

THE EFFECT OF CUSTOMER RELATIONSHIP MARKETING ON CUSTOMER LOYALTY IN ETHIOPIAN PRIVATE COMMERCIAL BANKS

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The Effect of Customer Relationship Marketing on Customer Loyalty in Ethiopian Private Commercial Banks

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DECLARATION

I the undersigned, hereby declare that the thesis entitled "**The Effect of Customer Relationship Marketing on Customer Loyalty in Ethiopian Private Commercial Banks"** is my original work and has not been submitted to any other college, institution or university other than Addis Ababa University for the award of the Degree of Master of art in Marketing management at Addis Ababa and that all sources of material used for the study have been appropriately acknowledged.

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ABSTRACT

This research paper intended at exploring the effect of Customer relationship quality on customer loyalty through adopting a descriptive and explanatory research design. The target population for this study comprised customers who have had previous experiences with the corporate Banking services offered by the three Ethiopian Banks namely: Dashen bank, Bank of Abyssinia and Awash Bank. The sample size of this thesis project was therefore, 376 customers who have a corporate banking relationship with Dashen Bank, Awash Bank and Abyssinia Bank in the four districts of Addis Ababa as respondents.

The study used first hand data that has been gathered through structured and close ended questionnaires. Correlation analysis was performed to determine the degree of relationship between customer relationship Marketing quality dimensions namely: Trust quality, commitment quality, communication quality, customer focus and knowledge management. Multiple regression analysis was also done to evaluate the effect of the above stated explaining variables on customer loyalty. The study established that at 5% level of significance, there is a positive and significant interconnection between Customer relationship quality dimensions and customer loyalty. Furthermore, the study revealed that all the developed constructs have a significant impact on customer loyalty in the studied area. Finally, the research found that customer focus quality is the highest significant factor that affects customer loyalty followed by commitment quality, trust quality, communication quality and knowledge Management. Hence, Banks should prioritize customer focus by implementing customer-centric strategies, establishing strong commitment to corporate customers, build trust and ensure effective communication to make customer loyal.

Keywords: *Customer Loyalty, Customer relationship Marketing quality, Trust quality, commitment quality, communication quality, customer focus quality, Knowledge management, Dashen Bank, Awash Bank, Abyssinia Bank.*

List of acronyms

CRM – Customer Relationship Marketing

SPSS - Statistical Package for Social Science

ANOVA-Analysis of Variance

TL- Tolerance Limit

VIF – Variance Inflation Factor

NBE – National Bank of Ethiopia

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Chapter One

Introduction

In today's highly competitive banking industry, building and maintaining strong relationships with customers has become crucial for the success and sustainability of financial institutions. Customer relationship marketing (CRM) has emerged as a strategic approach that focuses on developing and nurturing long-term relationships with customers to enhance customer loyalty and drive business growth (Ata &Toker, 2012). Understanding the factors that contribute to customer loyalty in the context of CRM is of paramount importance for banks seeking to differentiate themselves in the market and retain their valuable corporate customers.

This chapter serves as an introduction to the research study, which aims to explore the effects of customer relationship marketing quality on customer loyalty among corporate customers in the Ethiopian banking sector. The study focuses on three pioneer private banks in Ethiopia, namely Dashen Bank, Awash Bank, and Abyssinia Bank, as they have been at the forefront of adopting corporate relationship marketing strategies.

1.1 Background of the Study

Relationship marketing (RM) is the prevailing marketing concept primarily emerged in 1986 to the service marketing literature by Dr. Leonard Land Berry who labelled it as attracting, maintaining, and enhancing customer relationships (Smith, 2011). According to Smith (2011) relationship marketing's center of attention is to shift all customers up the ladder of loyalty. RM is a chain of activities that will enable customers aware of products and services position in any business in their minds as the clear choice and help the organization to establish long lasted relationships with them (Smith 2011).

According to Ndubisi, (2005) explanation Marketing scholars have lectured that firms should leverage customer relationships to gain privileged information about customers' requirements and thereby serve them better than competitors. This has culminated in the advent and popularity of the concept of relationship quality over the past few decades. Besides its ability to help understand customers, relationship quality also helps to increase market share and profitability, and to ultimately reduce costs. Research has shown that the

cost of serving one loyal customer is five to six times less than the cost of attracting and serving one new customer.

In today's turbulent business environment, companies engaged on service provision are giving more attention to the lifetime value of customers because of the rising competition among competitors offering relatively alike services or products. The cost of retaining existing consumers is far below than the expense of acquiring new ones, and these loyal clients are lucrative. According to Kotler and Keller (2012), acquisition a new client may cost five times as much as maintaining an existing one.

Further, Mishkin and Serletis (2011) explained that long-term customer relationships reduce the costs of information collection and make it easier to process customer data. Thus, the costs of monitoring long-term customers can then be reduced.

Relationship Marketing provides a company with new opportunities to gain a competitive advantage by moving customers up a loyalty hierarchy from new customers to regular purchasers, then to loyal supporters of the firm's goods and services, and finally to advocates who not only buy but also recommend its products to others. (Smith, 2003).

It is a fact that the Banking sector deals with a large number of customers. Customers are the central element for the bank's profitability. Banking service requires a different set of retention strategies and techniques as the customers have many options to switch to other organizations providing similar services. The primary purpose of conducting relationship marketing initiatives is to increase customer loyalty. Kuo et al (2009) mentioned that the organizations are using various methods to retain and engage their customers so that their constant revenue can be ensured and for the same, the organizations are using jargon like Customer loyalty, Relationship marketing, etc.

Nowadays, as far as the customer loyalty aspect in the banking sector is concerned, the banking business is under high pressure to manage the loyalty aspect since there is solid competition. It is challenging for banks to become profitable without investing in CRM. Alam &Khokhar (2006) significantly explained that customer loyalty is the foundational link and aspiration for the success, profitability, and business performance of the organization. It has been supported through research that found that when the consumer shows a great level of loyalty towards a particular product or service then they would make a repeat purchase and would like to spend money on buying the same.

The Ethiopian banking industry has witnessed significant transformations in recent years, with private banks playing a pivotal role in driving innovation and customer-centricity. The implementation of CRM practices has become a strategic imperative for banks to maintain a competitive edge and strengthen their relationships with corporate customers. However, there is a paucity of research that specifically examines the effects of customer relationship marketing quality on customer loyalty within the Ethiopian banking context, particularly among corporate customers with substantial loans and advances or deposits.

In this particular research, the focus is on customer relationship quality and customer loyalty by taking Dashen Bank, Awash Bank and Abyssinia Bank as a case study. The assumption here is customer loyalty is affected by customer relationship dimensions such as trust, commitment, communication, customer focus and Knowledge Management.

Therefore, this study examined the influence of relationship marketing quality on customer loyalty in Ethiopian Banking Industry in the perspective of Corporate Customers.

1.2 Statement of the Problem

Banking in Ethiopia is becoming a fast-evolving industry. In the last few years, significant number of new banks joined the industry and the growth in this sector has been spurred by rapid advances in technology, changes in customer tastes and preferences, more dynamic segmentation of products and services, competition from not only from banks but also mobile banking operators. Consumers of banking services in Ethiopia have also become more informed and, subsequently, demanding; meaning banks have to diversify their strategies to increase loyal customers. Therefore, in a business environment where there is stiff competition, establishing long term relationship with corporate customers is essential especially for banking services because 80% of the banks profit is sourced from 20% of its customers mainly referred as corporate customers According to Reinartz and Kumar (2002), majority of long-term customers exhibit high profitability compared to short-term customers. Anderson and Mittal (2000) also note that retention of high net-worthy customers reduces a firm's maintenance cost and, therefore, leads to high profitability.

Though numerous new banks joined the banking industry in Ethiopia, most of them are providing undifferentiated banking services and competing in the same market than focusing more on driving new products to existing customers in order to earn more from while reducing the cost of recruiting new one. As a result, customers can easily switch

from one bank to another. The intensifying competitive environment has made the banking business very challenging and sustaining a long-term quality relationship with customers is not an option, it is a must to implement to become profitable and gain competitive advantage. According to Kotler (2003) company needs to deliver more satisfaction than its competitors, otherwise, these customers will be attracted by competitors who can exceed their expectations.

In the journey of identifying research gaps, the researcher has performed preliminary discussion with banking professionals and understood that banks are striving to create emotional connectivity with its customers. This emotional connectivity can only be achieved through embracing the underpinnings of relationship quality and the customer perceiving that he/she is getting value in his relationship with his banker. From the discussion the researcher has also discovered that customer relationship marketing in Ethiopian banking has been ignored for a decade because most banks' primary focus has been on how to mobilize resources such as Deposit, loans and advances, card users, mobile banking and internet banking subscribers through aggressive account opening campaign. They are mainly targeted on recruiting new bank customers than focusing one the existing ones which is against the philosophy of relationship Marketing. This has been witnessed and a recent practice that Banks have started acquiring customers through personal marketing on the streets and home-to-home rounding intended to widen their customer base. In addition, most of their marketing operations, such as campaigns, advertisements, and promotion budgets, are used to acquire new consumers. To this end, the researcher believes that if the notion of relationship marketing had been adopted, these sacrifices would not have occurred and banking business would not be a challenge.

As far as empirical findings are concerned, a lot of studies have been done on the direct effect of customer relationship marketing on customer loyalty both in internationally and in Ethiopia specifically. Examples include studies done by Auruskeviciene et al. (2010), Ndubisi (2006), Meskerem (2017) and Ashagre (2017). However, theses research findings are focused to determine simply the effect of customer relationship marketing on customer loyalty in the perspective of all customers without considering relationship quality and customer segmentation. Whereas Segmentation, Targeting and Positioning (STP) are a familiar strategic approach in Modern business, it is one of the most commonly applied marketing models in practice.

As far as Ethiopian Banks customer segmentation is concerned, it falls under three major Categories namely: Corporate; Small and medium enterprises and Retail customers. Of the three segments, corporate segmentation has the lion share contribution towards the banks profit: 80% of the profit comes from 20% of customers which are corporate segments (McCarthy et al.,2019). Hence, more focus or quality of customer relationship is required with corporate customers to achieve intended goal. Therefore, it is rational to study the effect of CRM quality towards attaining customer loyalty by considering corporate customers of the selected private commercial banks.

Moreover, the researches done so far in Ethiopia are mainly concentrated on a single bank with smaller sample scope. And also, as the adoption of Digital banking is increasing, the relationship behavior with customers also changes.

From the above justification the researcher has noted that there is a lack of empirical research examining the effects of customer relationship marketing quality on customer loyalty, specifically among corporate customers with substantial loans and advances or deposits. This research gap necessitates a comprehensive investigation into the relationships between various dimensions of customer relationship marketing and customer loyalty among corporate customers in Ethiopian commercial banks.

Although CRM practices have gained recognition as strategic tools for enhancing customer loyalty, their effectiveness in the Ethiopian banking context remains understudied. Furthermore, while private banks in Ethiopia have pioneered the adoption of corporate relationship marketing strategies, little is known about the specific factors that contribute to customer loyalty among their corporate clientele.

Therefore, the research problem addressed in this study is: What are the effects of customer relationship marketing quality, encompassing dimensions of trust, commitment, communication, customer focus, and knowledge management, on customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank in Ethiopia?

Understanding the relationship between customer relationship marketing quality and customer loyalty will not only fill the research gap in the Ethiopian banking sector but also provide valuable insights to banks seeking to enhance their CRM practices and foster stronger relationships with their corporate customers. By identifying the specific dimensions of customer relationship marketing that have the greatest impact on customer

loyalty, banks can develop targeted strategies to increase customer satisfaction, improve retention rates, and gain a competitive advantage in the market.

Thus, considering theoretical, practical and empirical research gaps discussed above on previous studies, this particular study has tried to examine the effect of customer relationship quality on customer loyalty with respect to corporate customers of the top three leading Ethiopian Private Commercial Banks. In the study, the underpinnings of customer relationship quality towards their effect on creating Customer Loyalty has been determined and discussed in the following chapters.

1.3 Research Questions

The study has tried to address the following research questions

- Does Customer relationship marketing quality have an effect on corporate customers Loyalty?
- Does trust have an effect on corporate customers' loyalty?
- Does commitment have an effect on corporate customers' loyalty?
- Does communication have an effect on corporate customers' loyalty?
- Does customer focus have an effect on corporate customers' loyalty?
- Does knowledge management have an effect on corporate customers' loyalty?
- Among the identified variables, which independent variable has the strong influence on Customer loyalty?

1.4 Objectives of the Study

1.4.1 General Objectives of the Study

- The main objective of this study is to examine the effects of CRM quality on customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank operating in Addis Ababa's fourth districts.

1.4.2 Specific Objectives of the Study

The specific objectives of this research; -

1 To investigate the effect of trust on corporate customers' loyalty;
2 To determine the influence of commitment on corporate customers' loyalty:
3 To examine the effect of communication on corporate customers' loyalty;

4 To examine the effect of customer focus on corporate customers' loyalty;

5 To determine the influence of knowledge management on corporate customers' loyalty:

6 To determine the higher explaining independent variable that influenced Customer loyalty.

1.5 Significance of the Study

This study holds significant importance for the Ethiopian banking sector and contributes to the existing body of knowledge in the field of CRM. The findings of this research will provide valuable insights into the factors that influence customer loyalty among corporate customers, allowing banks to refine their CRM strategies and improve customer satisfaction and retention. Furthermore, the study will help to bridge the research gap in the Ethiopian context by providing empirical evidence on the effects of customer relationship marketing quality, which can inform managerial decision-making and contribute to the overall competitiveness of the banking industry.

