The positive effect of CRM on customer loyalty implies that as CRM improves, so will customer loyalty. In other words, the CRM regression coefficient (a, B==0.925) demonstrates that a unit change in CRM leads to in a 92.5% rise in customer loyalty.

As a result, we can conclude that CRM has statistically significant effects on the bank customer loyalty, as the p-value is less than 0.05.

According to the regression coefficient results of Model 2, CRM has a positive and significant effect on customer satisfaction (a, B=0.789, p = 0.000). The positive effect of CRM has on customer loyalty implies that as CRM improves customer satisfaction. In other words, a unit change in CRM results in a 78.9% change in customer satisfaction, according to the regression coefficient (a, B==0.789).

As a result, we can conclude that CRM has statistically significant effects on the company's customer satisfaction. Customer satisfaction is significantly impacted by variables with p-values less than 0.05.

The regression coefficient result of Model 3 shows that (see table 15), customer satisfaction has a positive and significant effect on customer loyalty (a, B=0.215, p = 0.000).

The positive effect of customer satisfaction on customer loyalty implies that if customer satisfaction rises, so will customer loyalty.

#### 4.4.5 Hypothesis Testing

The researcher developed four hypotheses to investigate the critical role of customer satisfaction in mediating the relationship between CRM and customer loyalty in BoA. Based on the Hypothesis analysis, determine whether the model is useful for predicting the response at the 5% significance level: This result, as well as the table below, summarizes the hypotheses' findings/results.

Table 4.16: Summary of Hypothesis Testing Results

Type	Hypothesis	Results	Reasons
<b>Ha 1</b>	CRM has a positive and significant effect on Customer loyalty.	Supported	B=0.925, P <0.05, P-value =0.000
<b>Ha 2</b>	CRM has a positive and significant effect on customer satisfaction	Supported	B=0.789, P <0.05, P-value =0.000
<b>Ha 3</b>	Customer satisfaction has a positive and significant effect on customer loyalty.	Supported	B=0.215, P <0.05, P-value =0.000
<b>Ha 4</b>	Customer satisfaction support mediates in the effect of CRM on Customer loyalty.	Supported	Sobel's test statistic = 7.324, SE = .023, P < .001

Source: own computation from survey data (2023)

The first condition for mediation is met by the regression result. CRM has a positive and statistically significant effect on the dependent variable (customer loyalty) (a = 0.925, p = 0.000). According to the results of the Model 2 regression analysis (Table 16), the CRM has a positive and significant effect on perceived Customer satisfaction (the mediator variable) (b = 0.789, p = 0.000). As a result, the second condition has been met. The regression analysis conducted for Model 3 (as shown in Table 16) indicated that the regression coefficient for the mediator variable (CS) on the dependent variable (customer loyalty) is both significant and positive (b=0.215,

p=0.000). This finding suggests that the third condition, which is the presence of a significant and positive relationship between the mediator and the dependent variable, has been met.

The fourth condition pertains to the nature of mediation. In the case of perfect mediation, the independent variable would have no direct effect on the dependent variable in Model 3. On the other hand, partial mediation occurs when the independent variable explains the dependent variable to a lesser extent in Model 3 compared to Model 1.

Model 1 above table has a coefficient of the independent variable (CRM) of 0.925 with a significant p-value of 0.000, whereas Model 3 has a coefficient of 0.215 with a significant p-value of 0.000, which is less than the coefficient in Model 1 (i.e. 0.925). As a result, the researcher concludes that CRM and customer loyalty were mediated by customer satisfaction support. As a result, the study supports hypothesis 3: customer satisfaction mediates CRM's effect on customer loyalty.

To summarize the mediation analysis results, the following figure depicts the regression analysis outputs using mean-centered unstandardized regression coefficients and standard errors for the four steps: (1) CRM was positively correlated to customer Loyalty ( $b = .925, p 0.001$ ), (2) CRM was positively correlated to customer Satisfaction ( $b = .789, p 0.001$ ), and (c) when both customer satisfaction and customer loyalty are included in the regression, the estimate of CRM is ( $B = .025, P.05$ ) and customer satisfaction is significant ( $b = .215, p 0.001$ ).

