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**FACULTY OF BUSINESS AND  
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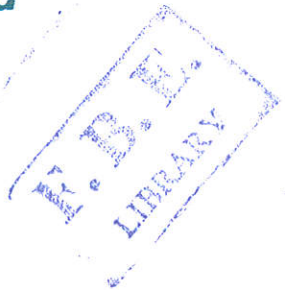
**MBA PROGRAM**

***Customer Relation Management:  
Comparative Analysis of Private and  
Government owned Banks***

***Submitted By: Eyob Adinew***

***Advisor: Salehu Anteneh (Ph D)***

***July, 2008***



**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF POST GRADUATE STUDIES**  
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***Customer Relation Management: Comparative Analysis***  
***of Private and Government Owned Banks***

By: Eyob Adinew



**APPROVAL BY BOARD OF EXAMINERS**

\_\_\_\_\_  
Chair Person's Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Dr. Salehu Anteneh

*Salehu*

24/07/08

Advisor

\_\_\_\_\_  
Internal Examiner's Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Dr. G. K. Musky

*G. K. Musky*

July 27, 2008

\_\_\_\_\_  
External Examiner's Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

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## **ABSTRACT**

A study was conducted concerning the veteran Commercial Bank of Ethiopia and some randomly assumed private banks [Dashen bank, United bank, Wogagen bank and Nib international bank] on the topic of customer relation management (comparative analysis of the two banks). The main objective of the study was to find out whether there is a significance difference in the customer relation management [CRM] as far as the two banks are concerned. Such study will help the banks to assess their current performance in relation to the issue raised. In the current free market economy effective manipulation of marketing strategies towards customer satisfaction strongly determines company's long run survival. To further carry out the objectives, the necessary data were collected using primary methods. Questionnaires were distributed to the customers and interviews were made with the banks officers. Secondary sources were also reviewed to come up with accurate remedy. Apart from this, sample sizes of 150 customers were assumed randomly from each sector. Then the data collected were edited, tabulated and some logical inferences drawn. The result of the study was analyzed using hypothesis testing (z distribution) and simple descriptive statistics. The out put of the study revealed that there is a significant difference between private and government owned banks as long as customer relation management is concerned. That is, when relatively seen with government owned banks, Private Banks recorded outstanding customer relation management system.

## CHAPTER ONE

### THE PROBLEM AND ITS APPROACHES

#### 1.1 Background of the study

We are now living in a very dynamic and technological period. Business organizations are in a continuous challenge that results from dynamic changes occurring in their environment. Business entities are competing for market share, goodwill, quality, public image etc. to attract and retain customers. It is the customer and he alone, through being willing to pay for goods or services convert economic resources in to wealth things. Besides this fact, thanks to the ever increasing competition, the business world is going in a different direction and all its activities are targeted at achieving organizational goals through Mutual satisfaction.



Companies all over the world are on the struggle to survive or death through fierce competition. Some are big and some are small, some are extremely wealthy and experienced, some are hopeful beginners with big dream, some are influential and have lots of connections and supports, and still some others may not have any of these. However, they all operate in the same globe. Some even in the same environment hence fight to survive. More over, all these firms concentrate and put their effort on some thing, some thing which is the corner stone of their business, customer satisfaction which is out put of effective customer relation management.

Customer relation management is a winning strategy for every service rendering businesses as it sustains confidence and bring competitive advantage. Customer relation management involves cultivating the right kind of relationships with the right constituent groups. Business not only do customer relation management(CRM),but also partner relationship management as well. The ultimate outcome of CRM is the building of a unique company asset ,a marketing network. A marketing network consists of the company and all its supporting stake holders (customers, employees, suppliers etc) with whom it has built mutually profitable business relationships. Here, the operating principle is simple: build an effective network of relationships with key stake holders, and profits will follow.

The commencement of banking in Ethiopia will soon be a hundred years old. This experience began when the first bank was established in 1905(the then Bank of Abyssinia) under the participation of government of Ethiopia and national bank of Egypt. How ever the environment was not smooth for more than half a century (invasion of Italy, the feudal system and the command economy) for banking business until the economic reform was made in 1991. Proclamation number84/ 1994 created several new opportunities for the private sector to be involved in the banking business. As result a number of private banks have joined the banking industry. This involved the founding of new banks like the bank of Abyssinia, the Awash International Bank, the Dashen Bank, the Nib International Bank, the United Bank, the Wagagen Bank and the like.



Currently, many researches are undertaken in the area of customer loyalty, customer relation management (CRM), Relationship marketing, One-to-One marketing and related topics for the sake of revealing facts significant to build successful relationships and promote profitable customer behavior. This is also a study that runs to depict customer relation management approaches in the banking industry. Therefore, this paper is fully devoted to make comparative study on the customer relationship management affairs of private banks [Dashen bank, United bank, Wogagen bank and Nib international bank] and Commercial Bank of Ethiopia [CBE].

## **1.2 STATEMENT OF THE PROBLEM**

Customer relation management is a very crucial and determinant factor for any business organization long-term survival. In today's free market economy effective and efficient customer relation management has emerged as a determinant factor for the success or failure of business entities objective. Those company meeting their customer's need and wants are enjoying the market with customer's loyalty and positive word of mouth. But with out effective and efficient customer relation management the aforementioned marketing success can not be generated.

In any economy the banking sector plays a vital role for overall development of agriculture ,business and different industries. What so ever capital has a bank, what ever the policy is framed, it is very difficult to be fruitful unless the customers are willing to respond in



a sustainable manner. Proclamation number 84/1994 depicted radical change in Ethiopian banking business .Although this leads the industry to more competitive situation ,the expansion of private business will have an adverse impact on the Economy.

The competition can be reflected under the instance when CBE is forced to relinquish its 100% monopoly position to the private sectors. In the past period CBE took its customers for granted as customers were not having alternative service providers. But now a days the market is growing so fast and things have changed. Therefore CBE must pay closer attention to its customer's defection rate and take steps to reduce it, so that Win Win scenario can be met. For this the company needs a continuous survey and studies. Besides this fact CBE is a bank with significant number of branches through out the country coupled with inefficient operations. On the contrary, the private banking industry revealed competent and efficient performance, as the numbers of private banks are now increasing at an alarming rate with better technologies. This intern results in customers shift from the previous sole banking service provider to the new ones'.Threre fore comparative study made concerning the two different sectors gives a substantial clue with regard to the sectors current performance and loose points.

The study generally addresses the following issues:

- Which factors have a positive and negative impact on customer relations of the two banks?

- Did the customer relation management of the two banks differ?
- Where is the loose point of the customer-bank relation?
- Which specific features of the bank have made customer to stick on?
- What kind of experience can the private and government banks share on customer relationship management

**Hypothesis:** - " the customer relationship management of private and government owned banks is different. The customer service provision practices in bringing customer satisfaction are more effective at privately owned commercial banks than government owned banks"

### 1.3 OBJECTIVE (PURPOSE) OF THE STUDY

Following are the anticipated certain predetermined objective that are required to be achieved from the study.

#### GENERAL OBJECTIVES OF THE STUDY

The fundamental theme of carrying out this study is to find out the possible customer relation dispersion observed between government owned banks and private banks. Therefore, the study strives to confirm whether there is a significant difference with respect to customer relation management as far as the two banks are concerned.



### **SPECIFIC OBJECTIVES OF THE STUDY**

Specifically the paper endeavors to address the following issues;

- 1) Compare the customer relation policies of the two banks.
- 2) Point out the customers comment on major problems of the two banks.
- 3) Assess the two bank's performance with respect to customer satisfaction, hospitality, speed, accuracy, technology and other related issue.
- 4) Identify factors which negatively affect customers' satisfaction of private and government owned banks.
- 5) Suggest some important strategies and modification to be adopted based on the observation results.

### **1.4 SIGNIFICANCE OF THE STUDY**

As customer, we benefit from insights in to our own consumption related decision. As marketers and future marketers, it is important for us to recognize why and how individuals make their consumption decisions, so that we can make better strategic marketing decisions. If marketers understand the customers' satisfaction level and attitudes, they are able to predict how customers are likely to react to various information and environmental cues, and are able to shape their marketing strategies accordingly. With no doubt, marketers who understand customers need and want have great competitive advantage in the market place. In general, undertaking such study is very crucial for the following and the like reasons:

- 1) The banks will have a look towards their systems through customers view.
- 2) The banks can compare their performance in terms of customer relation management.
- 3) The paper will be able to unlock the challenges/problems pertaining to customer bank relation management on the basis of comments collected from customers.
- 4) Customer will be able to speak their feelings collectively via this paper
- 5) Moreover, the paper can be used as a reference or important input for all interested parties who just want to conduct a study in such or related issue.