1.6 Delimitation / Scope of the Study

This study focuses on the effects of customer relationship marketing quality on customer loyalty among corporate customers in the banking sector of Addis Ababa, specifically within the fourth districts of North, South, East, and West. The choice of these districts allows for a representative sample of corporate customers from different geographical areas within the city, providing insights into the broader context of corporate banking relationships in Addis Ababa. Accordingly, the effect of customer relationship marketing quality on customer loyalty has been examined using correlation and regression analysis.

1.7 Definitions of Key Terms

Customer Relationship Marketing (CRM): The selected Banks strategic approach that focuses on building and maintaining long-term relationships with customers by effectively managing interactions, understanding their needs, and providing personalized services and experiences.

Customer Loyalty: The degree of commitment and preference exhibited by customers of the selected Banks towards a particular bank or financial institution, resulting in repeated business, positive word-of-mouth, and resistance to switching to competitors.

Corporate Customers: Organizations or businesses that maintain banking relationships with the selected Banks, typically having 10 million or above loans & advances and deposits.

1.8 Organization of the Thesis

This thesis is structured into several chapters to present a comprehensive analysis of the effects of customer relationship marketing quality on customer loyalty in Ethiopian Private Commercial Banks among corporate customers. Chapter two provides a review of the relevant literature, highlighting key theoretical frameworks and empirical studies related to CRM and customer loyalty. Chapter three describes the research methodology, including the research design, sampling technique, data collection, and data analysis procedures, while Chapter four presents the analysis, interpretation of the data, a discussion of the findings and implications. The thesis concludes with Chapter Five, which summarizes the main findings, contributions, provides a recommendation for the banks involved and suggests avenues for future research a discussion of the findings.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

Introduction

The purpose of this study's chapter is to evaluate the literature in the domain of customer relationship marketing (CRM) quality, with a particular focus on the influence of CRM quality on customer loyalty. This survey of literature outlines three major areas which includes theoretical review, empirical review and conceptual framework based on the previous research findings.

2.1 Theoretical Review

2.1.1 Customer loyalty

Concept of Customer Loyalty emanated from ancient word that refers to the sense of deep commitment to one's country, clan and even a friend or a course. The term penetrated and became prevalent in marketing science literature through the concept of "brand loyalty". However, in marketing literature, customer loyalty has been defined as a customer's deep commitment to purchase or to patronize a product or a service frequently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour (Oliver, 1999).

Customer loyalty in marketing literature has been used variedly to mean repeated purchase, preference, commitment, retention and allegiance. It is the quality of being loyal and refers to a customer's allegiance or adherence towards an object. Loyalty in business relationships includes the component of an attitude of devoted attachment (Thiele, 2005). There are two schools of thought when it comes to defining and operationalizing of brand loyalty, namely behavioural loyalty and attitudinal loyalty. Customer loyalty has been perceived as a behavioural concept entailing repeat buying of products or services measured as the series or share of purchases, referrals and magnitude of behaviour (Homburg &Giering, 2001). On the other hand, attitudinal loyalty is the consumer's predisposition towards a brand as a function of psychological processes that include attitudinal preference and commitment towards the brand and may be a personality trait or brand specific (Bennett & Rundle-Thiele, 2005). According to Bandyopadhyay and Martell (2007), situational factors like resistance to change and socio-cultural factors like social

bonding are the basis to differentiate behavioural loyalty from attitudinal loyalty. The focus of this study was on behavioural loyalty.

The most crucial purpose of relationship marketing initiatives is to increase customer loyalty. Oliver (1997) described customer loyalty as a firmly held commitment to repurchase a preferred Product/service in the future, resulting in recurrent same-brand or same-brand set purchases, notwithstanding the possibility for Switching behavior due to situational factors and marketing efforts. Customers who are behaviorally loyal to a company are thought to have more favorable sentiments regarding the company than rivals. Customer satisfaction and loyalty have a strong link. Customer satisfaction with a bank relationship provides a strong foundation for customer loyalty (Leverin and Liljander, 2006).

The loyalty of the customers is the backbone of the business organization as it is low costly than acquiring new customers. Banks should consider the customer loyalty aspect as the most important activity to become more profitable and stay competitive in the market. Burnet. al. (2005) mentioned that committed customer is deeply rooted with the organization that they make effort to re-purchase the product and services in the future even in case the competitors make effort to influence the customer behavior and create the situation to make potential switching and the loyalty acts into both the dimensions, i.e. attitudinal and behavioral.

Hoqet. al. (2010) pointed out that the loyalty of the customer is a key aspect of the growth of an organization as once the customer becomes loyal to the organization then it will ensure repeat purchase. The customer referrals will further increase resulting in growth in revenue, profitability, and market share. The loyal customer providing word of mouth referrals is acting as a free marketer and the fact is true that the customers are the best advocates. The loyal customers also inform the organization regarding the moves of their competitors by informing them about the latest service addition and this gives room for breath to the organization.

Lacey (2009) concluded that customers are critical sources of future income based on his study findings. Streams of marketing intelligence to the business, and loyal customers are eager to contribute information about their wants, allowing enterprises to customize goods, prices, distribution channels, and marketing communications to their specific demands. This author also indicated that relational outcomes Reflect the combination of marketing

resources that contribute to a more efficient and effective marketing enterprise, including personal referrals, sharing personal information, engaging in firm-sponsored marketing research activities, providing complaint feedback, being more open to firm promotions, and increasing purchasing activities. Oliver (1997) describes four levels of loyalty based on these components:

1. **Cognitive**' Due to stronger brand qualities, one brand is preferred.
2. **Affective**: Throughout several happy purchasing scenarios, a like for the brand has evolved.
3. **Co native:** Affective state expressing the desire to repurchase.
4. **Action:** Co-native stage combined with an intentional desire to overcome environmental influences and marketing activities that might lead to switching behavior. When a consumer reaches the action phase, he or she has a strong desire to repurchase but is also actively working to counteract the effect of competing companies. Consumers will develop action-level loyalty when they consciously immerse themselves in a social environment that promotes brand loyalty. The following are the conditions for this state to arise, as listed by Oliver (1997).

1. To be lucrative, the product must be seen as superior by a significant portion of the firm's consumers.
2. Respect for the product is required (or focused commitment).
3. The product must have the ability to be embedded in a social network

2.1.2 Customer loyalty in the service provider organizations

According to Payne *et al*., (1995). Customers remain loyal, not because of promotions and marketing programs, but because of the value they receive Similarly Key findings of Gee *et al* (2008) indicated that organizations must understand what drives both value and delight for their customers, and adopting a customer-centric vision enables an organization to understand their customers, deliver customer delight and drive for loyalty. They also pointed out different customers have different requirements and will be delighted in different ways and appropriate monitoring of customers is important to ensure that customer defection is not masked by customer acquisitions. This is essential for the sustainable growth of an organization. Analysis of defecting customers allows an organization to profile at-risk customers where appropriate preventive measures can be put in place to reduce customer defection (Gee *et al*., 2008).

According to Huseyin*et al* (2005) findings, it is more expensive to find and attract a new customer than it is to retain an existing one and banks need to redefine their corporate image to one that emphasizes service quality by introducing standards for service excellence to make loyal. The study conducted by Huseyin*et al* (2005) has shown that customers are looking for banks that keep their promises, instill confidence in the customer about the way they handle transactions, provide prompt service, and have employees that are competent and always willing to help the customer. They also argued that due to the highly interactive nature of the employee-customer relationship, including input from employees on what constitutes service excellence will be beneficial for banks and need to reassess what customers expect from them in terms of products and services thus, providing client-specific services is very important.

According to Balakrishnan and Els (2008), customer relationship management initiatives frequently focus on four areas: satisfaction, retention, loyalty, and lifetime profitability. They also suggest a fundamental criterion for the success of customer initiative schemes is making sure that customer perceived value is met or better still, whether it is exceeded and organizations should evaluate future service schemes to cost and results. They also pointed out that in a competitive environment where the customer has myriad choices and few switching costs, loyalty could from the organization's point of view decrease costs and increase revenues.

According to Gee *et al*., (2008) the need for businesses to retain customers is an important issue in today's global marketplace. They also stated that a company should create long-term connections with lucrative clients to retain consumers. In service businesses, good communication should influence all facets of the relationship, especially trust, satisfaction, and loyalty (Ball et al., 2004). Client-service interactions are at the heart of service delivery, and the people who give the service are vital to both the customer and the company they represent (Huseyinet al., 2005). Customers also demand a high level of connection with bank workers who are sensitive to their requirements and expect individualized service, according to them.

According to Ndubisi (2007), the more devoted a bank's clients are, the larger their confidence in the bank, the higher their level of commitment, the more trustworthy and timelier their communications, and the more satisfactorily they resolve disagreements. Customers' willingness to stay with a financial service provider is influenced by effective communication. Loyalty may be cultivated by giving timely and accurate information,

such as the features and benefits of new financial services or the status of transactions. It may also be bolstered by providing open and honest information about what the bank is doing to address current issues and what it is doing to prevent future ones.

As far as the banking sector is concerned each of the banks is having a tough fight with each other to gain more market share because of the globalization effect. Now, some Ethiopian banks have started using the strategy of relationship marketing to develop a loyal customer base and this is improving their financial and market performance by adding competitive advantage to the system. More importantly, Johnson & Grayson (2005) implied that the banks have to be trustworthy, reliable, operate open communication channels and also show commitment towards services to handle the customers. Loyal customers are a great asset of the organization, so they should maintain a strong customer base as they bring a greater number of customers for the organization because of their favorable word of mouth resulting in increased profitability and revenue.

2.1.3 Customer Relationship Marketing

It was agreed by most scholars that the relationship marketing definition was first introduced by Berry (Hunt, 2015).

Berry referred to relationship marketing as “attracting, maintaining, and - in multi-service organizations - enhancing customer relationships”. Berry defines relationship marketing in terms of a means-end equation: “in effect, companies must establish relationships with non-customer groups (the means) to establish relationships with customers (the end)”. This definition effectively re-focuses marketing in terms of end-customer relationships. This position is consistent with other definitions that assume that the aim of marketing is the development of customer relationships.

To continue, (Swift, 2000) defined CRM as "the process of analyzing customer behavior via intense contact to enhance performance, which is reflected in recruiting customers, retaining and expanding loyalty, and boosting profitability. “It’s worth noting that this definition sees CRM as merely organizational communication aimed at understanding consumer behavior.

Likewise, Fross& Stone, (2001) defined CRM as the company's use of its abilities in the areas of research and development, technology, and e-commerce to maintain customer

relationships. This definition for CRM focuses on the importance of technology in the realm of dealing with customers.

CRM, according to Sheth. (2002), is a holistic strategy that entails the process of obtaining customers, maintaining them, and interacting with them to provide unique value for both the firm and the client. To attain the maximum competency and efficiency in giving value to customers, this approach necessitates combining the functions of marketing, sales, customer service, and the exposition chain. CRM, as defined by this definition, is a strategy whose primary purpose is to increase sales.

According to Smith, (2011) relationship marketing's center of attention is to move all customers up the ladder of loyalty. Relationship marketing is an effort that will make prospective customers aware of the products and services position of a business organization in their minds as the clear choice and help an organization build lifelong profitable relationships with them.

Whereas Benouakrim &Kandoussi,(2013) defined Relationship marketing as a strategic process aiming to establish, develop, maintain and strengthen the network of relationships with various stakeholders based on strong economic and social standards and the achievement of common objectives.

Similarly, the most known marketing scholar, Kotler, et al, (2005) defined Relationship marketing as a process that involves creating, maintaining, and enhancing strong relationships with customers and other stakeholders. According to him, marketing is moving towards a focus on building value-laden relationships and marketing networks than a focus on individual transactions. Accordingly, it is rational to say that the goal of RM is to deliver long-term value to customers and the measure of success is long-term customer satisfaction. Hence, to build a long-term relationship with customers, relationship marketing requires that all of the company's departments work together with marketing as a team. It involves building relationships at many levels – economic, social, technical, and legal – resulting in high customer loyalty.

2.1.4 Relationship Quality

Relationship quality, as defined by Hennig-Thurau and Klee (1997), is the degree of appropriateness of a relationship to fulfil the needs of the customers. The concept of relationship quality has clearly emerged from the theory and studies of relationship

marketing in which the focus is to strengthen strong relationship and convert indifferent customers into loyal ones (Berry& Parasuraman, 1991). It has been established that more and more firms are capitalizing on having strong firm-customer and firm-supplier relationships so that they can gain more valuable information that will make them loyal and not move to the competitors (Ndubisi, 2004).