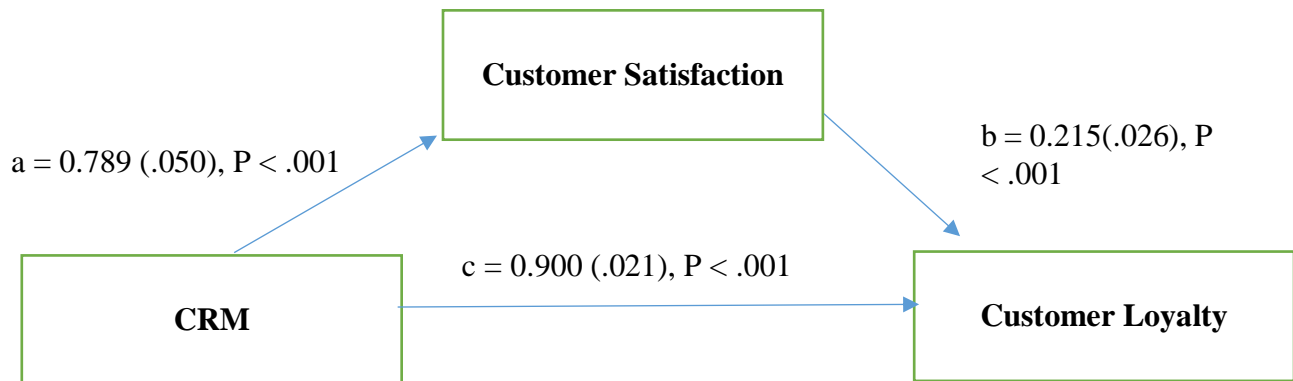


Figure 4.3: Unstandardized beta coefficients and standard errors showing the test for the mediation effect of Customer satisfaction

Details on how to conduct the Sobel test can be found in Baron and Kenny (1986), Sobel (1982), Goodman (1960), and MacKinnon, Warsi, and Dwyer (1995).

Insert the a, b, sa, and sb into the cells below, and this programs was calculated the critical ratio as a test of whether the indirect effect of the IV on the DV via the mediator is significantly different from zero.

The results (Sobel's test statistic = 7.324, SE =.023, P.001) indicate that the effect of CRM on customer loyalty is mediated by customer satisfaction. This lends support to Hypothesis 4.

#### **4.5 Discussion of the main Findings**

According to the descriptive analysis of respondents, 149 (39.8%) were male and 225 (60.2%) were female. This could imply that female customers outnumber male customers at Abyssinia Bank. In terms of education, 166 (44.4%) of respondents have a diploma, 160 (42.8%) have a bachelor's degree, 25 (6.7%) have a master's degree, and 2 (42.8%) are certified.

The response (CRM aggregate mean is 3.55, all of which are closer to 4 than 3 indicate that customers viewed those dimensions positively in terms of BOA. In contrast, the remaining variables (customer satisfaction mean 3.48 and customer loyalty mean 3.46) are close to three, indicating that customers viewed the dimensions modality (neutrally) in terms of BOA.

This study backs up previous research. A.P. Omoge and B. Donaldson (2016) discovered that CRM variables are determining factors for increasing loyalty and, on the other hand, achieving banking customer satisfaction as a mediating variable. Other research JIriqat (2018) discovered that customer satisfaction played no role in enhancing the impact of CRM on long-term customer loyalty in Palestinian local banks.

Panjaitan and Laely (2017) found that regression coefficient results of Model 1 show that CRM has a positive and significant effect on customer loyalty (a, B=0.448, p = 0.000) The positive effect of CRM on customer loyalty implies that as CRM improves, so will customer loyalty. In Model 2, CRM has a positive and significant effect on customer satisfaction (a, B=0.248, p = 0.000). The positive effect of CRM has on customer loyalty implies that as CRM improves customer satisfaction. In addition, the regression coefficient result of Model 3 shows that customer satisfaction has a positive and significant effect on customer loyalty (a, B=0.243, p = 0.000).