### **1.5 SCOPE AND LIMITATIONS OF THE STUDY**

The major limitation for the study came from the time and budget deficiencies. Though large sample size gears the result to perfect representative of the total population, due to the expected time and financial constraints the researcher was forced to rely on small sample size which were taken only with in two months. Besides, some research subject found reluctant toward the cooperativeness required from them. Despite all these limitations, unrestricted efforts were employed in collection, analysis and interpretation of the data in order to come with accurate and relevant result.

These days the functional Ethiopian Government banks are:-

- Construction and Business Bank (CBB)
- Development Bank of Ethiopia (DBE)
- Commercial Bank of Ethiopia (CBE)



- National Bank of Ethiopia (NBE)

Among the aforementioned banks the paper only deals with the commercial bank of Ethiopia, which is the major subsidiary to NBE; the higher administrator of the country financial sector.

On the other hand private owned commercial banks are:-

- Dashen bank
- Bank of Abyssinia
- Lion international bank
- Nib bank
- Awash bank
- Wegagen bank
- United bank

The findings of the research would be more fruitful if it were conducted widely by including other similar firms. But, due to time, labor and money constraints it would be too tedious and out of the reach of the researcher to include all firms. Thus, the study is delimited to treat the problem in four randomly selected private banks. Moreover, the coverage scope of this paper will be limited to four randomly selected branches of CBE. Customers who are found outside of Addis Ababa and other commercial banks are excluded. The sample size was 150 customers from each sector. The scope of the study is also delimited to customer relation management.

## **1.6 METHODOLOGY**

### **SAMPLING DESIGN**

The study was made in Addis Ababa to discover the fact whether there is a significant difference in the customer relation management approach. (Private Vs government owned banks). The subject matter of the study revolved around some four randomly selected private banks[] and commercial bank of Ethiopia. In addition, commercial bank of Ethiopia was also delimited to four randomly selected branches.

Since the population of the subject range from many loyal customer to stranger who arrive to send money or foreign exchange, the population size was taken as infinite.

The sample selection process among the afore-mentioned population elements took place using the probability sampling method. That is each of the sample frame elements have a known chance of being selected. Besides, the subjects were allowed to participate in the inquiry only once. That is the sampling was done with out replacement.

### **SAMPLE SIZE**

The maximum sample size identified for the sake of undertaking the study was 150 from each sector. (Private & government). These research subjects were assumed randomly from the given banks with in the allotted time period.

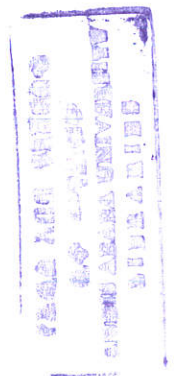
## **DATA COLLECTION**

As far as the data collection method is concerned, initially an interview was conducted with vital bank personnel's concerning common customer complaint source and other relevant information, which in turn helped the researcher to know the current system. All individuals identified as potentially suitable towards the subject matter were the ultimate source of the data. The data required from customers were collected using Primary method of data collection, and the data collection tool employed to further carryout the objective was a questionnaire. This method has many advantages and moreover it is highly compatible with the achievement of the objective, as it is reliable and accurate. Initially **pilot survey**, interview of some selected four or five customers was made and based on the response obtained some possible arrangements were administered towards the inquiries.

The data were collected by those people who are trained data collectors. Here the researcher was expected to actively lead and control the interview so that accurate and valuable data can be collected. Whenever necessary, some unstructured interview methods, indirect methods as well as systematic approach were employed to obtain some subjective responses which are difficult to be gathered via the questionnaire.

## **TEST STATISTICS**

For comparison purpose of the two infinite populations with known sample size, sample means and variance, with an assumption of normally distributed population and a sample size greater than 30



is the Z distribution. That is a test statistics of "Z" distribution will be appropriate:

$$Z = \frac{(X_1 - X_2)}{\sqrt{\frac{\delta^2_1}{n_1} + \frac{\delta^2_2}{n_2}}}$$

X – Sample mean

$\delta^2$  - Variance of the sample

n – No of individual in the sample

### **HYPOTHESIS TESTING**

Ho:-  $\mu_1 = \mu_2$ :- there is no significance difference in the average customer relation management system in the two banks.[Government and Private banks respectively]

Ha:-  $\mu_1 \neq \mu_2$  :- there is significance different in the average costumer relation management system in the two banks.

The level of significance will be 5% as most social science researchers.

### **DATA MEASUREMENT**

The study specifically strives to address and assess the significant distinction existing with in the two banks. Here an attitude scale questionnaire which runs from one up to five was employed for the following basic variables, so that the expected values and standard deviation figures can be computed.

- Hospitality

- Technology

- Speed

- Accuracy

- Responsiveness
- Assurance
- Customer satisfaction

In addition, the common business research inquiry make ups, objective questions, were employed to testify the hypothesis formulated.

### **PROCEDURES OF DATA ANALYSIS AND PRESENTATION**

Once the sample size is determined and data collection is over the next step is the analysis and presentation of the data. The questionnaires back will be edited (scanned) to make sure that they are complete, consistent and instructions were followed.

Eventually the data were organized, analyzed and presented using tables and histograms. The percentage figure will be closely analyzed to watch for the possible comparisons and patterns. Using these figures then logical inferences will be derived based on the weight of each response category and over all hypothesis testing will be conducted to confirm the null hypothesis.

#### **1.6 Organization of the study**

The entire study is composed of five separate chapters. The first chapter indicates the problem and its approaches. The second chapter deals with review of related literatures. The third chapter shows banking profiles. Analysis, interpretations and presentations of data are part and parcel of the third chapter. The fourth chapter ends this study with findings, conclusions and possible recommendations.

## CHAPTER TWO

### LITERAURE REVIEW

#### 2.1 DEFINITION

Customer Relationship Management is the process of managing detailed information about individual customers and careful managing all customer "touch points" to maximize customer loyalty. A customer *touch point* is any occasion on which a customer encounters the brand and product-from actual experience to personal or mass communications to casual observation. For a hotel the touch points include reservations, check-in and check-out, room service, laundry service, restaurant, bars etc.<sup>1</sup>

**Customer Relationship Management (CRM)** is a multifaceted process, mediated by a set of information technologies that focuses on creating two-way exchanges with customers so that firms have an intimate knowledge of their needs, wants, and buying patterns. In this way, CRM helps companies understand, as well as anticipate, the needs of current and potential customers. Functions that support this business purpose include sales, marketing, customer service, training, professional development, performance management, human resource development, and compensation .<sup>2</sup>

According to Jacqueline' Dunckel and Brain Taylor, customer service or good' customer relation can be described as expectations:

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<sup>1</sup> Philip Kotler and Kevin Lane Keller; Marketing Management, 12<sup>th</sup> ed. Prentice hall, 2006 pp152-153.

<sup>2</sup> Adrian Payne and el. al Relationship Marketing for Competitive advantage: Winning and keeping customers, Butter worth -Heinemann Ltd. Great Britain, 1995 pp197.

- The expectation that a product will produce the benefit promised.
- The expectation that the service will be of the standard promised
- The expectation that, if expectations are not met., the seller will make good on the promise.<sup>3</sup>

**Customer Relationship Management (CRM)** refers to the methodologies and tools that help businesses manage customer relationships in an organized way.<sup>4</sup>

## 2.2 Importance of customer relationship management

Customer relationship management enables companies to provide excellent real-time customer service through the effective use of individual account information. Based on what they know about each valued customer, companies can customize market offerings, services, programs, messages, and media.<sup>5</sup>



CRM Customer Relationship Management is used to help businesses understand their customer, understand their customers' wants and needs and serve them more efficiently and effectively. In turn this will help the business to improve customer satisfaction, increase staff productivity, slash operational costs and maximize the effectiveness of each customer interaction - CRM

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<sup>3</sup> Jacqueline Dunkel and Brian Taylor; Keeping Customers happy;strategies for success Jaico pub.2003 pp1

<sup>4</sup> Kotler and Keller op. cit pp 153

<sup>5</sup> Helen Peck and et .al Relationship Marketing: strategy and Implementation,ReedEdu.plsh. 1999 pp84

processes that help identify and target their best customers, generate quality sales leads, and plan and implement marketing campaigns with clear goals and objectives.

- CRM processes helps to form individualized relationships with customers (to improve customer satisfaction) and provide the highest level of customer service to the most profitable customers;
- CRM processes provide employees with the information they need to know about their customers' wants and needs, and build relationships between the company and its customers.

Customer Relation Management is important because a major driver of company profitability is the aggregate value of company's customer base.