The concept of relationship quality is derived from relationship marketing theory and is explained by the customer's perception that their needs and wants are to be fulfilled by a service provider through a satisfying interchange between a seller and a buyer (Levitt, 1980). According to Lemon et al. (2002), building relationships has become an important aspect of a marketer's job and that focus is more on building customer retention. Relationship quality ensures that through proper management of the customer's relationship, his/her propensity to leave a relationship is reduced (Ulaga& Eggert, 2006). Zeithaml et al. (1996) posit that longevity of a customer's relationships results in more profits for a firm. This is supported by Richard and Perrien (1999) who stated that long term customers will always buy additional services and the firm will have the capability of charging higher prices than its competitors when all things are held constant. The effect of the word of mouth will also be felt and thus relationship quality has a positive impact on the perceived quality of service. There is the tendency of relationship quality inducing beneficiaries to recommend service/products to others and engage in positive word of mouth (Bennett &Barkensjo, 2005).

Relation permanency is impressed and measured by relationship quality between a seller and a buyer. High relationship quality means that the customer is able to rely on the salesperson's integrity and has confidence in the salesperson's future performance. Gummesson (1994) states that relationship quality between the organization and customer can be interpreted as added value. Smith (1998) believes that relationship quality is demonstrated by a general assessment from dependency efforts and communication and the mixture of both with an understanding from necessaries and preferences on the basis of meetings or events. However, different dimensions and aspects are necessary to assess relationship quality. Naude and Buttle (2000) present a viewpoint from primary structures for relationship quality in their literature. They examine numerous factors and, ultimately, conclude that trust, relational satisfaction and relational commitment are essential factors. They explicitly demonstrate that the factors of trust, relationship satisfaction and relationship commitment could form three vertexes on a relationship quality triangle.

Moreover, marketing science literature agrees more or less on these three dimensions (Naude & Buttle, 2000). Thus, relationship quality has influence on the quality recognized by the client, whereas service quality and client satisfaction have a positive impact on relationship quality. According to Crosby et al. (1990) relationship quality is influenced by trust and satisfaction with the seller. On the other hand, Naudé and Buttle (2000) argue that trust, demand, integration and profit have impact on B2B (business-to-business) relationship quality.

Existing literature on relationship quality suggests that the quality of relationship between the parties involved is an important determinant of loyalty (Leverin&Liljander, 2006) whereas there is no consensus regarding the relationship quality dimensions, and little empirical evidence regarding the nature and extent of the overall impact of relationship quality on service quality (Woo &Ennew, 2004).

2.1.5 Relationship Quality and Customer Loyalty

The banking industry landscape has changed and the customers are now more demanding and multi-banked. The situation has become more complicated with the use of technology where negative or positive opinions are expressed as many as the number of followers on social media someone has. Owing to this it is clear that customer loyalty is an important aspect to a bank and the effect of it will definitely lead to more revenue to the bank, or less earnings if the effect is negative. According to Oliver (1999), customer loyalty is a deeply held commitment to re-buy or re-patronize a product or service despite a compelling influence and marketing efforts towards switching to something else.

Loyalty comes in the form of both an attitudinal and behavioural dimension; attitudinal loyalty is reviewing the concept of good and favourable attitude towards a service provider like trust or emotional attachment whereas behavioural loyalty emphasizes on the customer behaviour like repeat purchase and word of mouth (Taleghani et al., 2011). The two key advantages of customer loyalty is that once customers become loyal to the company, repeat sales and referrals will increase, which will lead to growth in revenue and market share. Existing customers, who are willing to give enthusiastic references and word of mouth referrals, create free advertising. Customers become advocates.

The second one is that loyalty provides the time to respond to competitive moves – it gives breathing room to the organization. The banks are competing to gain a great slice of the market share with a globalization effect. Therefore, banks use the relationship quality

concept as a strategy to build loyalty with each customer, which leads to improved financial and market performance, and an increased competitive edge (Ravesteyn, 2005). According to Ndubisi (2006), if the bank is trustworthy, committed to service, reliable, efficient in communicating to customers and able to handle conflicts well then bank customers tend to be loyal. Ndubisi (2004) argues that a business organization should maintain good relationships with customers to get the loyalists.

Loyal customers are the greatest asset to the organization because they can communicate through positive word of mouth about the organization or products to which they feel loyal and also refer new customers to the organization which will lead to increased sales, revenue and profit. Useful sources of new product ideas can be also drawn from loyalists. In addition, Afsar et al. (2010) concludes that when a customer is committed to a bank, his/her trust goes up which automatically leads to the loyalty of the customer.

2.1.6 Customer relationship marketing (CRM) Dimensions

Banks should use CRM as a principle of growth and adopt a customer relationship management strategy that effectively addresses four key areas: customers, processes, technology, and knowledge management (Gazmend N, 2017). Above all, focusing on customers' satisfaction has become a fact that no one can escape. A satisfied customer has a high tendency to revisit a firm on one hand and persuade others to be a customer of the business in which he /she is satisfied. A business created through the use of the words-of-mouth of satisfied customers is usually termed as a referral business. Also, the process through which a business is undertaken matters the level of customer satisfaction. Finally, supporting the overall business undertakings and managing customer information is detrimental to achieving customer satisfaction and retention.

To identify CRM dimensions that influence Customer loyalty, where experts have differences in the dimensions used in building a relationship, the researcher has gone through a variety of theories and research findings. For example, Hollensen (2003) listed bonding, trust, empathy, and reciprocity as important elements in developing a connection in which: the bond is part of a partnership in which both people must work together to attain a goal; Trust is a belief that each person will follow their word and will not damage the other. Empathy is a commercial relationship component that allows both parties to perceive the problem from the opponent's perspective, which may be taken as an endeavor

to comprehend a person's desires and wishes. (d) Reciprocal means that both parties benefit from each other's efforts.

Commitment, trust, communication, and conflict management, on the other hand, are significant criteria that are used to quantify relationship marketing, according to Ndubisi (2007). Customer connections require a high level of trust. These CRM dimensions were specified by Ndubisi (2007) as follows:

- Keeping commitments to clients, offering security on each transaction, providing quality service, demonstrating concern for the customer, and providing a sense of security are all ways to build trust.
- Commitment is a shared opinion among stakeholders that the connection should be maintained indefinitely, and it is believed necessary to do so. Making the client a primary priority, long-term, and based on a mutually beneficial relationship may lead to commitment.
- When you're trying to create a relationship with someone, communication is crucial. Communication is a technique for maintaining a strong bond between a firm and its consumers, therefore it plays an important part in relationships.
- When dealing with consumers, conflict management is a specific action (Ball, 2004). Interdependence between the corporation and its clients can lead to conflict between the two. To avoid problems between the firm and the client, the two parties must establish a mutually supportive relationship. If a disagreement is allowed to fester, it may become a severe problem inside the firm, with the potential to decrease performance.

Customer relationship marketing dimensions used in this research include: trust, commitment, communication, customer focus, and knowledge management and are discussed as follows:

1. Trust and Customer Loyalty

Trust has been defined in various ways in the marketing literature; Accordingly, Jumaev, et.al (2012) stated that “trust is the belief that a partner’s word or promise is reliable and a party will fulfill his/her obligations in the relationship. They further argued that trust is an important dimension of CRM in relationship building since relationships characterized by a trust are valued to the extent that parties will “desire to commit themselves to such relationships”. Negi and Ketema (2010) agreed with this definition.

Referring to the above definition, it is important to note that the importance of trust in relationship building has been well proved by previous studies and that the focus has shifted to an understanding of the method in which trust is formed in a relationship (Theron et al. 2012).

In their classical work on the trust and commitment theory, Morgan and Hunt (1994:24) argued that trust is so important that relationships that are characteristic of trust are greatly appreciated and that the role players would want to be committed to a relationship of this nature.

In service marketing, Berry and Parasuraman (1991) find that customer-company relationships require trust. As it has been explained by Morgan and Hunt, (1994), similar to commitment, trust is considered central to all relationship exchanges

On the other hand ,Rauyruen and Miller (2007) are further of the opinion that trust has to establish first to bring customer loyalty though Theron et al. (2012) believed that it is possible to build commitment without the presence of trust.

Theron et al. (2010:1005) in a study pointed out that financial services decision-makers do not recognize trust as a factor that influences commitment in the relationship-building process. They found that both parties to a relationship (namely the financial service provider and the client) should be motivated to invest time and other resources to secure the future continuation of the relationship. But the importance of trust in relationship building cannot be ignored.

2. Commitment and Customer Loyalty

Commitment is defined as "the proportional strength of identification and connection with the service provider, as well as engagement in the relationship" in marketing literature.

"An exchange partner thinks that a continuing connection with another is so vital that it warrants maximal efforts at preserving it; that is, the committed party believes the relationship is worth working on to guarantee that it persists eternally," according to Najjar (2008). While Dwyer et al. (1987, 19) defined commitment as "an implicit or explicit vow of relational continuity between trade partners," Dwyer et al. (1987, 19) defined it as "an implicit or explicit pledge of relational continuity between exchange partners." Relationship commitment arises only when the relationship is valued, and a committed

partner wishes for the relationship to last eternally and is prepared to put in the effort to keep it going.

Cai&Wheale, (2004), argued that a high level of commitment provides the context in which the customer and business can achieve individual and joint goals without fear of opportunistic behavior because more committed partners will exert effort and balance short-term problems with long-term goal achievement. Higher levels of commitment are expected for relationship success. Commitment is a means by which to differentiate successful relationships from unsuccessful ones; hence strong relationships are built on the foundation of mutual commitment (Ibrahim &Najjar, 2008).

Rauyruen and Miller (2007) further argued that commitment can be considered essential to successful relationships and that commitment is also viewed as a key dimension inthe customer relationship-building process.

In the CRM concept, Berry and Parasuraman (1991) further argued that relationships are built on the foundation of mutual commitment. A common theme emerges from the various literature on relationships, parties identify commitment amount exchange partners as the key to achieving valuable outcomes from themselves, and they endeavor to develop and maintain this precious attribute in their relationships.

3. Communication and Customer Loyalty

As a result of technology advancement, a two-way customer relationship has profoundly changed how people communicate with one another. Kotler and Armstrong (2012) pointed out that new tools for relating include everything from e-mail, websites, blogs, cell phones, and video sharing to online communities and social networks, such as Facebook, YouTube, and Twitter.

According to Morgan and Hunt (1994), communication may be defined as the official and informal exchange of relevant and timely information between businesses. Greater trust will arise from a partner's assessment that previous communications from another party were frequent and of good quality – i.e., relevant, timely, and dependable. According to them, communication is an important component of relationship marketing. Similarly, Liang and Wang (2006) validated the importance of commitment in a relationship, finding that as commitment increases, so does the stability of both parties' relationships.

Marketers are increasingly considering communications as a means of managing a consumer connection through time (Kotler and Armstrong, 2012).

4. Key customer focus

A customer-focused structure, culture, policy, and reward system of an organization should pervade any organization that strives to implement CRM successfully. This involves an overall customer-centric focus, and continuously delivering superior value to selected key customers through personalized/ customized offerings (Parvatiyar and Sheth, 2011). Key elements of this dimension consist of customer-centric marketing, key customer lifetime value identification, personalization and interactive co-creation marketing (Sadek et al., 2015). Accordingly, key customer focus is composed of dialog with customers on customizing their needs, customizing products, customer needs assessment and implementation of customer needs information. Among others, what most of the banks do is customer segmentation and trying to serve the corporate and the small and medium enterprise clients separately. While all customers are given adequate concern in satisfying their needs, the corporate level customers are given higher emphasis as they fetch to the banks bigger and sustainable financial return. In short, key customer focus is to mean segmentation of the customers based on some criterion like small and medium customers versus corporate customers based on deposit transaction or loan portfolio as Dashen Bank is doing currently.

5. Knowledge Management

According to the knowledge-based view of the organization, the creation, the transfer, and the application of knowledge is the primary rationale for a firm‘s existence. From a CRM perspective, knowledge can be learned from experience or empirical study of consumer data (Sadek et al., 2011). Successful CRM is predicated on effectively transforming customer information to customer knowledge. Specifically, to enhance customer profitability, information about customers should be gathered through interactions or points of sale across all functions or areas of the firm so that all rounded customer view is established, maintained, and continually updated (Sadek et al., 2011). Customer knowledge generated through customer insights, close interactions, and customer intelligence needs to be shared and disseminated throughout the organization in a well-organized manner. As we are at the age of digital services, the gathered and processed customer knowledge should be stored digitally for the eventual retrieval as and when deemed necessary. Besides, all the customer information should be formally kept to be easily accessed by the employees to satisfy the customers. The three facets of knowledge management competence are

knowledge development, knowledge dissemination, and knowledge application (Arnett and Badrinarayanan, 2005). One important feature of knowledge development is the fact that knowledge is not found in the database of any firm and can only be created from information that may be found in the database or elsewhere. This knowledge can be acquired through both formal and informal learning, personal experiences, and environmental scanning (Arnett and Badrinarayanan, 2005). Overall, key facets of this construct include learning about customer needs and wants, processing and storing the acquired knowledge, dissemination and sharing of this knowledge and action (Sin et al., 2005).

2.1.7 CRM and the Service Sector

The present day's financial service industry has become highly dynamic and turbulent. The fundamental causes include frequently changing government regulations, dynamic consumer behavior, information-communication breakthrough, and intense competition (Heinonen, 2014). Banks have to exert great efforts to create added customer value. It can be done by creating long-term customer relationships that provide greater value than the value provided by the banking product itself. Building any additional value is difficult nowadays since rivals' actions, which are frequently quite similar, destroy any business's added value (Zineldin, 2005).