This study found that the regression coefficient results of Model 1 show that CRM has a positive and significant effect on customer loyalty (a, B=0.925, p = 0.000) (see table 15). The positive effect of CRM on customer loyalty implies that as CRM improves, so will customer loyalty. In other words, the CRM regression coefficient (a, B==0.925) demonstrates that a unit change in CRM leads to in a 92.5% rise in customer loyalty.

As a result, we can conclude that CRM has statistically significant effects on the bank customer loyalty, as the p-value is less than 0.05.

According to the regression coefficient results of Model 2, CRM has a positive and significant effect on customer satisfaction (a, B=0.789, p = 0.000). The positive effect of CRM has on customer loyalty implies that as CRM improves customer satisfaction. In other words, a unit change in CRM results in a 78.9% change in customer satisfaction, according to the regression coefficient (a, B=0.789). As a result, we can conclude that CRM has statistically significant effects on the company's customer satisfaction. Customer satisfaction is significantly impacted by variables with p-values less than 0.05.

The regression coefficient result of Model 3 shows that (see table 15), customer satisfaction has a positive and significant effect on customer loyalty (a, B=0.215, p = 0.000).

In addition, the details on how to conduct the Sobel test can be found in Baron and Kenny (1986), Sobel (1982), Goodman (1960), and MacKinnon, Warsi, and Dwyer (1995). Insert the a, b, sa, and sb into the cells below, and this program was calculated the critical ratio as a test of whether the indirect effect of the IV on the DV via the mediator is significantly different from zero.

The results (Sobel's test statistic = 7.324, SE = .023, P.001) indicate that the effect of CRM on customer loyalty is mediated by customer satisfaction. This lends support to Hypothesis 4.

## Chapter Five

### Summary, Conclusion and Recommendation

The findings, conclusions, and recommendations of the study, as well as existing literature, are covered in this chapter. The overall goal of the study was to investigate the role of customer satisfaction as a mediator in the relationship between customer relationship management and customer loyalty.

#### 5.1 Summary of Findings

The purpose of this study was to determine the mediating role of customer satisfaction in the relationship between customer relationship management and customer loyalty. Accordingly, the researcher set the below key findings:

- The study focused on 399 customers who use Abyssinia banking services in Addis Ababa's specifically listed branches. Furthermore, the researcher sampled 399 employees, with 374 (94%) completing and returning questionnaires.
- 149 (39.8%) of the 374 respondents were male, while 225 (60.2%) were female. The majority of respondents are between the ages of 31 and 40, accounting for 174 (46.5%) of the total respondents, followed by those between the ages of 41 and 50, accounting for 157 (25.7%).
- In terms of Abyssinia Bank user experience, the majority of 171 (49.7%) have 6-10 years of experience, 128 (25.7%) have 1-5 years of work experience, and the remaining 75 (2.7%) have more than 16 years of experience. This indicated that BoA has acquired new and loyal customers, ensuring the bank's competitiveness.
- Finally, 196 (54.4%) of customers used the bank for savings accounts, 75 (20.1%) for current accounts, 64 (17.1%) for credit accounts, and the remaining 10% for remittance and ATM purposes. This implies that the bank is preferable for savings accounts. This indicates that if a customer is loyal, they are willing to save money.

The following key findings are revealed through descriptive about the effect of CRM on customer loyalty, as customer satisfaction is a mediate role.

- The response (I.e. CRM aggregate mean is 3.55, which is close to 4 than 3, indicate that the customers viewed this dimension positively as far as BOA is concerned. In addition, the average variance ranges from 0.771 to 0.869 suggesting a wide range of variation.