Customer relation management is a significant tool of acquiring high customer equity, which is the total of discounted life time values of all the firm's customers.<sup>6</sup>

Good customer relations are a continuing mutually satisfying contract between two economic entities. Brian Taylor and Jacqueline Dunckel argue that if one wants not to lose customers, he has to commit himself to customer relation ship program. In addition to quality products, customers want to be treated with special care, to be made to feel important in spite of the size they purchase. They want to feel confident that the seller will be there

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<sup>6</sup> Ibid pp 122

for them if anything goes wrong and also they want to have a sense of trust and loyalty for them. Loyalty to a business brings customers back again and a gain. Loyalty makes customers recommend you to others. They expect your employees to find what they want, need and expect. If you don't do this they would be forced to others best alternatives and. it needs much time, money and effort. Even it may be impossible to bring them back who would never have left if they had been treated properly.

According to Dr. John J. self, customer service is any act whether active or passive, between a customer and a company, which causes a positive or negative perception by a customer. The perception will be influenced to be either positive or negative by the customer's expectation of the contract having been met, exceeded or disappointed.

T. self argue that good customer service must be established and exercised throughout the Organization starting at the top level management to the most lowest individual workers who have contract with customers. This customer handling activity must be reorganized, rewarded, and sustained by being ingredient into the fabric of the company. He noted that by handling customers correctly, we can turn customers into the most loyal ones.<sup>7</sup>

### **2.3 Effective use of information builds key customer benefits**

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<sup>7</sup> [http:// www. Sidroad.com / cs / column / html](http://www.Sidroad.com/cs/column/html)

The issues surrounding the collaboration of knowledge and delivery have to do with the management of the data and processes involved as well as some very emotional aspects of the customer's relationship with the bank and the extent to which individual customers perceive the bank as a threat to their privacy. To build on the full strength of this collaboration, banks need to completely understand the issues surrounding the use of knowledge, and then tread lightly.

Data acquisition through customer interaction is determined by the delivery channels, themselves, or through some integrated channel management architecture. Institutions are already collecting most of the available information today such as customer identity, accounts, channels, transactions performed, time of day, and all the pieces of information that have some value to the institution. Such basic information is included in the transactions that are sent to the core banking system or to some external system such as a credit processor. For now, there seems to be no need to collect additional information that is not currently acquired. What is required is the use of the data in managing the relationship with the customer in a more fulfilling way.

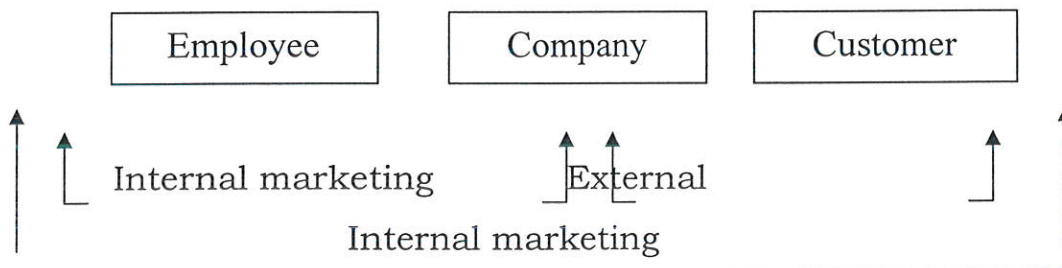
## **2.5 Marketing strategy for service firms**

### **Characteristics of service**

In relation to marketing program Kotler described that services have four key characters. These are:- intangibility nature of service(it has not physical nature) ,inseparability(unlike tangible

goods, it cannot be stored for later sale), heterogeneity or variability (their quality depends on who provide them), perishability (due to their nature of not perishability, they can not be stored for the later sales or use)

According to Kotler and Keller, there are three types of marketing strategies



**Fig. 1 the three types of marketing in service industry**

Source : Kotler and Keller[Marketing Management],2006 pp 96

- External Marketing: - Any normal work done by the company to prepare price, distribute and promote the service to customers.
- Internal Marketing: - Any internal work of the company that makes the employees, serve customers well. This include train and motivate it's employees, preparing conducive environment to the employees so that they can do their duties effectively and effectively and efficiently to satisfy customers' needs an wants.
- Interactive marketing: - This describes the relation and interaction between employees and customers. The employees' skill in serving the client falls in this kind of marketing. The client judges service quality not only by its technical quality but also by its functional quality.

## 2.6 customer satisfaction

Behind every successful business, there is a very critical ingredient of business functions i.e. Customer satisfaction. This vital fact must be recognized and aware of by each person in the organization. Each one should do their job having in mind this question: How does this particular operation contributor to customer satisfaction', A number of non-value added actives that do not mean any advantage to the customer. In many cases customer is not willing to pay for this non-vale added activities. In this case there must be some improvements that the company can implement that will add real value (the kinds of value that customer is willing to pay for) <sup>8</sup>

According to Denton, those companies that do focus on customer satisfaction are the ones that have operationally defined quality.<sup>9</sup> The main two intangible assets of the company, customer loyalty and corporate image are obtained from real reward of customer satisfaction. <sup>10</sup>

If organizations want customer satisfaction, Denton added that they must be willing to invest in it. At the very least they must monitor customer preferences and desires to help ensure customer satisfaction. In many cases just the effort of monitoring seems to

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<sup>8</sup>Michael J. wing " talking with your customers; what that will tell your business when you ask the right question " ,dearbon ,financial publisher inc. 1993

<sup>9</sup> D. Keith Denton , " How to give quality service to your customers" ,Gulf pub.co. Houston Texas 1989

<sup>10</sup>. Ibid

improve customers' satisfaction. In order to help employees understand their role in developing customer satisfaction, training and motivation play vital role and also critical to customer satisfaction is an organizations' commitment to testing. High standards and implementing comprehensive testing. Customer's satisfaction doesn't just occur. It takes close follow-up and a perfectionist attitude. As the saying goes, "Good, better, best, never let it rest till your good is better and your better is best".

An organization must create a positive climate between employees and management. The management shouldn't believe employees are "necessary evil and are always against them. But they are the solution to customer satisfaction. Management has to support its people so that they in turn can support their customers because services need dedicated people.



## **2.7 The importance of customer satisfaction**

If it is needed to stay competitive in today's market place; satisfying customer is the only way. The performance of service and product must meet customers' expectations. The balancing act between what customers want and what your company can provide must be optimized in order to maximize your firm's long term profit. This occurs in two ways.

- With precise information, companies can focus on issues that truly drive customer satisfaction. A directed focus often leads to cost reductions because companies can emphasize
-

improvement in areas customer concern and de-emphasize focus in other areas.

- Focusing on motivators of customer satisfaction leads to more loyal customers who tend to be the most profitable customers. An inclusive customer satisfaction and loyalty program can, therefore be considered a source of future profit.<sup>11</sup>

## 2.8 Investing in customer satisfaction

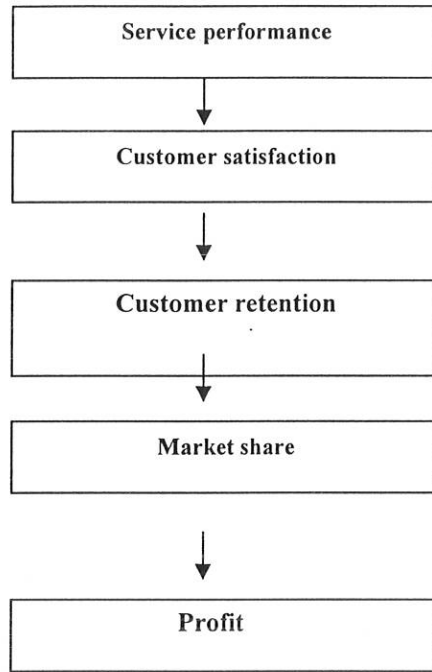
Customer satiation needs investment decision and it must be incorporated in company's goal. It should be realized that in order to get any return on investment in customer satisfaction, commitment of management's time and front-line personnel is necessary. Customer satisfaction is the out come of quality service. It produces real rewards for the company in the form of customer loyalty all.d corporate image. On the other hand lack 0 customer satisfaction produces real liabilities and punishment in the former loosing profitable customers. Customers go back business again and again because they know its quality they know they will get consistent service. So service they know they can depend on the people companies should recognize the value of a satisfied customer and the commitment is decision to invest in customer satisfaction program. <sup>12</sup>



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<sup>11</sup> [http:// www decision analyst .com / service / satisfaction. asp](http://www.decisionanalyst.com/service/satisfaction.asp)

<sup>12</sup> Denton op. cit pp 14 - 15



**Fig 2 Chain of events that leads from quality to profits**

**Source: Ronald T. and et.al ,Return on Quality 1994 pp96**

Here, attractive service performance brings customer satisfaction, which in turn gives a boost towards customers retention coupled with market share and eventual profit. <sup>13</sup>

### **2.9 Service Quality**

According to researchers and managers of service firms, service quality involves a comparison of expectations with performance service quality is measure of how. Well the service level delivered matches customer expectation. Delivering quality service means conforming to customer expectations on a consistent basis<sup>14</sup>.