Service companies, particularly financial institutions such as banks, are seen to be the most likely to gain from CRM deployment since they gather and accumulate a lot of data on each client (Bose, 2002).

The role of intermediaries is minimized because services are often created and supplied at the same organization. An emotional tie develops between the service provider and the service user, necessitating the need to maintain and improve the relationship. As a result, it's easy to understand how CRM fits into service marketing. In addition, client expectations have shifted dramatically in the previous two decades. Fueled by new technology and the growing availability of advanced product features and services, customer expectations are changing almost daily (Bose, 2002).

For instance, the use of Automatic Teller Machine (ATM) was not thinkable in Ethiopia fifteen years from now. But today, citizens are reached at the condition when they can effect payments and transfer funds from one account to the other by the use of smart phones. Besides, through Dashen Bank's Amole product, one can easily purchase sports

entrance tickets without necessitating queuing up in line around the stadium. It has also been possible to effect bills payments through our smart phones from wherever we are. Consumers are less ready to make product and service quality concessions or trade-offs. Building cooperative and collaborative connections with consumers appears to be the most sensible strategy to keep track of their evolving expectations and correctly influence them in a world of ever-changing customer demands (Bose, 2002).

2.1.8 CRM in the Banking Industry

The bank is merely a financial institution that accepts deposits and lends money to needy persons. Banking is the process associated with the activities of banks It is a business that deals with cash, credit, and other types of financial transactions. Banks provide a secure environment for storing excess cash and credit. Savings accounts, certificates of deposit, and checking accounts are all available. They also offer credit, electronic payment systems, and electronic commerce. Banking activities include the issuance of cheques and cards, monthly statements, timely announcement of new services, helping the customers to use the internet, and mobile banking services, among others. CRM in banking is a business strategy to identify the most profitable customers and prospects, and devote time and attention to expanding relationships through individualized marketing, pricing, and decision making (Dimitriadis, 2011).

Relationship management in banking entails gaining a deeper understanding of the customer, staying in touch with the customer, ensuring that the customer receives what he or she desires, and understanding when the customer is dissatisfied (Jugovic, et al., 2015). Developing a client base is an important part of today's CRM. As a result, banks must devote sufficient resources to expanding their client base in every way possible. It is possible if the performance is at a satisfactory level, the existing clients can recommend others to have a banking connection with the bank he/she is operating that is known as referral banking. Hence, asking for a reference from the existing customers can develop their client base. If the base is increased, the profitability will also increase (Saeed, *et al*., 2011).

2.1.9 Banking Service in Ethiopia

The first bank, with the historically suggestive name of Bank of Abyssinia, was established in 1905, marking the beginning of Ethiopia's modern structured financial system. This bank brought historical banking services and tools such as deposit accounts and export

finance for the first time in Ethiopia's financial system (Gidey, 1987). However, it is not the current Bank of Abyssinia.

Ethiopia's financial system functioned in a free market economic setting before 1974. However, in the 1980s, the banking sector was reformed and reconstructed to support a centrally planned economic system, in line with the Dergue government's socialist ideology. The prevailing socialist viewpoint at the time was to enhance societal welfare while discouraging individual wealth expansion. During this time, the government nationalized all of the country's financial institutions and established three specialty banks (apart from the central bank) and one insurance business. Financial institutions could not be owned by private individuals.

The three state-owned banks and the insurance business were overseen by the central bank, the National Bank of Ethiopia, following the principles of mono-banking (NBE). The NBE used to administer such government-owned financial institutions as though they were its cost-centered functional divisions. Among the specialized banks, the then Agricultural and Industrial Development Bank (now the Development Bank) was in charge of providing medium and long-term loans for agricultural and industrial projects, while the then Housing and Savings Bank (later the Construction and Business Bank, which is now merged with the CBE) was in charge of lending for the construction of residential and commercial buildings. Commercial Bank of Ethiopia (CBE), the third bank, was the only one involved in commerce and other short-term financial operations (Berhanu&Befekadu, 2000).

Ethiopia altered its banking sector policies following the toppling of the Dergue military regime and the ascension of the then Ethiopian People's Revolutionary Democratic Front (EPRDF) to the throne in 1991. Comprehensive restructuring of government-owned financial institutions was one of the reform initiatives, as was preparing the way for private sector engagement in the country's financial sector.

The three socialist-era government-owned banks and one insurance company were granted liberty in terms of operating their operations and recapitalizing their capital positions, but the NBE was given responsibility for overseeing and administering the country's entire financial industry. While the roles of the Commercial Bank of Ethiopia (as a short-term financier), the Development Bank of Ethiopia (as a provider of medium- and long-term development finance), and the Ethiopian Insurance Corporation (as a provider of both

general and life insurance services) remained unchanged, the CBB was permitted to engage in short-term financing activities (Berhanu&Befekadu, 2000).

2.2 Empirical Review

The development of long-term relationships with selected customer loyalty requires knowledge of CRM dimensions contributing to the establishment of such relationships. Although many empirical studies have been made, most of them are focused on specific sections of the marketing relationship, such as the influence of satisfaction on trust, trust on commitment; and commitment on an exchange partner's intention to stay in a relationship.

In this study very important empirical research findings with direct relation to the research topic have been reviewed. Empirical research related to banks, Insurance companies, and other business sectors such as hotel and manufacturing industries were thoroughly reviewed in these research studies.

A shift toward relationship marketing becomes a major issue in contemporary marketing and attracts the attention of marketing researchers and practitioners.

For example, a study of CRM in the Czech Republic's banking industry found that CRM plays a significant role in increasing market share, increasing productivity, improving employee morale, improving customer knowledge of the services provided by banks, and increasing customer satisfaction, all of which lead to increased customer stickiness with the banks (Rana S et al, 2014).

According to a CRM survey conducted by Indian banks, effective complaint management systems, exceptional service quality, and a pleasant staff attitude are the major drivers of customer loyalty and retention (Shailja P, 2018). Another study on the effects of CRM on customer happiness and loyalty in Malaysian banks found that service quality, service accessibility, and complaint management all had a positive and substantial influence on customer satisfaction and retention (Saeed A et al, 2017).

In a study titled the Impact of Relationship Quality on Customer Loyalty which focused on finding out the effect of relationship quality on customer loyalty via a mediating effect of customer satisfaction, Ching-Hsu (2012) concludes that there is a significant and positive effect of relationship quality and customer loyalty; therefore, implying that a high level of relationship quality leads to a higher level of loyalty.

Moreover, Ching-Fu and Odonchimeg (2011) in a study titled Brand Equity, Relationship Quality, Relationship Value and Customer Loyalty; Evidence from the Telecommunications Services, conclude that brand and company images significantly influence relationship quality which has a significant influence on relationship value. Further, Ching-Fu and Odonchimeg (2011) state that customer loyalty is not affected by either dimension of company image and relationship quality directly; rather company image and relationship quality affects customer loyalty mediated by relationship value.

Brink & et.al., (2006) examined the effect of CRM on customer loyalty and the study concluded that CRMhad a significant effect on the customer's loyalty.

Abaynesh (2014) investigated the impact of relationship marketing dimensions on customer loyalty in Ethiopia's manufacturing industry, and her findings suggest that relationship marketing dimensions can improve the quality of a buyer-seller relationship, thereby increasing customer loyalty in the Hibret Manufacturing and Machine-Building Industry. According to the data, relationship marketing elements can boost client loyalty.

Yonnas (2014) also established the effect of CRM and service quality on customer loyalty and trust in the Airline industry, and he empirically supported his research finding that CRM has significantly influenced customer loyalty.Trust was shown to be the most influential variable in this study.

Meseret (2015) investigated the impact of CRM on customer loyalty at the Commercial Bank of Ethiopia and discovered that relationship marketing and customer loyalty are favorably associated.

Betty (2014) investigated the impact of relationship marketing practices on customer retention in the Kenyan insurance industry, while Abizer (2015) looked into the impact of customer relationship marketing strategies on the performance of synthetic hair manufacturers in Kenya; both studies concluded that customer relationship marketing is necessary.

Saravanakumar and Senthil (2013) researched the influence of customer relationship marketing strategy on customer loyalty - a study of the banking industry in South India, and their research gives customer relationship marketing a new lease on life. As a result, the influence of customer relationship marketing on loyalty has been investigated in this study for a distinct but crucial and mostly neglected business area, the banking industry.

More crucially, the findings of Lacey and Morgan (2009) imply that consumers with higher levels of commitment are more likely to volunteer as customer advocates. They also noted that relationship marketing signals a significant shift in buyer-seller interactions from transaction-based marketing, which concentrated on a single transaction in the past. The development of strategic ties with customers is critical to effective relationship marketing (Boone &Kurtz, 2005).

Abebaw (2018) investigated the impact of CRM dimensions on customer retention at Nyala Insurance S.C. and found that the CRM trust dimension was the most significant explaining variable.

Similarly, Kassahun (2016) found that the four elements of customer relationship management (communication, trust, relationship-management, and conflict-handling) have a positive and significant relationship with customer loyalty in his study titled the effects of customer relationship marketing on loyalty in the case of Zemen Bank.

Furthermore, Kassa (2017) examined the effects of CRM on loyalty by taking trust, commitment, communication, and conflict handling and found that all variables except, the commitment had a significant effect on customer loyalty. In this study conflict handling with beta coefficient, .518 was identified as the highest determinate of customer loyalty.

However, following its new move or concept for the Ethiopian banking industry, many kinds of literature are not available regarding Customer relationship marketing.

2.4 Research Framework

The research framework illustrates the relationships between the independent variables (trust, commitment, communication, customer focus, and knowledge management) and the dependent variable (customer loyalty) among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank operating in Addis Ababa's fourth districts.

The below framework proposed that the dimensions of customer relationship marketing quality (trust, commitment, communication, customer focus, and knowledge management) have a positive influence on customer loyalty among corporate customers. It suggests that building trust, fostering commitment, effective communication, customer-focused practices, and knowledge management contribute to higher levels of customer loyalty.

The framework is depicted as follows:

The effects of CRM quality on customer loyalty

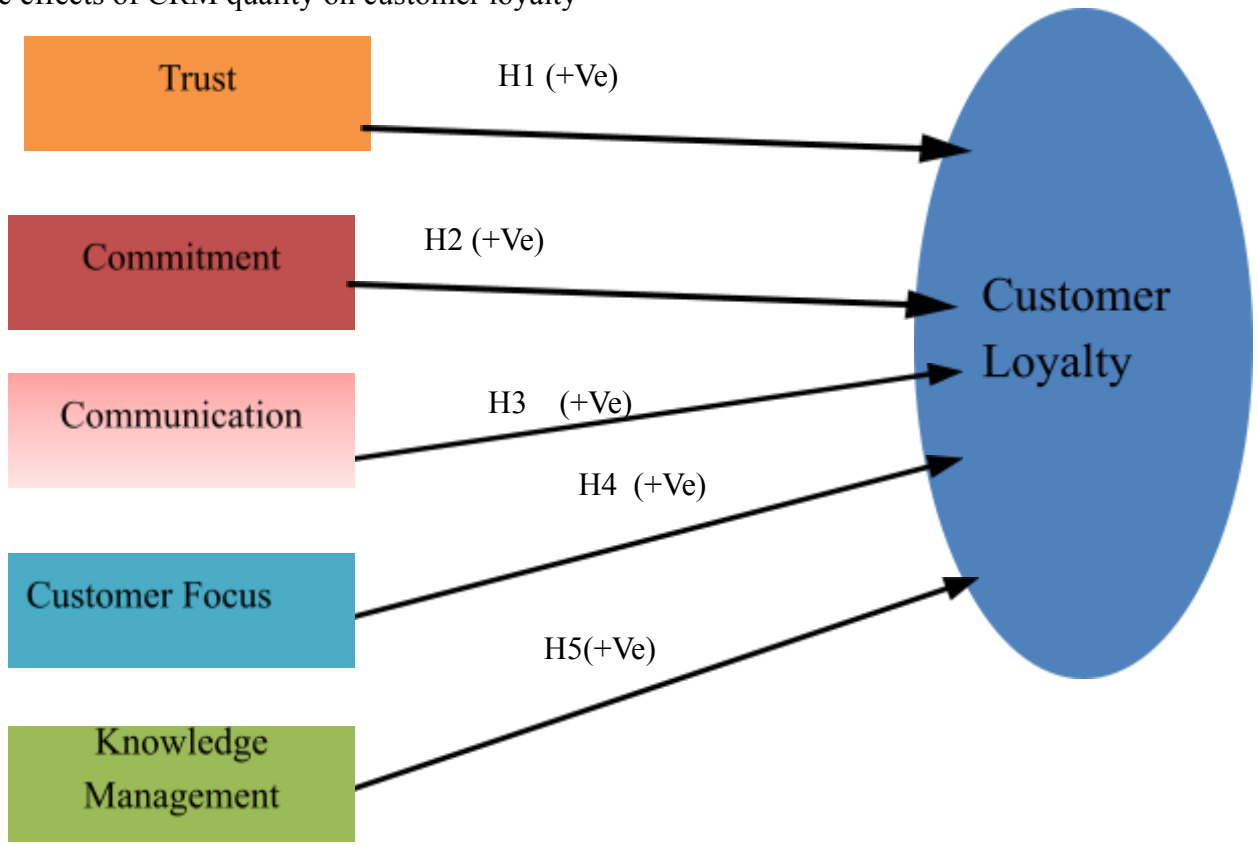


Figure 2.4.1 Customer Relationship Marketing Research Framework

Source: Morgan and Hunt (1994) with modification based on reviewed literature

2.6 Hypothesis Development

Based on the research objectives and the relationships between the independent variables and the dependent variable, the following research hypotheses were proposed:

Keeping commitments to clients, ensuring security in every transaction, providing quality service, demonstrating concern for the customer, and providing a sense of security are all ways to build trust. In this context, Abebaw (2018) examined the impact of customer relationship marketing dimensions on customer retention in Nyala Insurance S.C. and found that the CRM trust dimension was the most important predictor variable. Therefore,

H1: There is a positive and significant relationship between trust quality and customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank.