Because there is a spread of ideas among the respondents, we can conclude that respondents were agreed on similar ideas but there are a significant number of variations that deviate from the mean value

- The response (i.e. customer satisfaction average mean is 3.48, which is close to 3 than 4, indicating that customers viewed this dimension moderately (neutrally) in terms of BOA. Furthermore, the standard deviation, which ranges from 0.990 to 1.080, indicates a large variation. Because there is a spread of ideas among the respondents, we can conclude that respondents were agreed on similar ideas but there are a significant number of variations that deviate from the mean value.
- The response (i.e. customer loyalty average mean) is 3.46, which is close to 3 rather than 4, indicating that customers viewed this dimension moderately (neutrally) in terms of BOA. In addition, the average variance ranges from 0.999 to 1.130, suggesting a wide range of variation. Because there is a spread of ideas among the respondents, we can conclude that respondents agreed on similar ideas, but there are a significant number of variations that deviate from the mean value.

Inferential statistics reveal the following key findings:

- The Pearson Correlation, CRM and customer satisfaction are strongly correlated, as Pearson Correlation is greater than 66%). In addition, have positively and perfectly correlated at the 5% level of P value (i.e., 0.000).
- According to the results of the multiple regression, CRM accounted for 48.5 percent of the variance in customer loyalty and it accounted for 40% of the variance in customer satisfaction, CRM and customer satisfaction accounted for 91% of the variance in customer loyalty, and customer satisfaction accounted for 89 % of the variance in customer loyalty.
- The standardized estimation coefficients show that CRM has a positive and significant effect on customer loyalty (B=0.925, p = 0.000), customer satisfaction has a positive and significant effect on customer loyalty (B=0.215, p = 0.000), and customer satisfaction support is partially mediated in the relationship between CRM and Customer loyalty.
- Hypothesis test result: Because the purpose of this study is to test the effects of CRM variables on the dependent variable (Customer loyalty), the result were supported as the P value <0.05.

## **5.2 Conclusion**

The purpose of this study was to address the research questions and investigate the relationship between Customer Relationship Management (CRM) and customer loyalty in the context of banking customers at Bank of Abyssinia (BoA), with customer satisfaction as a mediating factor. The findings of this research indicate that CRM plays a significant role in enhancing customer satisfaction, which in turn has the greatest impact on fostering customer loyalty. The establishment of CRM by the bank enables customers to experience higher levels of satisfaction, leading to increased loyalty towards the bank. This study highlights the importance of prioritizing CRM and customer satisfaction in order to enhance customer loyalty in the banking sector, specifically in the city of Addis Ababa.

Overall, this study discovered and concluded that CRM activities have a positive effect on customer loyalty, implying that more work on independent variables has helped the company gain a competitive advantage and profitability as their customers stay with the bank/company for an extended period of time.

## **5.3 Recommendation**

This study provides a better understanding of the factors that influence the bank customer's loyalty in BoA. This study succeeded in obtaining empirical evidence that Customer Relationship Management (CRM) determines the level of satisfaction and loyalty of banking customers in BoA, Addis Ababa.

Here are some recommendation for the bank and other stakeholders:

- BOA should maintain a CRM application which is simple to understanding for customers by considering their needs, communicating with customers, building better partnership , promising only what BOA can deliver , seeking feed back , being responsive & consistent. customers .
- BOA should increase customer satisfaction to get loyal customers & to increase the effect of CRM to loyalty by understanding customer journey first hand, attentively listening to customers, offering proactive multichannel support, and acting on customer recovery, customization & follow up customers for their perception.

- To achieve customer satisfaction and loyalty, BoA must use error-free technology-based CRM and try to offer segmented products and services to their customers in order to maintain continuity in the use of banking services.
- The bank must develop a CRM program that can continuously monitor customer satisfaction and loyalty.
- This study confirms that the ability of banks to solve customer problems is an important factor in improving customer satisfaction. When customers use banking services, BoA considers not only improving customer satisfaction but also improving customer perceptions of CRM programs.
- The bank should implement a series of loyalty programs. For example, giving gifts and benefits to customers on a regular basis, maintaining personal good relations between employees and customers, and being responsive to technological developments in the banking industry are all examples of ways to demonstrate this.
- BoA could create customer retention strategies such as new product and service offerings, loyalty programs, advanced technology, product segmentation, knowledge management, and so on.
- The bank must train and empower its employees with cutting-edge skills and knowledge in order to better serve their customers and build a strong relationship with them.
- Administrative employees are more effective at maintaining long-term customer loyalty, so the bank should prioritize them.