Denton mentioned some reasons behind why the quality of service becomes: important. These reasons are; <sup>15</sup>

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<sup>13</sup> Ronald T. Rust and et. al : Return on quality: measuring the financial impact of your co. 1994pp96

<sup>14</sup> Adrian Payne and el. al Relationship Marketing for Competitive advantage: Winning and keeping customers, Butter worth -Heinemann Ltd. Great Britain,1995 pp197.

<sup>15</sup> Denton op .cit pp 23

- Customers are getting more and more critical of the service they receive
- Service has become a major component of GDP of a country:
- Many service industries with narrow previous markets are competing in wide.

The founder of Hallmark cards inc., Joyce C. Hall disclosed that the most powerful, tool for shaping perception of overall quality is customer service. He also added "If a man goes in to business with only the idea of making a lot of money, chances are he won't but if he put service quality first, the money will take care of itself." Service quality is measured on two levels.<sup>16</sup>

Technical Quality: - the overall efficiency with which the bank handles its customer accounts in terms of prompt statements, rates of interest earned and so on.

Functional quality: - the way the service is actually delivered. This includes personal courtesy, the service environment in terms of comfort and decor, the customer's own role.

### **2.10 Degree of Service Quality**

In terms of degree quality is defined in two types. Delton identified quality as;<sup>17</sup>

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<sup>16</sup> Steve Baron and Kim Harris, *Service Marketing : Text and Cases 2<sup>nd</sup> ed.* New York 2003

<sup>17</sup> Denton Op . cit pp 5 - 9

1. Inferior service: - the reasons for this are:

- Lack of knowledge of their product by sales people
- Banks may not load enough money in the ATM.
- Prices are hot marked on merchandise, etc.

2. Superior quality: - companies those become successful in their business are due to rendering superior service. They got their experience of giving quality service from different angle.

### **2.11 Determinants of quality service**

Since service is intangible, its quality can't be determined from. Physical features which can be seen and touched. Rather the quality of any service can be determined from the following characteristics;<sup>18</sup>

- Reliability:- The performance and dependability should be consistent
- Responsiveness:- It relates to the employees. It concerns the willingness or readiness of employees to provide the service.
- Competence:- Mans possession of unique required skill and knowledge (which other companies don't have) to perform the service.
- Access:- involves approachability and area of contact
- Courtesy:- should be exercised by all personnel in the company. It includes politeness, respect, consideration and friend ness.

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<sup>18</sup> Colin G . Armistead " outstanding customer service; Implementing the test ideas from around the world, Richard D. Irwin inc. 1994 pp 151



- Communication: - There must not be misunderstanding between employees and customers. Customers should be informed in language they can understand and listen.
- Credibility:- It is the main one that customers need from the company's employees. It involves trust worthiness, believability and honesty in addition security from danger an risk is needed by customers.
- Understanding: - employees should have knowledge of customers' wants and understand their needs.
- Tangibles: - includes physical evidence of the service appearance and quality of facilities and equipments etc. The three main categories of techniques, which can be employed to monitor service quality, are: <sup>19</sup>
- Internal performance analysis: a key indicator to quality performance is customer retention level.
- Customer satisfaction analysis:":, Market research, follow up questionnaires, and courtesy calls should be implemented and a proper system for handling complaints set in place.
- Specialist market research:- involves a number of techniques, but perhaps the most common is the mystery shoppers' technique. A mystery shopper is a trained market researcher who visits the branches of the service provider and poses as an ordinary customer. They will assess such aspects as the expertise of the staff, courtesy and response times and will report back their findings. Mystery shoppers are widely used by banks.

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<sup>19</sup> Helen Hood ruffee " Service Marketing " pitman publishing inc. London 2000 pp 34

### **2.12 How to sustain service quality**

- ❖ Invite criticism from others
- ❖ Have a "hank room" poster scheme on a service quality Theme where possible.
- ❖ Review service quality at staff meeting and round tables
- ❖ Nominate at least one colleague per year for service quality award.
- ❖ Submit at least one suggestion per year to stall suggestion scheme i.e. operational suggestion scheme. This may encourage staff to identify problems and find solutions to problems.
- ❖ Set specific service quality goals and measures performance
- ❖ Participate in service action teams'
- ❖ Be aware of good/ bad service at all times-what we learn from these experiences.<sup>20</sup>

### **2.13 The customer's perception of service quality**

Regardless of size, every business has reputation of the quality of goods and services delivers. But the service image is different among companies. Because some in fact, give excellent service than the others. Un title other hand, those with poor customer perception have traditionally placed less emphasis on making the customer aware that he is getting a good deal. Consequently, the customer takes the good service for granted, and only thinks of the

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<sup>20</sup> Service quality standard, CBE, Addis Ababa, 2004 pp 23

company when something goes wrong. Perception is how we make sense out of what we experience. Our interpretation of what we see and hear is just that-our perception. Since the same is true for customers, it is perception of the quality of service that determines how successful our business will be. It is not the quality of service that we give but the quality of service that the customer perceives that causes him to buy and come back. <sup>21</sup>

Some important task in shaping a high quality service image in customer's eyes is. <sup>22</sup>

1. Develop a customer profile: - having a clear and complete picture of the kind of customer you intend to win and retain and the suitable service important to them.
2. Look at your business through your customer's eyes.
3. Be aware of over promising and building unrealistic expectations.
4. When any problem arises, use them as good opportunities to demonstrate just what great service your company gives.  
Customers judge what quality of service in two ways.
  - a. how well you deliver what you promise
  - b. how you handle expectations and problems.
5. Develop a unique and favorable relationship with your customers and treat each one as someone special.
6. Contact them any time and keep them informed any thing they need.

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<sup>21</sup> CBE's Customer service Manual pp 14

<sup>22</sup> Ibid, pp 18

## 2. 14 Service Excellence

Customers come to you in order to satisfy their needs and requirements your effort that satisfy the customers is referred to as service excellence. It is just giving customers with what they want, when they want it and at a reasonable price. For any profit and non-profit organizations' future, service excellence is vital and decisive one for their existence. Generally service excellence is:<sup>23</sup>

- The heart and soul on which a business should be built.
- The most critical one in order to maintain the highest market share and drive customer loyalty, attraction and retention;
- It is based on exactly listening the customer heart beat and identifying their real need through various customer feedback programs. It is not based on assumption or trial and error.
- Not an act of chance; it is an out put of deliberately preplanned Activities.
- A deliberate reaction to customer requirements.



The benefits of service excellence are:<sup>24</sup>

- Improve awareness of organization objectives
- Improve optimize utilization of resources
- Identify and rectify problems at the earliest stage and avoid recurrence
- Improve customer satisfaction and competitiveness in today's dynamic market treat and increases good opportunities for cross selling.

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<sup>23</sup> CBE's Newsletter, the public relations of CBE ,1993 pp 8 - 9

<sup>24</sup> Ibid pp 15

- Used as employees' job satisfaction mechanism and increase their moral and commitment to the organization's objective.
- By satisfying customers, it maintain customer loyalty and create good image Meets customers needs in a better way by avoiding dissatisfaction and by adding new features.

The today's competitive and dynamic market place needs companies to take care of their customers. If they fail to do this, some competitor will do his best and take the customers towards him. In order to render better service to customers. Mora divides customer service into four steps.<sup>25</sup>

1. Identify your Customer based on their categories by developing customer profile.
2. Frequent communication is essential to learn what your customer's expectations are about your service or product.
3. Produce new or modify your former product service according to that information obtained from customers while doing this you have to be sure that every one in your company is aware and willing to improve the customer service vision and mission.

## **2. 15 Principles of quality customer service**

There are principles in dealing with customer service. Companies should follow the following major principles;<sup>26</sup>

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<sup>25</sup> Armistead, op . cit

<sup>26</sup> [http: // www . dohe i.e /public customer service / principles.html](http://www.dohe.ie/public/customer/service/principles.html)

1. Quality service standard:- publish a statement that outlines the nature and quality of service which customers can expect and display it prominently at the point of service delivery.
2. Physical Access: - provide clean accessible offices that insure privacy, comply with occupational and safety standards and, as part of this, facilitate access for people with disabilities and others with specific needs.
3. Information:- clear, timely and accurate information should be provided at all points of contact with customers to meet the requirements of people with specific needs.
4. Time lines and courtesy: - deliver quality services with courtesy and avoid any delay that creates unfavorable climate and mutual respect between provider and customer.
5. Complaints:- Since complaints are good sources of service excellence well publicized, accessible, transparent and simple to use system of dealing with complaints about the quality of service provided should be maintained.
6. Appeals:- similarly, maintain a formalized, well publicized, accessible, transparent and simple to use system of appeal! Review for customers who are dissatisfied with decisions in relation to service.
7. Consultation and evaluation: Meaningful consultation with and participation by the customer in relation to the development, delivery and review of services must be established. It insures meaningful evaluation of service delivery,
8. Choice: - Many alternative choices should be prepared for customers regarding service delivery including payment method, locations of contact points, opening hours and delivery times.