The CRM commitment factor is critical to the success of future endeavors. According to Morgan and Hunt (1994), the main aspect in executing Relationship marketing is trust. While Bloemer et al., (2003) pointed out that commitment is vital and has an effect in creating connections with customers; commitment is the greatest degree in building the strength of a relationship and will bring long-term benefits for all parties involved.

H_2- There is a positive and significant relationship between commitment quality and customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank.

Ball et al., (2004) stated that good communication will influence all aspects of relationship marketing, including loyalty, where communication has a considerable influence in creating loyalty. Gronroom (2004) stated that, if Relationship marketing is to succeed it must include all the messages contained in marketing communications. Thus,

H_3- There is a positive and significant relationship between communication quality and customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank

A customer-focused structure, culture, policy, and reward system of an organization should pervade any organization that strives to implement customer relationship Marketing successfully. This involves an overall customer-centric focus, and continuously delivering superior value to selected key customers through personalized/ customized offerings (Parvatiyar and Sheth, 2011). Hence,

H_4- There is a positive and significant relationship between customer focus quality and customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank.

According to the knowledge-based view of the organization, the creation, the transfer, and the application of knowledge is the primary rationale for a firm‘s existence. From a CRM perspective, knowledge can be learned from experience or empirical study of consumer data (Sadek et al., 2011). Successful CRM is predicated on effectively transforming customer information to customer knowledge. Specifically, to enhance customer profitability, information about customers should be gathered through interactions or points of sale across all functions or areas of the firm so that all rounded customer view is established, maintained, and continually updated (Sadek et al., 2011). Therefore,

H_5- There is a positive and significant relationship between knowledge management quality and customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank.

Chapter Three:

Research Methodology

3. Introduction

This chapter presents the research methodology adopted for the study, including the research design, data collection methods, sample selection, and data analysis techniques. The aim of this research is to examine the effects of relationship marketing quality on customer loyalty in some selected Ethiopian Commercial Banks using corporate customers. The research methodology section provides a detailed explanation of how the study was conducted and how the data was collected and analyzed

3.1. Research design and Approach

The research design outlines the overall plan and strategy for conducting the study. In this research, a quantitative approach was employed to collect and analyze numerical data. The study involved the use of surveys to gather data from a sample of customers in the target industry. The research design allowed for the measurement of relationship marketing quality and customer loyalty variables, enabling the examination of their relationship.

3.2. Population of the study

The ultimate objective of this study is to see how relationship marketing quality affects customer loyalty among the selected banks' clients. This study took the population from three Ethiopian Private commercial Banks namely: Dashen bank, Bank of Abyssinia and Awash Bank. The researcher motivated to take populations from these three Banks because these banks are:

1. The first riders in private banking service establishment where Bank of Abyssinia established on February 15, 1996, Awash Bank was established on November 10, 1994 and Dashen Bank was established on September 20, 1995. All of them have more than 25 years of experience in the banking industry.
2. The first in terms of Annual profit and other measurement criteria regarding the banks' performance. These three Banks are top profitable Banks among private commercial Banks for the last three consecutive years (2019/2020-2021/2022)

3. The leading in terms of customer base and providing Banking services to their clients with their extended Branches which are reached above 2,400; the Branches are
4. organized in 8 districts all over the country with a minimum customer base of 4 million with a total customer of more than 12 million, and nearly 5 million customer bases in four districts of Addis Ababa.

The target population for this study comprised customers who have had previous experiences with the corporate Banking services offered by the three Ethiopian Banks mentioned above.

These banks are providing Banking services to their clients with their extended Branches which reach above 2,400; the Branches are organized in 8 districts all over the country with a total customer of more than 12 million and nearly 5 million customer bases in four districts of Addis Ababa. Due to resource constraints (time and money) and with regards of the study topic and scope, the study would like to focus on corporate customers. According to the data collected from the selected banks the number of customers who have banking relationships in four districts of Addis Ababa and segmented as corporate are 6,200 customers. The segmentation of each banks was based on the following criteria:

I. Dashen Bank: Deposit contribution and with credit facility equal or greater than birr 10 million having 2,100 corporate Customers
II. Awash Bank: Deposit contribution and with credit facility equal or greater than birr 40 million having 900 corporate Customers
III. Abyssinia Bank: Deposit contribution and with credit facility equal or greater than birr 10 million having 3,200 corporate customers

Hence the population for this study is 6,200 corporate customers of the selected banks (Dashen Bank, Bank of Abyssinia and Awash Bank).

3.3 Sampling size and techniques

3.3.1 Sampling size

The sample size for this study was determined using Yemane (1967) formula to ensure adequate statistical power to detect meaningful relationships between Customer relationship marketing quality and customer loyalty.

$$n = \frac{N}{1+Ne^2} \quad \text{.....1}$$

Where;

- ❖ n indicating the sample size
- ❖ N indicating the population size under study
- ❖ e referring sampling error

Accordingly, a sample of this research was calculated as follows

$$n = \frac{6{,}200}{1+6{,}200(0.05)2} = 375.75 \approx 376 \quad \text{.....2}$$

Based on an anticipated effect size, desired level of significance, and confidence interval, a sample size of 376 participants was determined as appropriate. Accordingly, this study took 376 Dashen Bank, Awash Bank and Abyssinia Bank corporate customers who have corporate banking relationships in the four districts of Addis Ababa as respondents.

3.3.2 Sampling Technique

To ensure the appropriate representation of each bank in the study and to achieve more accurate estimations of the effects of relationship marketing quality on customer loyalty, a stratified sampling technique was employed. This study used stratified sampling based on the determined sample size and its distribution across the banks to ensure:

- Proportional Representation: The sample size was determined by considering the weighted counts of each bank in the population.
- Enhanced Precision: to increases the precision of the study's results by reducing the sampling variability within each bank.
- Improved Generalizability:
- The findings can be generalized to the broader population of customers within the studied banks

The below table shows how this 376 samples are selected from the three Banks

Table 3.1: sampling technique

Bank Name	Population	Weighted Average assigned to a strata	Sample Size taken from each Bank
Dashen Bank S.C	2,100	2,100/6200 =.339	.339*376 =128

Abyssinia Bank S.C	3,200	3,200/6,200=.516	.516*376=193
Awash Bank S.C	900	900/6,200=0.145	.145*376= 55
Total	6,200		376

As a result, 376 questionnaires were carefully distributed to achieve the requisite number of replies from the selected Banks corporate clients in the four districts. Based the selected Banks corporate segmentation each corporate customer is accounted for one dedicated Relationship manager residing at Head quarter. As such reaching out the sample respondents were not challenging. Customers were recruited from various Corporate Banking services such as Domestic trade service Manufacturing, government agencies and NGOs and international trade, to ensure diversity in the sample.

Convenience sampling was employed as the technique for selecting respondents for this study because of the following reasons:

- Accessibility and Availability: Convenience sampling allows for the selection of participants who are easily accessible and readily available.
- Practicality and Feasibility: to collect data quickly and efficiently as accessing the entire population was not possible

3.4. Data collection instruments and variables

A structured questionnaire is developed based on established scales to measure the constructs of interest.

The questionnaire includes sections to assess customer relationship marketing quality, trust, commitment, communication, customer focus, knowledge management, and customer loyalty.

The questionnaire is pilot-tested with a small group of corporate customers to assess its clarity, comprehensibility, and validity.

The final questionnaire is administered to the selected sample of corporate customers, ensuring informed consent and maintaining confidentiality of responses.

3.5. Data analysis

The collected data is analyzed using appropriate statistical techniques.

Descriptive statistics are employed to summarize the characteristics of the sample and the variables of interest.

Regression analysis is conducted to examine the relationships between the independent variables (trust, commitment, communication, customer focus, knowledge management) and the dependent variable (customer loyalty).

Correlation analysis is performed to assess the strength and direction of the relationships. Potential demographic or contextual variables are considered as control variables in the analysis.

Tools like tables, pie charts and percentages also used. The data analysis was done by using SPSS software version 22. For the sake of reducing the possibility of getting wrong answers and to ensure the soundness of this study, the following measures were taken.

Data has been carefully collected from trustworthy sources, from respondents who have a corporate banking relationship with Dashen bank, Bank of Abyssinia and Awash. The questionnaires were carefully prepared based on theoretical and empirical literature review and the latest version SPSS data analysis tool was employed to analyze the statistical data and maximum care was made during data coding.

3.7. Model Specification/Assumptions

$Y = a + b1x1 + b2x2 + b3x3 + \ldots\ldots bnxn + \varepsilon$

Where, Y = Customer Loyalty

a = y intercept

b1 = the regression coefficient of trust

X1= Trust

b2 = the regression coefficient of commitment

X2= Commitment

b3 = the regression coefficient of communication

X3= communication

b4 = the regression coefficient of Customer Focus

X4= Customer Focus

b5 = the regression coefficient of Knowledge management

X5= Knowledge management

ε = error term

3.7 Validity and Reliability

3.7.1 Validity

To check the validity of the research instrument that has been used for this research and to make sure that the research instrument is valid in terms of content, the researcher has performed some activities stated in the preceding chapter and questionnaires were submitted to the advisor for further correction comment.

3.7.2 Reliability

According to Burn and Bush (2014), reliability is the degree to which a respondent is consistent in his or her answers.

To assess the reliability of a scale measurement to investigate multidimensional constructs, summated scale measurements tend to be the most appropriate scales (Hair et al., 2003). In this type of scale, each dimension represents some aspect of the construct.

Hence, in this particular research, Cronbach's alpha was referred to check the internal consistency of the variables used in this study, and the results of the reliability test are presented in chapter four of this research. In addition, the research advisor and senior experts were consulted to check the degree to which the instruments of measurement are appropriate for the data to be analyzed.

3.8 Research Ethics

Throughout the study, all codes of conduct of research were appropriately implemented. Any relevant concept in this research has been properly quoted. All research participants are

protected, their information which was collected via questionnaires from sample respondents are be kept confidential and only used for the intended purpose of this study.

CHAPTER FOUR

Data Presentation, Analysis and Interpretation

Introduction

In this chapter, the collected data has been analyzed using appropriate statistical techniques to test the research hypotheses and answer the research questions. Descriptive statistics has been employed to provide an overview of the participant's response. Furthermore, inferential statistics, such as correlation, regression analysis, were conducted to examine the relationships between the independent variables (trust, commitment, communication, customer focus, and knowledge management) and the dependent variable (customer loyalty). The findings are presented in tables, graphs, charts and narratives, providing a comprehensive analysis of the data.

4.1 Reliability Test:

The close-ended questionnaire survey has been floated and collected within one-week time frame. Out of the total 376 questionnaires circulated to sample respondents, only 302were returned of which 14 questionnaires were found incomplete and not used for analysis. Hence, only 288 questionnaires were used for analysis that indicates 76.5% response rate which is sufficient enough response rate to carry off the research as indicated by Saunders (2002).

This particular research employed Cronbanch's Alpha to test the internal consistency of the questionnaires used. According to Hair et al. (2006), Cornbach's Alpha Reliability is considered as a measure of internal consistency of the mean of the items at the time of administration of the questionnaire. The measurement of Cronbach's Alpha can hold a coefficient of 0 to 1 where 0.7 and above infers an acceptable level of internal consistency and coefficient 1 indicates excellent internal reliability.

The result of the reliability test for the items used in this study are shown in the subsequent table.

Table 4.1 Internal consistency coefficients of the constructs used

Constructs	Cronbach 's Alpha	Items	Result interpretation
Trust	.875	8	Good
Commitment	.864	6	Good
Customer focus	.915	5	Excellent
Communication	.714	4	Acceptable
Knowledge management	.715	4	Acceptable
Customer loyalty	.970	4	Excellent

Source: Survey Result, 2023

As shown above, the internal consistency coefficients of the five constructs (Variables) confirmed the existence of reasonable internal consistency, which is between the range of 0.714 (Acceptable)and 0.915 (Excellent).

Based on the result, customer focus has established the highest internal consistency among the independent variables with alpha value of 0.915. Trust and commitment have confirmed the second highest internal consistency with alpha value of 0.875 and 0.864, followed by knowledge management and communication, having the alpha value of 0.715 and 0.714 respectively. Besides, the dependent variable, Customer Loyalty constituted an excellent internal consistency with alpha value of 0.970.

As discussed above, all the research measures(Constructs) met reliability standards of Cronbach's Alpha. Hence, the research instrument appears reliable and valid.