#### **DIRECTION FOR FUTURE RESEARCH:-**

In future studies, other variables should be investigated for their impact on customer loyalty. Furthermore, the impact of loyalty on competitive advantage and changes in the behavior patterns of BoA banking customers are investigated. Currently, the concept of loyalty is a critical issue that can be examined in a variety of situations and ways.

This study attempts to investigate additional factors that have a relationship with customer loyalty in the banking industry by comparing it to previous research. The study's findings are expected to spur additional research in other regions of Ethiopia, particularly those with characteristics distinct from Addis Ababa. The model developed in this study could be analyzed and tested with additional environmental factors and variables.

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**ADDIS ABABA UNIVERSITY**  
**DEPARTMENT OF MARKETING MANAGEMENT**

**Questionnaire**

**Dear Respondent:**

I thank you very much in advance for your willingness to spend some of your valuable time to respond this survey questionnaire. This questionnaire is aimed to obtain information on the “The Mediating Role of Customer Satisfaction on the Relationship between Customer Relation Management and customer Loyalty. (The Case Bank of Abyssinia)

I am a student of Addis Ababa University School of Commerce and am currently studying a Master of art in Marketing Management. I have designed this survey on issues related to this topic. I would really appreciate if you could spend a few minutes of your time filling in this survey. The research is being conducted for academic purpose, your answers are very important for the proper analysis of the research.. Finally, you are kindly requested to return the questionnaire by answering every possible item at your earliest time. You are kindly requested not to write your name anywhere on the questionnaire.

Thank you, for your cooperation and timely response in advance.

The Questionnaire has four sections.

**Section One:** Demographic Profile of Responder

**Section Two:** CRM Dimensions

**Section Three:** Customer Satisfaction:

**Section Four:** Customer Loyalty:

Yours sincerely,  
Fanuale Melaku  
Mobile-251986557534

### Part One: General and Demographic Information:

No	Questions	Response
1	Sex	1. Male 2. Female
2	Age	1. Less than 30 2. 31-40 3. 41-50 4. >50
3	Level of education	1. Illiterate 2. Certificate 3. Diploma 4. Degree 5. Master/PhD
4	For how many years you use the bank	1. 1-5 years 2. 6-10 years 3. Above 10 years
5	Use the bank service for	1 Personal 2 Commercial 3 Both
6	Which service you need from the bank? (You can indicate more than one)	1. Saving Account 2. Current Account 3. Credit Account 4. Remittance 5. ATM 6. Others

## Part Two: Customer Relationship Management Practices & level of loyalty

**Instruction:** Please make a tick mark “✓” in the box, which best reflects your opinion and level of agreement for each statements.

**Description:** Level of agreement

1=Strongly Disagree (SDA) 2=Disagree (D) 3=Neutral (N) 4=Agree (A) 5=Strongly Agree (SA)

S.No.	Items for CRM Dimensions	SDA	D	N	A	SA
		1	2	3	4	5
<b>1</b>	<b>Key Customer focus:</b>					
<b>1.1</b>	The bank provides customized services and products to its key customers.					
<b>1.2</b>	The bank always strives to constantly surprise and delight its key customers.					
<b>1.3</b>	The bank provides quick responses to customers observation, inquires and complaints					
<b>1.4</b>	The bank strengthens the emotional bonds with Its key customers by wishing them on important occasions.					
<b>1.5</b>	To meet key customer expectations, the bank employs special promotional program.					
<b>1.6</b>	The bank uses co-branding/affinity collaboration programs, which link the bank with reputable organizations in order to provide more value to its customers.					
<b>1.7</b>	The bank benefits from the power of word of mouth by using referral, marketing programs, i.e. marketing programs that use satisfied customers to promote the bank to related others.					
<b>2.</b>	<b>CRM Organization:</b>					