9. Better Co-ordination: - Service should be delivered in the way that every unit. of the company is co-ordinates and integrated to satisfy customers need.

10. Internal Customer:- ensure staffs are recognized as internal customer and that they are properly consulted with regard to service delivery issues.

## **2. 16 Keys to customer-driven service**

1. Commitment and involvement of top management in customer satisfaction is very essential.

2. Identify strengths and barriers to customer satisfaction and take the necessary measures to insure customer satisfaction.

3 Establish regular contact with customers to learn and meet their needs, expectation and requirement.

4. set goals and visible performance measurements to compare performance and goal.

5. Policies, strategies and system must be customer oriented.

6. Managers should be committed to new customer-driven culture and must be trained in new role of customer handling.

7. By applying different incentives methods, build employees' Motivation commitment and self-esteem.

8. Empower and train frontline employees at all levels.

9. Problems should be solved and continuously improved <sup>27</sup>



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<sup>27</sup> Joan Cannie Koob with Donald caplin Keeping customers for life ,Ama . com American management association,USA,1991 pp38

## 2. 17 The customer service Triangle

To be useful, in providing a framework for providing good customer service Albrecht and Zemke developed the customer service triangle.



Fig 3. The service triangle

Source : Armistead 1994 pp 13 .

The reason why customer is at the center of this triangle is because every activities must be seen in its impact on customer satisfaction understanding how the customer views the performance of the organization is more valuable than accepting an internal view. The following section illustrates the elements of service triangle and what they demonstrate. <sup>28</sup>

Strategies: - the customer service and support manger must develop realistic statements about the role of the support, the way that it is to be measure, and the priorities for improvement. The value of service and support to customer and aspects that treat a competitive advantage for the organization must be expressed in the strategy which is not a wish list but a fully resourced statement of intent.

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<sup>28</sup> Armistead Op. Cit , pp 13 - 14

Systems:- Subsequent to clarifying the strategy, the systems employed by the customer service and support organization must be reviewed in light of any changes in content or emphasis in the service task systems to control quality, information, materials and productivity are included here. A principle to be observed is to insure that key measures that have significant impact on customer satisfaction as for example response time. are consistently achieved because the system has sufficient capacity to do so.

People: - the service is delivered by the people who will be more effective if they are aware of the scope of the task, and this can be achieved through a consistent service strategy. If they are needed to be committed and more effective, they should have the opportunity to contribute to its formulation and the system used should help rather than prevent service.

The service provider customer Team:- If there is strong bondage between provider and customer. Customer perceptions of service quality are generally enhanced because the provider will tend to try harder because the customer is appreciative, and the customer may be more forgiving of detail problems because it is apparent that the provider is trying hard.

## **2. 18 Barriers to customer-driven service**

Satisfying customers need is not a simple task. While trying to provide the best service to its customers an organization may face the following difficulties. <sup>29</sup>

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<sup>29</sup> Koob Op. Cit pp 29 - 30

1. Policies which is convenient for organization to implement and control the activities may inhibit everyone's ability to satisfy customers.
2. Job specification of the organizations may prevent one person from providing full spectrum of service to customers.
3. Different units in the organization such as sales, production, shipping, accounting and marketing people may not function in a coordinated fashion. Because of this service process and service delivery could be delayed and miscommunication happened.
4. Decision making power and customers are too remote away so that decisions would be delayed.
5. Arbitrary services policies
6. Top priority on cost containment spending extra time with on unhappy customer.
7. If there is little training, empowerment, or motivation for delivering service quality excellence and if employees' efforts to make customer happy are not rewarded or if employees are not empowered, they often lack motivation to solve problems and they really do not care about customers or the organization.
8. Because of the farness of executives from customers, they may not really know what customers know and expect ;so they hope that just being nice will be enough while customers demand more than courtesy.
9. The main task of customers' service is to prevent problems from their occurring in the first place. But in many



companies customers' service becomes ways to fix problems.

10. Some studies identified that 80% of the problem relating to customers is management related. Front line contact people are powerless to solve most customers' problems and they are supposed to smile.

### **2.19 Handling customer complaints.**

The complaints that customers make are clear indicators of customer dissatisfaction. Many companies keep in touch with customers by looking deeply and analyzing these complaints. Complaints can be made directly to the provider or indirectly through intermediary or a regular agency. Poor quality service complaints may provide a rich source of data information for improving service quality, if they are treated constructively.<sup>30</sup>

However, customer complaints are mostly inadequate sources of information. Because most customers don't complain to provider himself rather they remain dissatisfied, and tell others about their dissatisfaction.<sup>31</sup>

In highly established market oriented organizations, complaints analysis is performed to point out where the process of service delivery is brake down. The analyses of complaints play an

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<sup>30</sup> Palmer Adrian, " service marketing: principles and practices," New Jersey, Hall inc. 1995, pp 150

<sup>31</sup> [http:// www. Business town .com /marketing / Customer .asp](http://www.Business town .com /marketing / Customer .asp)

important role in keeping in touch with customers and rectify any evident problems. In addition, the receipt of complaints by the firm enables staff to enter in to direct with the customers and provides an opportunity to interact with them about their concerns. In addition to particular issues, complaints can also contribute views about customers' service in general.<sup>32</sup>

The underling reasons behind customer complaint programs establishment are:<sup>33</sup>

1. Constructive complaints point out where the weak point is and help to take corrective actions on the areas that need improvement.
2. Complaints give you a second chance to provide improved service satisfaction to dissatisfied customers.
3. Customers loyalty is strengthen by complaints in the way that complaints give you a chance to show your customers that the great service you give and that you are willing to do whatever is reasonably possible to see that they are re satisfied.



Settlement of complaints rapidly creates more customer loyalty. Because customers are much more likely to remember the "extra touch," fast action, and genuine concern that you show when they felt dissatisfied. In addition to creating bad image to your organization, dissatisfied customers who feel mistreated have been known to sue and the court decision may be in favor of the complaint. The penalty could be a great deal of money and if the worst come ; your company could be shut down by the court.

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<sup>32</sup> Ibid

<sup>33</sup> CBE customer service manual

The following points must be considered managing customer complaints.<sup>34</sup>

1. Make it easy for your customers to complain and your customers will make it easy for you to improve.
2. Responding to complaints quickly and courteously helps to improve customers' loyalty.
3. Resolving complaints on the first contact saves money by eliminating unnecessary additional contacts that maximize costs and help to build customer confidence.
4. Complaint handling should be performed by utilizing technology.
5. Recruit and hire the best for the customer service jobs.

## **2.20 . Customer retention**

Customer retention ,as the name indicates, means keeping customers continue to deal with a company by meeting they frequent and flexible needs.<sup>35</sup> Alternatively this means making customers very satisfied so that they will be less likely to find another company that ,they believe, can satisfy them at the same high level.

The effect of the damage done by disappointed customers on a company is two fold. It means a loss of dissatisfied customer's life time earning and reluctance on the part of potential customers to do business with this company whose reputation have been vanished badly by the dissatisfied customer. Customer retention therefore refers to resolving customers' complaints satisfactorily and making them loyal.

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<sup>34</sup> [http:// www cal centers . com . Av// customer complaint .html](http://www.calcenters.com/Av/customer/complaint.html)

<sup>35</sup> CBE's forum The corporate communication division of the CBE , Vol .5 no. 3 July 2004, pp 8

Customer retention means high profit for a company for six reasons: <sup>36</sup>

1. Retained customers place frequent and consistent orders, therefore usually cost less to serve;
2. Longer - established customers tend to buy more;
3. Satisfied customers may some times pay premium prices;
4. Retaining customers makes it difficult for competitors to enter a market or increase their share;
5. Satisfied customers often refer new customers to the supplier at virtually no cost.
6. The cost of acquiring and serving new customers can be substantial. A higher retention rate implies fewer new customers need be acquired, and that they can be acquired more cheaply.

There are two ways of retaining customers;<sup>37</sup>

[A]. Ensuring customer satisfaction : high customer satisfaction involves the organization's ability to understand customer expectations and to do it right the first time.

[B]. Customer relation ship management ; is helping define how we give selected clients that extra bit of attention, and those unexpected but valued ideas and initiatives that help the customer run his/her business better.

As retention of customers highly benefit the company, much effort should be made to recover customer goodwill. This involves a 24 hour communication systems and act on complaints.