4.2 Validity

To examine the validity of the entered variables and make sure that they are in scope with regards to content, the researcher has accomplished the underneath procedures:

1. Before disseminating the survey questionnaire to the respondents, the researcher deployed a pilot test surveying 38 individuals whom the researcher believed they had enough exposure about the research and expertise in the area.
2. The draft questionnaire was forwarded to the advisor for subsequent review and feedback. Accordingly, some modifications were done on the draft questionnaires.

4.3 Descriptive Analysis of Variables

According to Hair et al. (2003) after the relevant data have been collected and arranged for analysis, one of the basic statistical analysis procedures to perform is descriptive analysis.

It uses simple analyses of means and standard deviations for the variables of interest for each group in the study: where the mean designates to what extent the sample group on average agrees or disagrees with the different statement (Marczyk et al. 2005). The lower the mean, the more the respondents disagree with the statement. On the other hand, the higher the mean, the more the respondents agree with the statement.

The Descriptive Statistics presented below clearly demonstrates the mean and standard deviation of the explaining variables (Trust, Commitment, Communication, Customer Focus and Knowledge Management) and the dependent variable which is Customer loyalty.

Table 4.2 Summary of descriptive statistics for all constructs

Descriptive Statistics			
	Mean	Std. Deviation	N
Loyalty	4.9813	.98352	288
Trust	4.2813	.45100	288
Commitment	4.0104	.70826	288
Communication	4.0894	.76881	288
Customer focus	4.3757	.52169	288
Knowledge management	4.0938	.76758	288

Source: Survey Result, 2023

As indicated in the above table, the value of each construct's mean is very close to each other, the highest mean value is 4.9813 whereas the lowest mean value of the items is 4.01. The above table also showed the existence of lesser variability among each variable: the highest and the lowest variance value is read as .983and.451 respectively.

Hence, from the above discussion it is rational to conclude that most of the respondents have agreed on the statements presented on the questionnaire as the mean of the items for all constructs is very high and the deviation among data is very minimal which is less than 1.

4.4 Correlation Analysis

Having checked the internal consistency and validity of data, the researcher conducted a Pearson correlation analysis. The purpose of this correlation analysis is to examine the

degree of relationship and direction of association between various explaining variables and Customer Loyalty. By identifying significant correlations, the researcher aims to understand which variables have the strongest influence on customer loyalty. This study used the following variables as factors of customer loyalty:

- Variable 1: Trust (Continuous Measure on scale of 1-5)
- Variable 2: Commitment (Continuous Measure on scale of 1-5)
- Variable 3: Communication (Continuous Measure on scale of 1-5)
- Variable 4: Customer Focus (Continuous Measure on scale of 1-5)
- Variable 5: and Knowledge Management (Continuous Measure on scale of 1-5)
- Variable 6: Customer Loyalty (Continuous, measured on a scale of 1-5)

According to Hair (2003), the Pearson correlation coefficient measures the degree of linear association between two variables and its coefficient value ranges between –1.00 and +1.00, where 1.00 or +1.00 indicates perfect association between two variables and 0 showing no relationship among two variables.

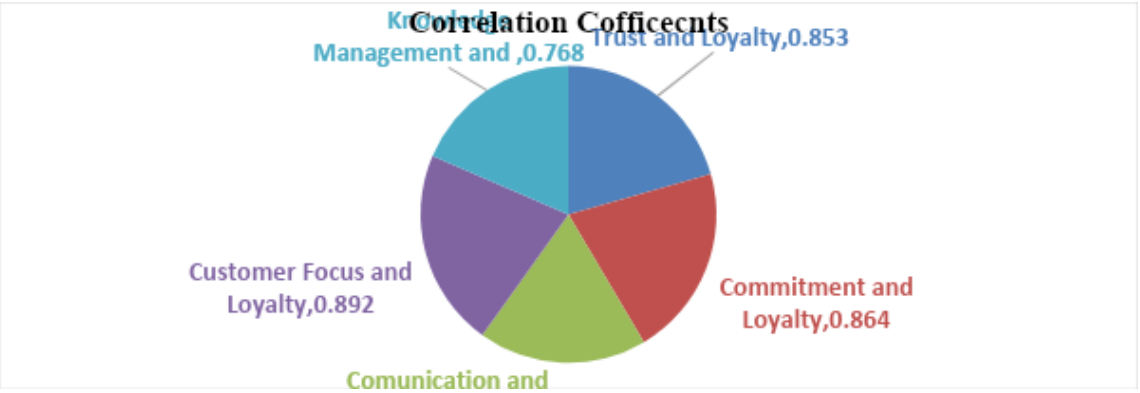
To properly evaluate the outcome of Pearson correlation coefficients of each variable used in this study, the following rules of thumb table is used as a reference.

Table 4.3 Rules of thumb for coefficients of variables

Range of Coefficient	Description of Strength
±.81 to ±1.00	Very strong
±.61 to ±.80	Strong
±.41 to ±.60	Moderate
±.21 to ±.40	Weak
±.00 to ±.20	None

Source: Hair (2003)

Table 4.4. Calculation of Pearson Correlation coefficients



		Trust	Commitment	Communication	Customer focus	Knowledge management	loyalty
Trust	Pearson Correlation	1	.667**	.629**	.683**	.634**	.853**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	288	288	288	288	288	288
Commitment	Pearson Correlation	.667**	1	.674**	.656**	.677**	.864**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	288	288	288	288	288	288
Communication	Pearson Correlation	.729**	.674**	1	.689**	.785**	.763**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	288	288	288	288	288	288
Customer focus	Pearson Correlation	.683**	.656**	.689**	1	.698**	.892**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	288	288	288	288	288	288
Knowledge management	Pearson Correlation	.634**	.677**	.685**	.698**	1	.768**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	288	288	288	288	288	288
Loyalty	Pearson Correlation	.853**	.864**	.763**	.892**	.768**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	288	288	288	288	288	288

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

Source: Survey Result, 2023

Based on the Pearson correlation coefficients provided in the above table the following interpretation can be drawn:

4.3.1 Quality of trust and Customer loyalty

The correlation coefficient between the quality of trust and customer loyalty is 0.853, indicating a strong positive correlation. This suggests that higher levels of quality in trust, which may encompass reliability, credibility, and consistency, along with product quality, are associated with increased customer loyalty. When customers perceive a high level of trustworthiness in a company, they are more likely to remain loyal and continue their relationship with the company.

4.3.2 Commitment quality and Customer loyalty

The correlation coefficient between the quality of commitment and customer loyalty is 0.864, indicating a very strong positive correlation. This means that a higher level of quality in the commitment demonstrated by Banks towards its customers, which may include responsiveness, pro-activeness, and personalized attention, along with product quality, is associated with higher levels of customer loyalty. When customers perceive the commitment from Banks as high-quality, it reinforces their loyalty and contributes to a positive customer experience. When the banks demonstrate commitment by consistently meeting customer expectations and going above and beyond to fulfill customer needs, it enhances customer loyalty.

4.3.3 Communication quality and customer loyalty

The correlation coefficient between communication and customer loyalty is 0.763, indicating a strong positive correlation. This suggests that High-quality communication, which involves clarity, timeliness, and relevance, along with product quality, contributes to higher levels of customer loyalty. When Banks maintains open and transparent communication channels, listens to customer feedback, and promptly addresses customer concerns, it fosters a sense of trust and enhances customer loyalty.

4.3.4 Customer focus quality and customer loyalty

The correlation coefficient between customer focus and customer loyalty is 0.892, indicating a very strong positive correlation. This means that High-quality customer focus, which involves understanding and meeting customer needs, providing personalized experiences, and delivering exceptional service, along with product quality leads to increased customer loyalty. When Banks demonstrates a deep understanding of its customers' needs, preferences, and priorities, and tailors its products, services, and

experiences accordingly, it strengthens customer loyalty and promotes long-term relationships.

4.3.5 Knowledge Management quality and Customer Loyalty

The correlation coefficient between knowledge management and customer loyalty is 0.768, indicating a strong positive correlation. This suggests that High-quality knowledge management, which involves accurate, up-to-date, and accessible information, along with product quality, contributes to higher levels of customer loyalty. When a company efficiently captures, organizes, and disseminates knowledge about its customers, products, and market trends, it can provide personalized and relevant experiences, leading to enhanced customer loyalty.

In summary, the correlation coefficients indicate that trust, commitment, communication, customer focus, and knowledge management are all strongly and positively correlated with customer loyalty. By focusing on improving these factors, Banks can cultivate a loyal customer base and strengthen its relationships with customers. Furthermore, incorporating the concept of quality within each determinant acknowledges the importance of delivering high-quality experiences, commitments, communications, and knowledge management alongside high-quality products. This highlights the holistic nature of customer loyalty and the significance of excellence across various dimensions of the customer experience.

4.4 Multiple regression assumption tests

4.4.1 Linearity

In this study**,** the positive B values for Trust, Commitment, Communication, Customer Focus, and Knowledge Management quality suggest a positive linear relationship with Customer Loyalty. This implies that as the values of these variables increase, the expected value of Customer Loyalty also increases. Therefore, we can justify assuming linearity in this regression analysis.

4.4.2 No-autocorrelation (Durbin Watson Test)

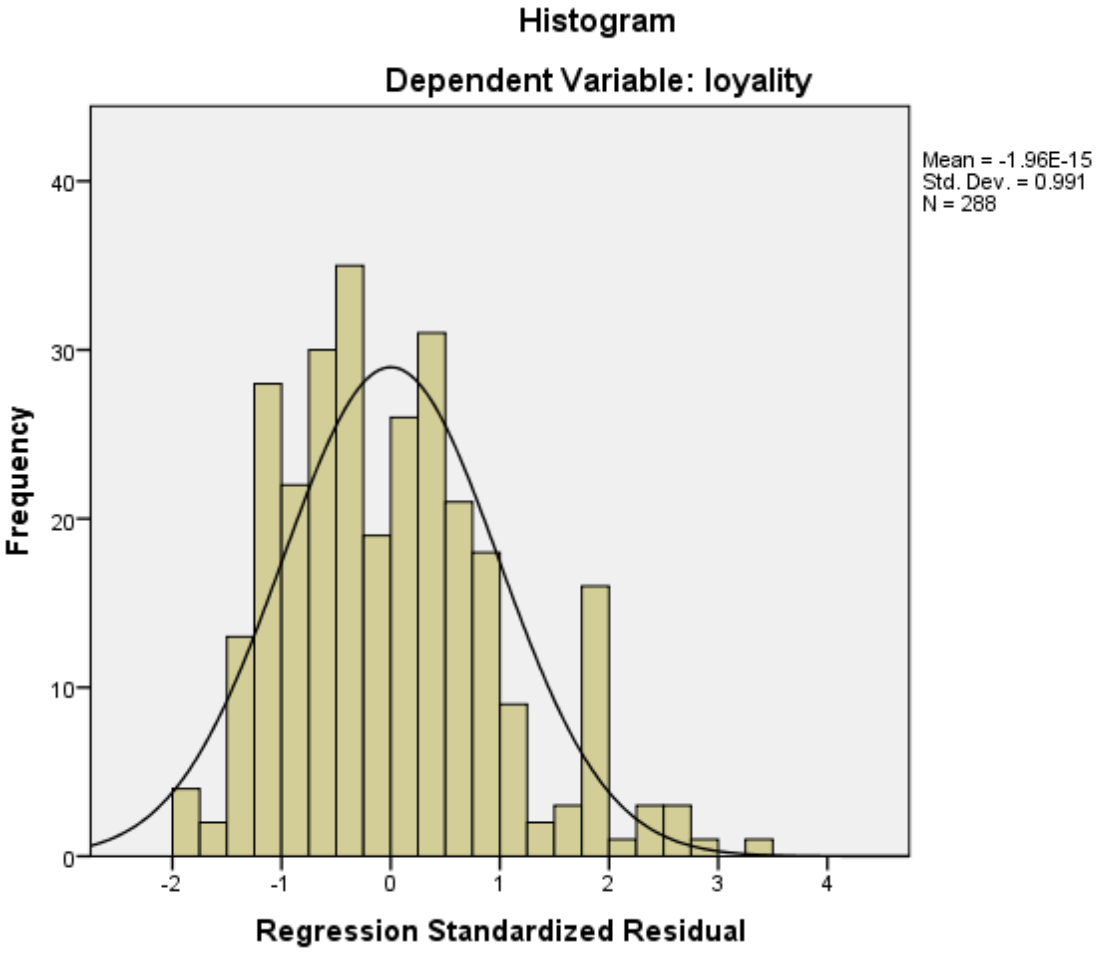
The Durbin Watson Test that is also called serial correlation in residuals that measure the autocorrelation from the regression analysis. According to Field (2009), test statistic considers normal, if the values are between 1.5 and 2.5. In this study, the Durbin-Watson result of 1.771 suggests that there is no a positive autocorrelation present in the residuals of

the regression model. This means that the residuals are not highly correlated with each other, indicating independence among the observations.

Hence, it is considered relatively normal.

4.4.3 Normality Test

The sample size is of this particular research is sufficiently large. According to the Central Limit theorem the estimated coefficients (B values) can be considered approximately normally distributed if the sample size is large. In addition to the larger sample size, the histogram presented below, which is close to bell shaped confirmed the normal distribution of data.



Source: Survey Result, 2023

4.4.4 Multicollinearity

According to Hair et al., (2003) the correlation coefficients between the predictor variables can provide some insight into the presence of multicollinearity. If the correlation coefficients between variables are low to moderate, it suggests that there is no severe multicollinearity. As shown in the correlation matric table, the correlation coefficient between independent variables confirmed the non-existence of multicollinearity as the coefficient values are below 0.7.