2.1	The bank's top management accepts and provides leadership for building and maintaining customer relationship as a major goal of the bank.					
2.2	The bank commits time and resources in managing customer relationship.					
2.3	The bank systems are designed in a way that is easy to do business with it.					
2.4	The bank provides increased customer convenience using a variety of distribution channels/branches.					
2.5	The bank employees are well trained and have skills required for acquiring and deepening customer relationship.					
2.6	The Bank's corporate strategy gives importance to a customer's needs and known.					
2.7	Relationships with customers are given great value in BoA.					
2.8	The bank frontline employees are encouraged and empowered to positively exceed customer expectations					
3.	<b>Knowledge Management</b>					
3.1	The bank takes customer feedback seriously and replies to them.					
3.2	The bank uses promotional activities in attracting new customers and retaining old ones					
3.3	Customers are satisfied with the range of services.					
3.4	The bank has effective customer recovery strategies.					
3.5	The bank has guarantees for service failures.					
3.6	The bank has a well-developed privacy policy to ensure confidentiality of data collected from customers.					

3.7	The bank has a reward system that rewards customers based upon their profit/revenue contribution.					
3.8	The bank check and obtains customers permission to interact with the customer using various channels like telephone.					
3.9	The bank performs customer classification using customer lifetime value (CLV)/ revenue contribution or other related					
4.	<b>Technology –Based CRM</b>					
4.1	The bank uses technology to automate its service.					
4.2	The bank provides its customers with fully capable technology-based services that are error-free.					
4.3	The Bank Information Technology has the capability to collect, analyze up dated and share customer information					
4.4	Since the bank information system is designed to have a comprehensive data about all aspect of its customers, the bank is responsive to the customer.					

**Part Three: Customer Satisfaction:**

**Description: Level of agreement (1)**

**1= Definitely no (DN), 2= Probably Not (PN), 3= Probability (Pr), 4= Very Probable (VP), 5= Definitely (D),**

S.No	Customer Satisfaction	DN	PN	P4	VP	D
		1	2	3	4	5
1.	How likely are you to continue using our service from (BoA)?					

**Description: Level of agreement (2)**

1= Very Bad (VB), 2= Bad (B), 3= Neutral (N) 4= Good (G) 5= Very good (VG)

	Customer Satisfaction...Cont.	VB	B	N	G	VG
		1	2	3	4	5
2.	How do you rate the overall service of (BoA)?					

**Description: Level of agreement (3)**

1= Almost Always (AA), 2= Usually (U), 3= Occasionally (Oc), 4= Usually Not (UN), 5=Almost Never (AN)

	Customer Satisfaction...Cont.	AA	U	Oc	UN	.AN
		1	2	3	4	5
3.	How often have you complained about service in (BoA)?					
4.	How often have you returned unsatisfactory products to (BoA)?					

**Part Three: Customer Loyalty**

**Instruction:** Please make a tick mark “✓” in the box, which best reflects your opinion and level of agreement for each statements.

**Description:** Level of agreement

1=Strongly Disagree (SDA) 2=Disagree (D) 3=Neutral (N) 4=Agree (A) 5=Strongly Agree (SA)

S.No.	Customer Loyalty	SDA	D	N	A	SA
		1	2	3	4	5
1.	I will say positive things about (BoA) Customer Relationship management practice.					
2.	I recommend others to use (BoA) products & services					
3.	I choose the Bank (BoA) whenever I think of the bank best customer support.					
4.	I consider myself to be a loyal customer of (BoA).					
5.	Even if close friends recommended another					

	bank for Customers service, my preference is (BoA)					
6.	I keep using the Bank as long as it is profitable for me.					
7.	I keep using the Bank as long as it offers the best interest rates for me.					

**Thank you**