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<sup>36</sup> Payne, Adrian, op. cit pp 249

<sup>37</sup> CBE 's Forum, vol. 5, op cit, pp9

### **2.21 Employee training and motivation for customer satisfaction.**

Monitoring the quality of service is important but alone is not enough to ensure long term success and customer satisfaction. Service, more than manufacturing is people dependent. Services are not generated by machines, they are provided by people. The key ingredient in good service is people, particularly the front of contact people. If employees don't care or are not appreciated, customer and employee loyalty will soon disappear. So organization s that effectively provides quality service is able to enhance their image of consistent customer service through their ongoing training and motivation program. Through effective training like on the job training employees learn new ideas and develop a team work attitude. Here customer satisfaction is indirectly enhanced because employees understand how they affect the customer.

### **2.22 Achieving Employee commitment for good customer service**

A competent employee who is committed to deliver customer satisfaction is a valuable asset in any organization. Retaining such individuals, and attracting others like them is very crucial for maintaining a successful business. For this reason we should empower these employees. Empowerment is defined as sharing with front line employees the four organizational ingredients.<sup>38</sup>

1. Information about the organization's performance.
2. Reward's based on the organization's performance.

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38 Payne , op. cit pp 135 - 136

3. Knowledge that enables the employees to understand and contribute to organizational performance.

4. Power to make decisions that influence organizational direction and performance.

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### **2.23 Benefits of empowerment of employees in achieving best customer service.**

- ❖ Quicker online responses to customers need
- ❖ Quicker online responses to dissatisfied customers during service delivery.
- ❖ Employees feel better about their jobs and them selves.
- ❖ Employees will interact with customers with more warmth and enthusiasm
- ❖ Empowered employees can be a great source of service ideas.
- ❖ Great word of mouth advertisement and customer retention.<sup>39</sup>



### **2.24 Measuring employees' satisfaction**

Employee satisfaction measurement is a crucial first step in most corporate satisfaction and loyalty programs. Employees are contact pointes between the corporate brand and customers. Dissatisfied employees often leads to dissatisfied customers. Employee satisfaction can help to maximize long term profitability in four ways.<sup>40</sup>

- ◆ Happy employees tend to do higher quality work
- 

<sup>39</sup> Ibid 171

<sup>40</sup> [http:// www. Decision analyst .com /services/satisfaction .asp](http://www.Decisionanalyst.com/services/satisfaction.asp)

- ◆ Happy employees tend to be more productive.
- ◆ Happy employees are more likely to stay with your company.
- ◆ Happy employees tend to create happy customers.

To sum up, employee satisfaction studies as well as customer satisfaction studies should form an integral part of the management of the service delivery process. This is so critical to the survival and profitability of any business.<sup>41</sup>

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<sup>41</sup> Helen Peck and et .al Relationship Marketing: strategy and Implementation, ReedEdu.plsh.1999 pp84

## **CHAPTER THREE**

### **BANKING PROFILE**

These days the functional Ethiopian banks are 11 in number [including National Bank of Ethiopia]. These are Commercial Bank of Ethiopia, Construction and Business Bank (CBB), Development Bank of Ethiopia (DBE) on the Government side and, Dashen bank, Bank of Abyssinia, Lion international bank, Nib international bank, Awash international bank, Wegagen bank, United bank representing the private sector.

#### **History of banking in Ethiopia**

The commencement of banking in Ethiopia will soon be a hundred years old. This experience began when the first bank was established in 1905 (the then Bank of Abyssinia) under the participation of government of Ethiopia and national bank of Egypt. However the environment was not smooth for more than half a century (invasion of Italy, the feudal system and the command economy) for banking business until the economic reform was made in 1991. Proclamation number 84/ 1994 created several new opportunities for the private sector to be involved in the banking business. As result a number of private banks have joined the banking industry. This involved the founding of new banks like the bank of Abyssinia, the Awash International Bank, the Dashen Bank, the Nib International Bank, the United Bank, the Wagagen Bank and the like.

#### **Structure of the banking sector**

Currently the components of the banking sector are the NBE (National Bank of Ethiopia) that serves as the central bank of

the country, private and government commercial banks and some specialized banks.

Since 1994 with the issuance of the regulations governing the banking sector, the number of private commercial banks operating in the country is increasing. Currently, there are seven private and one government owned commercial banks operating in our country.

### **The legal environment of the banking sector**

There are two basic proclamations governing the banking business in Ethiopia. The first one, monetary and banking proclamation no.83/1994, defines the powers and responsibilities of the NBE, which is the central bank of Ethiopia. The second, a proclamation to provide for the licensing and supervision of banking business ,no.84/1994, which sets out the condition under which the commercial banks can be licensed and the supervisory requirements they should observe in the course of their operation.

As to proclamation no.84/1994. bank shall mean a company licensed under this proclamation to undertake banking business. Banking business shall mean any business that consists of the following elements.

[A]. Receiving funds from the public through the following manner:

1. Accepting deposits of money payable upon demand or in a fixed period or by notice, or any similar operation involving the sale or placement of shares, certifications, notes or other securities.



2. Any other means that the National Bank of Ethiopia has, by published notice, declared to be an authorized manner of receiving funds for the purpose of carrying on banking business.

[B]. Using funds referred to under (A) above, in whole or in part, for the account and at the risk of the person undertaking the banking business for:

1. Loans or investment

2. Purposes that the NBE has, by published notice, declared to be appropriate.

[C]. The buying and selling of gold and silver bullions and foreign exchange.

## **BACKGROUND OF STUDY RELATED BANKS**

The background of private and government owned banks within which the research was conducted can be stated as follow.

### **COMMERCIAL BANK OF ETHIOPIA [ CBE ]**

It is a government owned bank and was established in 1963. CBE operates almost all over the country. The total number of branches that it possesses is currently equal to 201. Loan types of the bank are short term loan, single merchandise loan, revolving merchandise loan, project finance, agricultural loan and other types of loans like letter of credit, advance on export bills, over draft loan and foreign bank guarantee. CBE is an agent of Western Union Fast Money Transfer and it also provides an ATM service.

### **DASHEN BANK**

It was established on September 20 1995 and total number of branches opened so far equals to 45.Total number of customers served so far is greater than 240,167. Dashen bank provides loans like term loan, over draft, whole sale and retail loan, advance against export bills, letter of guarantee manufacturing loan, domestic trade and service loan, building construction loan, agro industry loan and transport sector loan. Besides this fact, Dashen bank is an agent of western union money transfer and offers visa card services.

### **NIB INTERNATIONAL BANK**

It was established in 1999.The total number of clients served so far is about 135,000 and the number of branches operating in the county are 40.Principal activities of the bank are: accepting all types of deposits, extend loan and advances, grant over draft facilities to customers, issues and accepts cheuqs and travelers cheuqs acceptable in or out side Ethiopia, carrying out international banking transactions and engage in inter banking businesses.



### **UNITED BANK**

Its year of establishment is 1998.Total number of clients served so far is more than 95,700 and total number of branches opened so far are 34.Types of loans offered by united bank are : domestic trade loan, export trade loan ,import trade loan, transport loan, construction and building loans, personal loan and manufacturing loan.

### **WEGAGEN BANK**

It was established in 1997 and the number of clients served so far is more than 140,352. Total number of branches opened so far is 44. The major loan types of this bank are agricultural loan, manufacturing loan, construction loan, manufacturing loan, transport loan, whole sale and retail loan, and import and export loan.

The underlying objectives of banks in Ethiopia is to contribute towards the economic and social development of Ethiopia and its people, to meet the needs of the emerging private sector for efficient and dependable banking service, to expand and diversify commercial banking service tailored to the growing needs of customers and also to operate profitably.

## **CHAPTER FOUR**

### **ANALYSIS AND INTERPRETATION OF DATA**

This section tries to indicate the analysis and interpretation of the facts gathered from primary sources [Questionnaires and Interviews].

#### **Questionnaire result analysis and discussions**

The study was structured to employ 300 subjects, 150 from each sector. However the questionnaires returned were only 260. The researcher also employed two trained data collectors to gather the required amount of data.

#### **GENERAL BIO-DATA**

This is a section which indicates the personal characteristics of sample respondents. This in turn helps any interested party in his/her endeavor to know the nature of target respondents and other related personal information, which will further clarify the road of viewers in their way to be assured of the credibility of responses.

The following table reveals the background of respondents in terms of sex, age & educational qualifications.

Table 1. General Characteristics of respondents

No	Item	Respondents			
		CBE		Private bank	
1	Sex				
	Male	75	56.8%	67	52.3%
	Female	57	43.2%	61	47.7%
2	Age				
	≤29 year	39	29.5%	57	44.5%
	30-39 year	59	44.7%	47	36.7%
	40 & above	34	25.8%	24	18.8%
3	Educational Status				
	Masters degree or above	5	3.8%	11	8.6%
	Bachelor Degree	52	39.4%	47	36.7%
	Diploma	32	24.3%	52	40.6%
	Certificate &/or 12 complete	41	31.1%	10	7.8%
	others	2	1.5%	8	6.3%

As can be seen from Table 1, item 1 shows the sex distribution of respondents: from the commercial bank of Ethiopia 75 (56.8%) were male and 57 (43.2%) were female. But respondents from the private bank 67 (52.3%) were male and 61 (47.7%) were females. These indicate that there is almost fair representation of females in the total respondents.