Hair et al., (2003). also, suggested that the Tolerance limit and variance inflation factor (VIF) helps to measures the presence of collinearity among variables as both helps to examine the degree to which each predictor variable is explained by the other predictor variables. If the tolerance value is greater than 0.10 or if the VIF values for the predictor variables are below a certain threshold (typically, 10), it suggests a low level of multicollinearity.

Table 4.5 Bivariate correlation analysis: Coefficients of the variables

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	-.216	.072		-10.004	.000		
	Trust	.345	.113	.451	3.924	.000	.187	5.351
	Commitment	.378	.070	.534	5.377	.000	.197	5.070
	Communication	.204	.169	.266	.617	.000	.209	4.430
	Customer focus	.618	.115	.521	6.242	.000	.136	7.380
	Knowledge management	.177	.169	.231	.457	.000	.329	4.631
a. Dependent Variable: loyalty								

Source: Survey Result, 2023

Both tolerance limit and VIF values are presented in the above table and confirmed the non-existence of higher correlation among predictor variables

Hence, it is possible to conclude that in this particular research multicollinearity is not a problem and did not affect the research findings.

4.5 Multiple Linear Regressions

4.5.1 Regression analysis among the predictors of customer relationship marketing quality.

The study conducted multiple regression analysis using SPSS data analysis tool to estimate the relationship between the independent variables and the dependent variable, while controlling for the influence of other variables. By considering multiple predictors simultaneously, the researcher gains insights into the unique contribution of each explaining variable while accounting for the shared effects. To this end the regression analysis produced key tables such as Model summary, ANOVA and coefficients of predictors.The analysis results are presented as follows:

Table 4.6 Regression analysis: Model Summary

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.926[a]	.858	.855	.37442	1.771
a. Predictors: (Constant), knowledge management, customer focus, commitment, trust, communication					
b. Dependent Variable: customer loyalty					

Source: Survey Result, 2023

As shown above the R-square value in multiple regression analysis indicated the portion of variance in the dependent variable (Customer loyalty) that can be explained by the independent variables (knowledge management, customer focus, commitment, trust and communication) included in the model.

The R^2 value for this research is .858(85.8%), it means that approximately 85.8% of the variation in the dependent variable can be explained by the independent variables included in the multiple regression model. This indicated a relatively high level of explanatory power, suggesting that the independent variables collectively have a substantial influence on the variation in the dependent variable. From the regression model, it is also important to note that the remaining 14.2%of the variation in the dependent variable is not accounted for by the independent variables in the model. This unexplained variance may be due to other factors that were not included in the regression analysis.

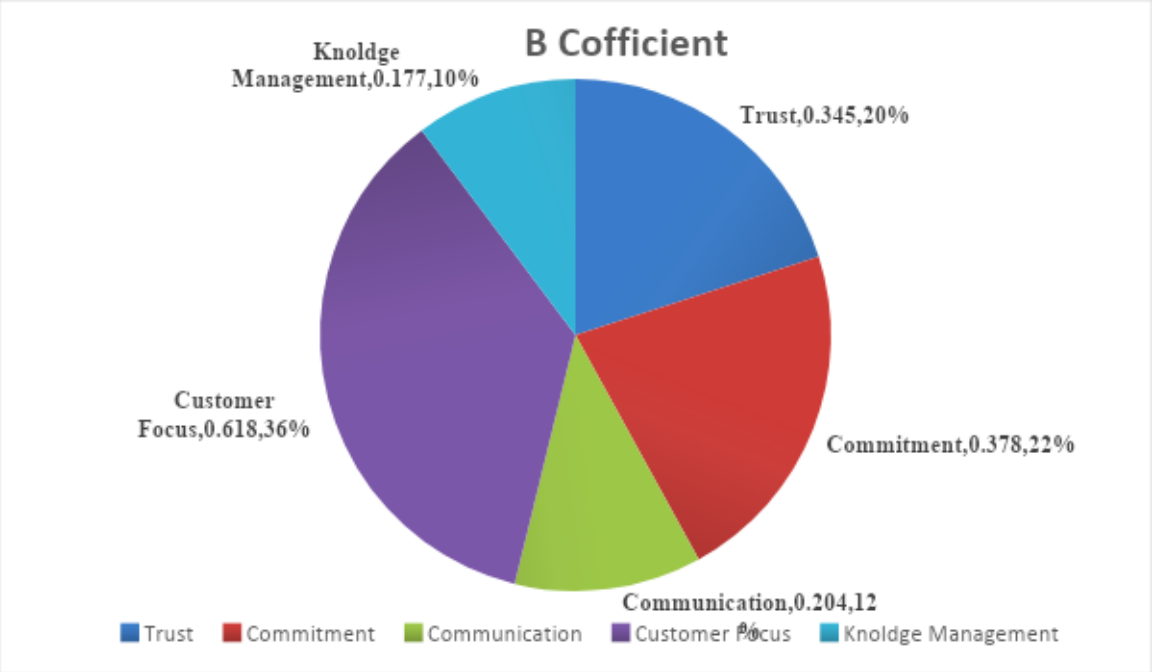
In conclusion, an R-squared value of 0.858 suggests that the independent variables in the multiple regression model explain a large portion of the variation in the dependent variable, indicating a strong relationship between the variables under study.

Table 4.7. Regression analysis: ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	238.085	5	47.617	339.656	.000[b]
	Residual	39.534	282	.140		
	Total	277.619	287			
a. Dependent Variable: loyalty						
b. Predictors: (Constant), knowledge management, customer focus, commitment, trust, Communication						

Based on the statistics provided in the ANOVA table, the regression model is statistically significant, as evidenced by the low P-Value associated with the F-static (0.0000). The regression model explains a substantial amount of variation in the dependent variable as indicated by the relatively high sum of squares for the regression (238.085) and the corresponding mean square (47.617) the remaining variation in the dependent variables captured by the residual sum of squares (39.534) and the associated mean square (0.140)

Table 4.8. Regression analysis: Coefficients



Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.216	.072		-10.004	.000		
	Trust	.345	.113	.451	3.924	.000	.187	5.351
	Commitment	.378	.070	.534	5.377	.000	.197	5.070
	Communication	.204	.169	.266	.617	.000	.209	4.430
	Customer focus	.618	.115	.521	6.242	.000	.136	7.380
	Knowledge management	.177	.169	.231	.457	.000	.329	4.631
a. Dependent Variable: loyalty								

Source: Survey Result, 2023

From the above regression analysis table, the following analysis results can be drawn:

1. **Constant: -0.216**

The constant term represents the expected value of the outcome variable (Customer Loyalty) when all predictor variables (Trust, Commitment, Communication, Customer Focus, and Knowledge Management) are zero. In this case, the constant is -216, indicating that the expected value of customer loyalty is -216 when all predictor variables are zero.

2. Trust: 0.345

For every one-unit increase in the Trust variable, holding all other variables constant, the expected value of customer loyalty increases by 0.345. This suggests that trust has a positive and significant influence on customer loyalty. The larger the Trust value, the greater the expected increase in customer loyalty.

3. Commitment: 0.378

Similarly, for every one-unit increase in the Commitment variable, holding all other variables constant, the expected value of customer loyalty increases by 0.378. This indicates that commitment also has a positive and significant influence on customer loyalty.

4. Communication: 0.204

For every one-unit increase in the Communication variable, holding all other variables constant, the expected value of customer loyalty increases by 0.204. This suggests that communication has a positive impact on customer loyalty, but the effect may be relatively smaller compared to trust and commitment.

5. Customer Focus: 0.618

For every one-unit increase in the Customer Focus variable, holding all other variables constant, the expected value of customer loyalty increases by 0.618. This indicates that customer focus has a substantial positive impact on customer loyalty. The larger the Customer Focus value, the greater the expected increase in customer loyalty.

6. Knowledge Management: 0.177

For every one-unit increase in the Knowledge Management variable, holding all other variables constant, the expected value of customer loyalty increases by 0.177. This suggests that knowledge management has a positive impact on customer loyalty, but the effect may be relatively smaller compared to other variables.

These interpretations are based on the given B values, which represent the change in the outcome variable for a one-unit change in each predictor variable, holding other predictors constant. It's important to note that these interpretations assume linearity, independence, , normality, and no multicollinearity in the regression model.

Accordingly, the regression equation would be:

Customer Loyalty = -0.216 + 0.345 * Trust + 0.378 * Commitment + 0.204 * Communication + 0.618 * Customer Focus + 0.177 *Knowledge management +. 072(St. Error)

4.6 Summary of hypothesis Testing

The coefficient of correlation matrix table indicates the strength and direction of association between Customer Relationship marketing quality dimensions and customer loyalty. A positive and strong relationship was revealed between the independent and dependent variables.

To support or not to support the pre developed hypothesis, this study checked the unstandardized Coefficient β value along with the significant value. By simply taking correlation and regression coefficients of variables, it is rational to conclude that this study confirmed that the formulated hypotheses are supported by the research finding.

Based on the results of the regression analysis, the hypotheses can be evaluated as follows:

H1: There is a positive relationship between trust and customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank. **Supported** - The regression analysis revealed a positive relationship between trust and customer loyalty, indicating that higher levels of trust lead to increased customer loyalty (β=.345; $p < .000$).

H2: There is a positive relationship between commitment and customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank. **Supported** - The analysis showed a positive relationship between commitment and customer loyalty, indicating that higher levels of commitment contribute to enhanced customer loyalty (β = .378 and $p < .000$).

H3: There is a positive relationship between communication and customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank. **Supported** - The analysis indicated a positive relationship between communication and customer loyalty, suggesting that effective communication practices contribute to greater customer loyalty (β = .204 and $p < .000$).

H4: There is a positive relationship between customer focus and customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank. **Supported** - The findings revealed that customer focus has the highest influence on customer loyalty among the dimensions studied, providing evidence for a positive relationship between customer focus and customer loyalty ($\beta = .618$ and the $p < .000$).

H5: There is a positive relationship between knowledge management and customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank. **Supported** - The analysis showed a positive relationship between knowledge management and customer loyalty, indicating that effective knowledge management practices can contribute to increased customer loyalty ($\beta = .177$ and $p < .000$).

4.7 Hypotheses Results

The Effects of CRM quality Elements on the Customer Loyalty

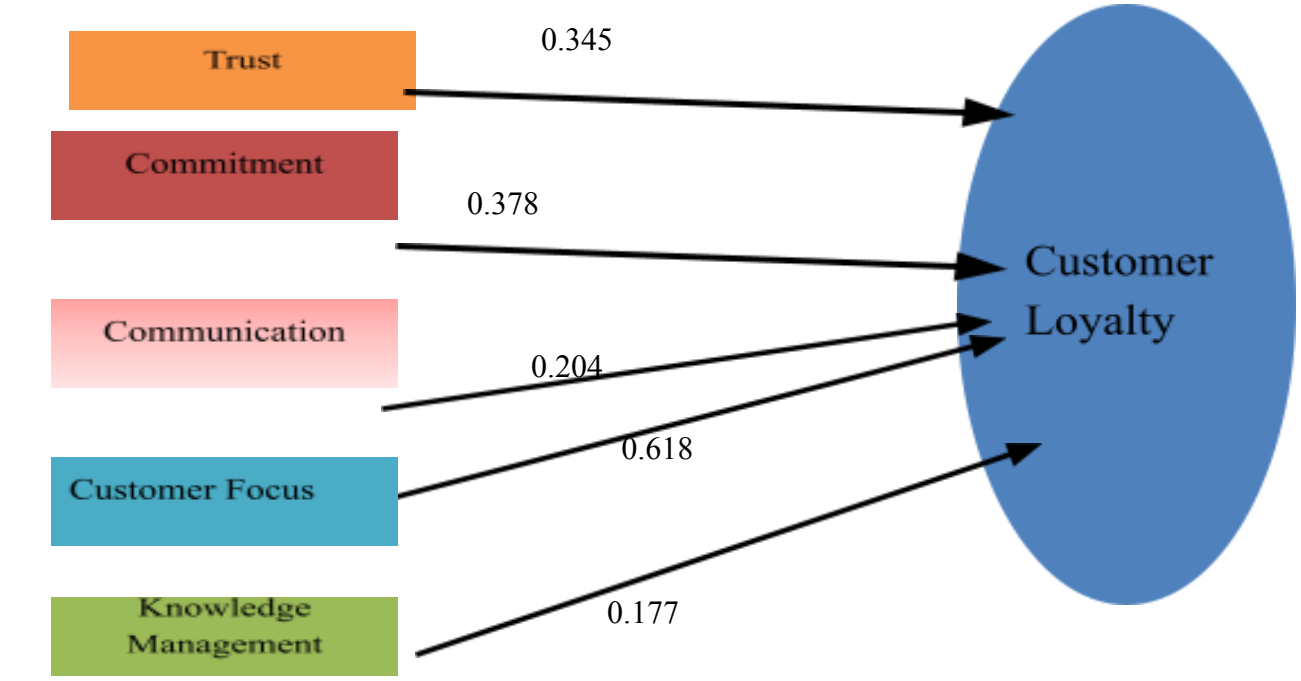


Figure 4.1: Results of Analyses Based on the Survey Questionnaire

4.8 Discussion

The findings showed that the developed variables significantly influence customer loyalty. All the five independent variables namely: trust, commitment, communication, customer focus and knowledge management have explained customer loyalty. This research ensured

the association between customer relationship Marketing quality dimensions' used and customer loyalty like that of most research findings discussed in the review part. Hence, the research finding is consistent with those studies carried out elsewhere. Thus, the effect of the independent variables on customer loyalty in this research is modeled as:

Customer Loyalty = -0.216 + 0.345 * Trust + 0.378 * Commitment + 0.204 * Communication + 0.618 * Customer Focus + 0.177 * Knowledge management +. 072(St. Error)

The results of the regression analysis revealed the relative influence of the different dimensions of customer relationship marketing on customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank. The analysis indicated that customer focus emerged as the most influential variable, with a higher beta coefficient (B = 0.618). This finding suggests that emphasizing customer-centric practices, tailored services, and personalized experiences can significantly contribute to enhancing customer loyalty among corporate customers. By focusing on meeting the specific needs and preferences of corporate clients, banks can foster stronger relationships and improve customer retention rates.