Item 2, in the previously mentioned table indicates the age distribution of target respondents. Here, one can see that more than 75% of the respondents are above the age of 29. This shows that the majority of the respondent can learn a lot from their lives

as interacting member of the society. This means these people have a very nice opportunity to realize what is happening in their environment. Thus information collected from these groups is relevant for the subject matter of the study with acceptable degree of reliability.

The educational status of an individual has an impact in his/her purchasing pattern. As a result, the buying decision of an individual for instance white-collar is different from blue collar. In a similar fashion, the buying decisions of people vary, even for those people who are found in the same culture but with different educational level. Therefore, for such and the like reasons the preference or choice of people becomes different. As can be seen from the figure almost all the respondents are educated people and from this we can grasp that if the banks are going to provide quality services that will meet customers need, they are capable of acquiring large number of future loyal customers.

### **Banking Operations and Year of Service**

Table 2: customer's Bank Relation and Operation

No	Item	Respondents			
		CBE		Private bank	
		No	%	No	%
1	Banking operations the customer is using.				
	Saving	53	40.1%	48	37.5%
	Loan	20	15.1%	26	20.3%
	Current	24	18.2%	13	10.2%
	Forex	4	3.0%	12	9.4%
	Local Transfer	31	23.5%	29	22.6%
2	Customer's bank relation				
	Less than 1 year	9	6.8%	33	25.8%
	1-5 years	65	49.3%	63	49.2%
	6 & above	58	43.9%	32	25.0%

As can be see from the above table, item 1 represents the specific banking operation that the customer is in contact with; and above 75% of the aggregate two bank respondents receive saving, local transfer & other services which may calls for customers frequent visit of specific banks. It is clear from this analysis that customers of such type can provide reliable data as they are people who are extremely exposed to taste the sour of customer handling problems.

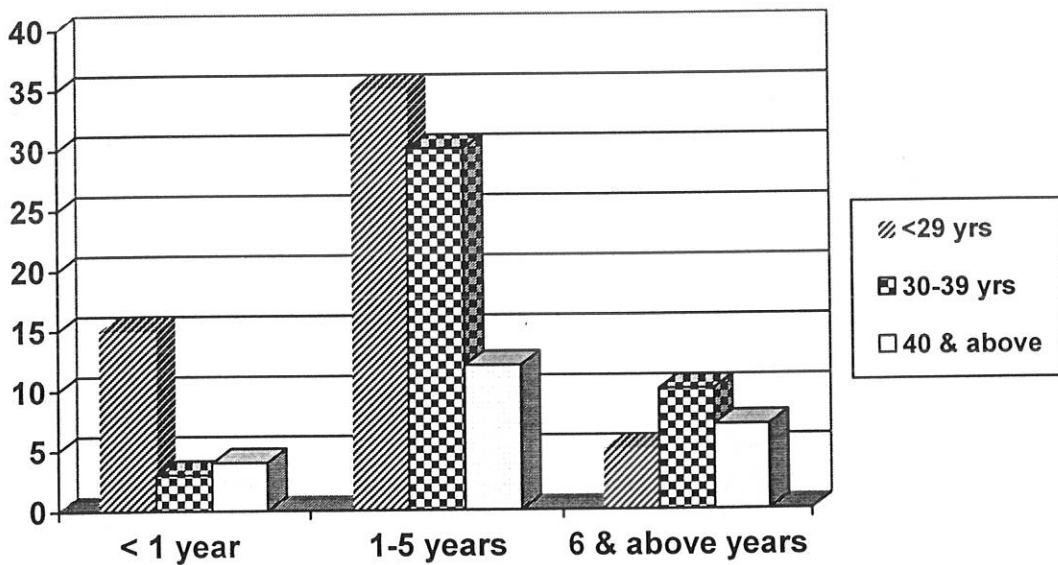
As can be seen from item 2 in the above table, 83.5% of the aggregate two distinct bank respondents have a more than year contact with their respective bank. This seems to imply that the

information provided by this group can be of a great reliable and credible .Further more, all these information justify that the respondents have enough time span to evaluate the degree of their relationship.

**Comparative analysis of Customer Profile of the Banks .**

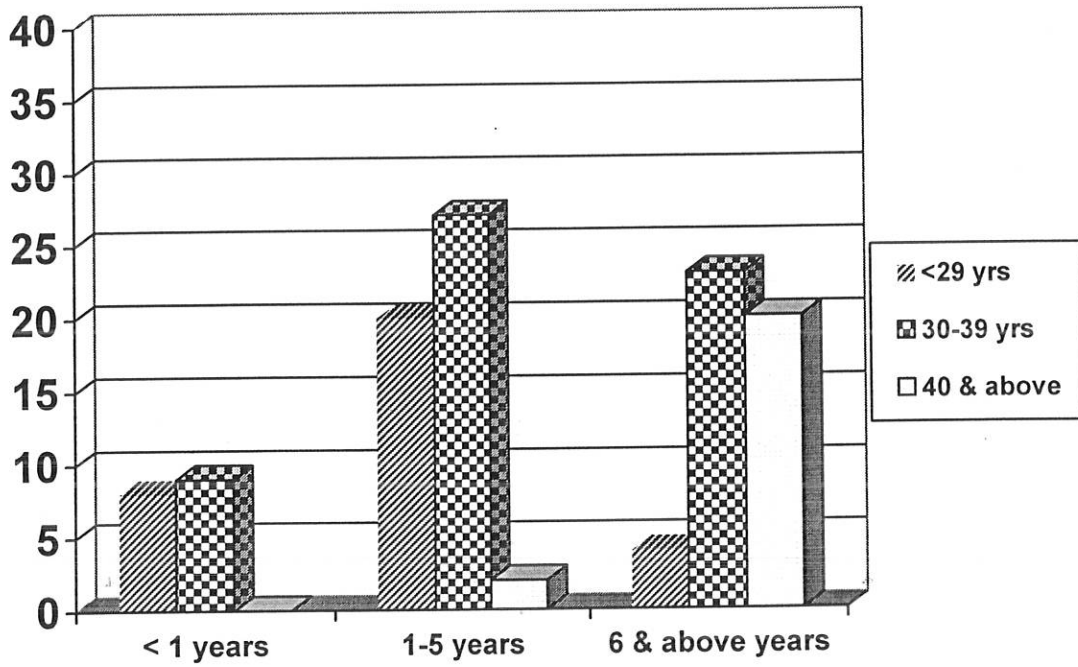
This is a section that strives to depict the comparative analysis aspects of the two banks customer profile in relation to some raised issues.

Figure 4, Age- service year distribution of private bank



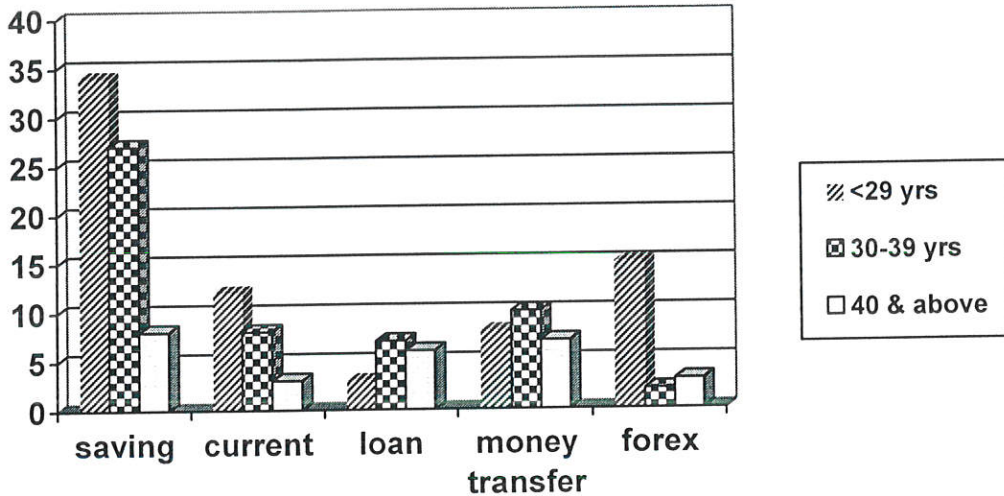
The afore-mentioned figure reveals that customer of private bank are more youngster (65%) having an enough time span (1-5 yrs) of relation.

Figure 5. Age - Service year distribution of CBE



- From the given chart one can deduce that the bank owns considerable amount of long year's loyal customers (above 6 years of partnership), besides this fact most of them are elders (> 40 years old).