The second most influential variable was commitment, with a moderate beta coefficient (B = 0.378). This finding highlights the importance of fostering a sense of commitment and dedication to corporate customers in order to enhance their loyalty. By demonstrating a long-term commitment to meeting the financial needs and requirements of corporate clients, banks can establish a sense of trust and loyalty that promotes ongoing business relationships.

The variable of trust also demonstrated a positive influence on customer loyalty, although with a slightly lower beta coefficient (B = 0.345). This finding suggests that building trust through transparent and reliable financial services and maintaining a high level of integrity is essential for strengthening customer loyalty among corporate customers.

Communication and knowledge management, although still positively associated with customer loyalty, had relatively lower beta coefficients (B = 0.204 and B = 0.177, respectively). This indicates that while effective communication and knowledge sharing contribute to customer loyalty, their impact may be somewhat less pronounced compared to customer focus, commitment, and trust.

This research finding was consistent with the most known scholars in the area of customer relationship marketing. Buttle, (1996) indicated that conflict handling, key customer focus and trust are the 'key' elements because they encourage marketers to work at preserving relationship investments by cooperating with exchange partners, resist attractive short-term alternatives in favor of the expected long-term benefits of staying with existing partners, and view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically.

In addition, Similar to this particular study there are researches that concluded trust has a significant effect on customer loyalty. For instance, Macareigne (2009) showed in his finding that trust is one of the key customer relationship marketing dimensions that determine the customer loyalty. A study conducted by Yonnas (2014) showed that relationship management and service quality have a great impact on customer loyalty. In this particular research trust was identified as one of the most influential variable

Similarly, Meseret (2015) examined the influence of relationship marketing on customer loyalty and the finding showed that relationship marketing and customer loyalty are positively related in the Commercial Bank of Ethiopia.

And alsoAbebaw (2018) studied the effects of customer relationship marketing dimensions on customer retention in Nyala Insuranceand as per this research finding trust dimension of CRM was the highest determinant variable.

Again, Kassahun (2016) through his study entitled as the effects of customer relationship marketing on loyalty in the case of Zemen Bank explored that the four elements of customer relationship marketing namely: communication, trust, relationship-management and Conflict-Handling) demonstrate a positive and significant association with customer loyalty.

Furthermore, Kassa (2017) examined the effects of CRM on loyalty by taking trust, commitment, communication and conflict handling and found that all variables except, commitment had a significant effect on customer loyalty. In this study conflict handling with beta coefficient .518 was identified as the highest determinate of customer loyalty.

Most consistently, data analysis of this study shows that there is positive relationship among the independent variables too: Trust, Commitment, Communication, customer focus and knowledge management.

CHAPTER FIVE

5. Summary, Conclusion and Recommendation

This is the last section of the study which includes basic subsections like the research summary, conclusions, recommendations and further research directions:

1.1 Summary

This study examined the effects of customer relationship marketing quality on customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank operating in the fourth districts of Addis Ababa. In order to meet the objectives this study, the researcher has conducted both correlation and regression analysis using a total population of 6,200 and 376 sample size.

According the correlation analysis result, all the predictors have strong relationship magnitude with customer loyalty.

Whereas the regression analysis results are summarized here below:

- ✔ All the five predictors jointly explain 85.8 % of customer loyalty and then remaining 14.2% of variations can be explained by the other factors not included in the model.

- highest influence on customer loyalty among corporate customers in the studied banks, emphasizing the importance of tailoring services and meeting specific needs and preferences.
- Commitment demonstrated a positive influence on customer loyalty, indicating the significance of fostering dedication and long-term relationships with corporate customers.
- Trust was found to be positively associated with customer loyalty, highlighting the role of trust-building initiatives and maintaining a high level of integrity.
- Effective communication practices were shown to contribute to customer loyalty, emphasizing the importance of clear and open channels of communication with corporate customers.

- Knowledge management also exhibited a positive relationship with customer loyalty, suggesting that effective knowledge sharing and management practices can enhance loyalty levels.

5.2 Conclusions

This study examined the effects of customer relationship marketing quality on customer loyalty among corporate customers in Dashen Bank, Awash Bank, and Abyssinia Bank operating in the fourth districts of Addis Ababa. The findings shed light on the relative influence of various dimensions of customer relationship marketing, including customer focus, commitment, trust, communication, and knowledge management, on customer loyalty.

The results indicate that customer focus emerged as the most influential variable, followed by commitment, trust, communication, and knowledge management. This suggests that prioritizing customer-centric practices, demonstrating long-term commitment to corporate customers, and building trust through transparent and reliable services are critical for enhancing customer loyalty. Effective communication and knowledge management also contribute to customer loyalty, although their impact may be relatively lower compared to other dimensions.

5.3 Recommendations

Based on the findings of this study, the following recommendations are provided:

- Key customer focus involves the establishment of links between customer needs (Donaldson & O' Toole, 2002; Sousa, 2003) and customer satisfaction (Gebert et al., 2002; Sousa, 2003). A good knowledge of customer needs also increases customer loyalty and encourages repeat business which are important competitive priorities under CRM (Sousa, 2003). Thus, Banks should prioritize customer focus by implementing customer-centric strategies, offering personalized services, and tailoring solutions to meet the specific needs and preferences of corporate customers. A good knowledge of customer needs increases customer loyalty and encourages repeat business which are important competitive priorities under CRM (Sousa, 2003)

- Establishing strong commitment to corporate customers is crucial for fostering loyalty. Banks should demonstrate dedication, reliability, and long-term commitment through consistent service delivery and proactive relationship management.
- Building trust through transparent and ethical practices is essential. Banks should focus on maintaining a high level of integrity, providing reliable financial services, and ensuring transparency in all interactions with corporate customers.
- Effective communication channels and practices should be implemented to facilitate open and timely communication with corporate customers. Banks should ensure that communication is clear, consistent, and responsive to the needs and concerns of customers.
- In an organization knowledge management includes learning about customer needs and wants, dissemination of this knowledge within the organization (Sin et al., 2005). CRM practice uses customer knowledge as a means for enhancing customer relationships. CRM process can provide an opportunity for companies to profitably communicate with relevant customers (Plakoyiannaki & Saren, 2006). On the first hand, knowledge is viewed as one of the important and high valued organization assets for an enterprise. Knowledge management capability has four factors such as acquirement, transformation, application and protection. On the other hand, knowledge management has significant impaction to the customer loyalty and satisfaction (Wang et al., 2010). Hence, Knowledge management should be given due importance to support customer loyalty efforts. Banks should prioritize the effective sharing and utilization of knowledge, both internally and externally, to enhance customer satisfaction and loyalty.

5.4 Future Research Directions

This study provides valuable insights into the effects of customer relationship marketing quality on customer loyalty among corporate customers in the Ethiopian banking sector. However, there are several avenues for future research that can further enrich the understanding of this topic. Some potential directions for future research include:

- Investigating the impact of additional variables, such as service quality, technology adoption, and customer satisfaction, on customer loyalty among corporate customers in the Ethiopian banking industry.

- Conducting comparative studies across different banking sectors or regions in Ethiopia to examine potential variations in the relationships between customer relationship marketing quality and customer loyalty.
- Exploring the role of cultural factors and their influence on customer loyalty within the Ethiopian banking context, considering the diverse cultural landscape of the country.
- Conducting longitudinal studies to examine the long-term effects of customer relationship marketing quality on customer loyalty and to assess the sustainability of loyalty-enhancing strategies over time.

By addressing these research directions, future studies can further enhance our understanding of the dynamics between customer relationship marketing and customer loyalty, providing more comprehensive insights for banks operating in the Ethiopian banking sector.

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Appendices

Appendix 1

Research Instrument

ADDIS ABABA UNIVERSITY

Questionnaire

Dear respondent, I would like to thank you for taking the time to fill out the questionnaire. The objective of this paper is to see how Customer Relationship Marketing Quality Affects Customer Loyalty at the top leading private Ethiopian Commercial banks (Dashen Bank Abyssinia and Awash Bank). This survey is designed as part of my work for a Master of art in marketing management at Addis Ababa University School of commerce. All the information will be kept confidential and used **strictly** for academic purposes only.

Instruction:

Please, mark using either (☑), (☒), or (□) selection method based on your convenience in the appropriate box for your choice. Please, also make sure that your choice is visible.

Part I. General Information

1. How old are you? (Please, write your age in terms of years only). _____ (Years).
2. What is your maximum education level?

⬜ Elementary School	⬜ Diploma	⬜ Doctoral
⬜ High School	⬜ Degree	⬜ Professor
⬜ Vocational School Certificate	⬜ Masters	⬜ Other

3. What is your gender?

⬜ Male

⬜ Female

4. How long have you been doing banking business with the bank? _____ (Years)

Part II:Elements of Customer Relationship Marketing

Please answer each statement below by putting a circle around the number or mark ((☑), (☒), or (□)) that best reflects your degree of agreement or disagreement with each statement.

Key:

1 = SD: Strongly Disagree

2 = D: Dis Agree,

3 = N: Neutral,

4 = A: Agree,

5 = SA: Strongly Agree,

1. Trust	**SD**	**D**	**N**	**A**	**SA**
1.1. The bank is very concerned with security for my transactions.	1	2	3	4	5
1.2. My bank words and promises are reliable.	1	2	3	4	5
1.3. I have confidence in the service quality of the bank.	1	2	3	4	5
1.4. Employees of the bank are trustworthy.	1	2	3	4	5
1.5. My bank fulfills its obligations to me.	1	2	3	4	5
1.6. The bank is always honest with me.	1	2	3	4	5
1.7. I am certain that I will get a refund when an error occurs.	1	2	3	4	5
1.8. The bank is consistent in providing quality service.	1	2	3	4	5
2. Commitment	**SD**	**D**	**N**	**A**	**SA**
2.1. The bank always promises to provide good and fair banking practices.	1	2	3	4	5
2.2. My bank offers quality of personalized services to meet my needs.	1	2	3	4	5
2.3. The Bank's commitment to its customers is always focused on providing easy and speedy procedures.	1	2	3	4	5
2.4. My relationship with the bank is one that I care about.	1	2	3	4	5
2.5. My bank is flexible in serving my needs.	1	2	3	4	5
2.6. My relationship with the bank is worth my effort to continue.	1	2	3	4	5
3. Customer Focus	**SD**	**D**	**N**	**A**	**SA**

3.1. My bank provides me customized banking services	1	2	3	4	5
3.2. The bank strives to constantly surprise and delights me as key customer.	1	2	3	4	53.
3.3 The bank tries to strengthen the emotional bonds with key customers.	1	2	3	4	5
3.4 Employees of the bank understand my specific needs	1	2	3	4	5
3.5 The bank asks me about my feeling towards their responses for the service.	1	2	3	4	5
4. Communication	**SD**	**D**	**N**	**A**	**SA**
4.1. My bank provides timely and trustworthy information.	1	2	3	4	5
4.2. My bank provides information if there are new banking services.	1	2	3	4	5
4.3. Information provided by my bank is always accurate.	1	2	3	4	5
4.4. My bank provides early notice whenever there is a change during policy renewal (change in policy or interest rate change).	1	2	3	4	5
5. Knowledge Management	**SD**	**D**	**N**	**A**	**SA**
5.1. The bank takes customer feedback seriously and replies to them	1	2	3	4	5
5.2. The bank has effective customer recovery strategies including guarantees for service failures	1	2	3	4	5
5.3. The bank has a well-developed privacy policy to ensure confidentiality of data collected from customers	1	2	3	4	5
5.4. The bank has differential reward systems that reward customers based upon their profit/ revenue contribution.	1	2	3	4	5

Part III Customer Loyalty

Please, also indicate your agreement or disagreement level for the next statements, using the same method of selection as the previous section, concerning your interest to continue doing business with the bank.

6. Customer Loyalty	**SD**	**D**	**N**	**A**	**SA**
6.1. I consider myself to be loyal to this Bank	1	2	3	4	5
6.2. I say positive things about this bank to others	1	2	3	4	5
6.3 **I** will consider this bank for banking service in the next few years	1	2	3	4	5
6.4. I consider this bank as the first choice for banking service	1	2	3	4	5

Thank you again for your participation in this research,