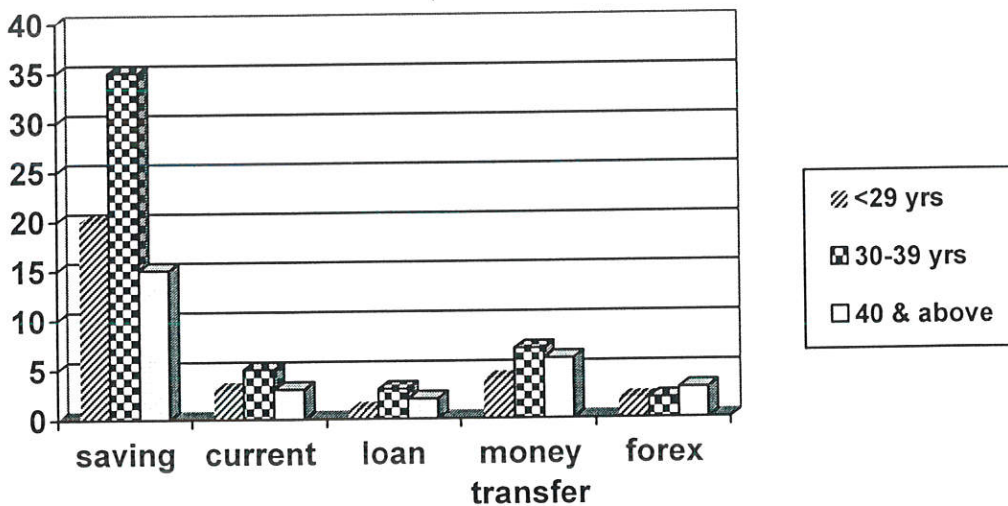
Figure 6, Age- service type distribution of private banks



The above analysis figure shows that the saving account users who are aged less than 39 constitute the highest magnitude; which is 50% of the total customers of the bank. Therefore, this is fertile and sensitive segment for all the activities of the bank. In addition, the other important issues to be observed here is most of the bank's customer are users of more than one service.



Figure 7 Age - Service type distribution of CBE



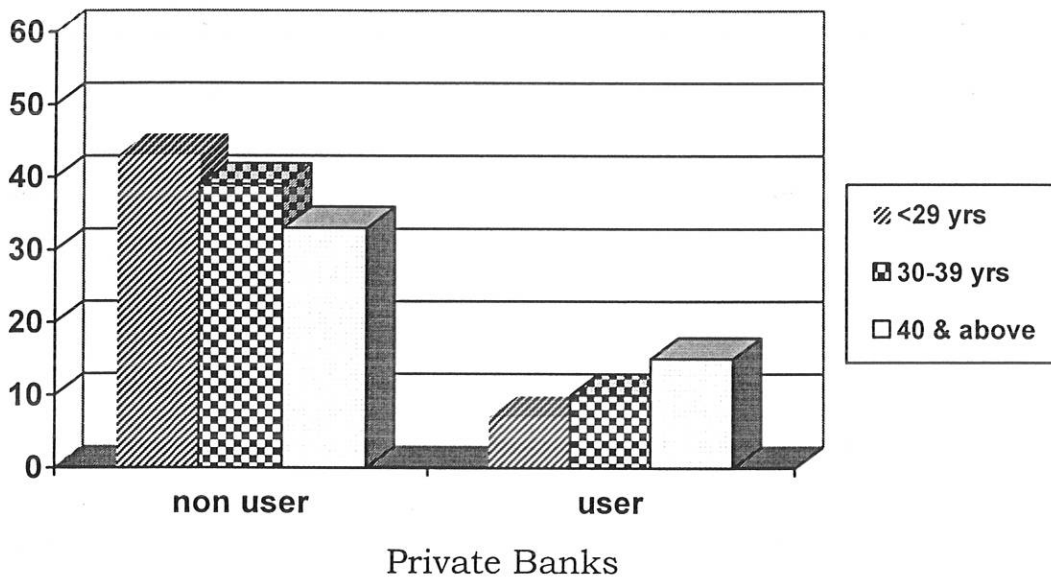
As can be seen from the graph the saving account users like to dominate the others. The foreign exchange users are very few in all

age categories. Therefore, it should be seen carefully for possible improvements.

**Other Bank Usage**

This is a section that tries to show whether the customer has a service contact with other banks apart from the specified bank. Accordingly, the result obtained from the target respondents is summarized as follows.

Figure 8 Customer's other bank usage rate [Private Banks]



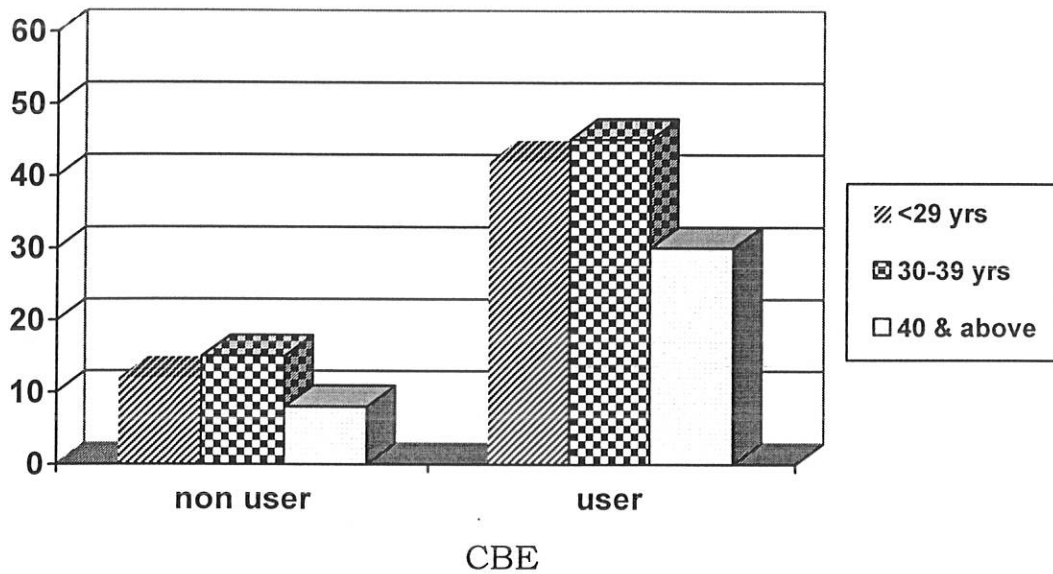


Figure 9 Customer's other bank usage rate [ CBE ]

The above figure reveals the fact that most CBE customers are users of other banks (particularly majority of the youngsters). This means the people switch service frequently, so it is indubitable that the chance of losing customers is high in CBE. Conversely the majority of private banks respondents (72.2%) receive banking service only from their specific banks. As to the famous one of the world's leading authorities on marketing (Phillip Kotler), those consumers who buy one brand all the time are called hard core loyal. This seems to imply that the degree of customer loyalty is high in private banks.

### **Selected quality Variables**

This is a section that tries to reveal the different banks performance in terms of some basic service related variables. The following table summarizes the customers' response in relation to these variables.

Table 3 Selected quality Variables analysis

No	Item Title	Item	CBE		Private Banks	
			Freq	%	Freq.	%
1	Provision of prompt (quick service)	a. Excellent	14	11.1	28	22.2
		b. very good	14	11.1	28	22.2
		c. Good	59	44.4	64	50
		d. Poor	31	22.2	8	5.6
		e. Very Poor	14	11.1	0	0
2	Provision of accurate & firmly service	a. Excellent	43	32.6	45	35.2
		b. Very good	50	37.8	49	38.3
		c. Good	19	14.4	16	12.5
		d. Poor	12	9.10	9	7.0
		e. Very poor	8	6.10	9	7.0
3	How helpful listening & polite is the bark	a. Excellent	32	24.2	45	35.2
		b. Very good	44	33.3	51	39.8
		c. Good	32	24.2	16	12.5
		d. Poor	15	11.4	9	7.0
		e. Very poor	9	6.8	7	5.5
4	The availability of loan able funds	a. Excellent	106	80.0	39	30.5
		b. Very good	19	15.0	31	24.2
		c. Good	7	5.0	31	24.2
		d. Poor	0	0	18	14.1
		e. Very poor	0	0	9	7.0
5	Deposit mobilization (Branch networking)	a. Excellent	0	0	71	55.5
		b. Very good	7	5.6	28	21.9
		c. Good	29	22.2	26	20.3
		d. Poor	59	44.4	3	2.3
		e. Very poor	37	27.8	0	0

The provision of prompt customer service has a significant impact on customers repeated business decision with the server & effective customer relation management. As to the result obtained from sample respondents, the speed of service as long as private banks are concerned is attractive. Typically, around (94%) of the respondents pointed that these banks Quality service delivery rate is average and above. Where as, approximately (78%) of CBE respondents identified that, the CBE's prompt service delivery rate is equivalent to average & below.

Item 2, of the above given table indicates the availability of accurate and timely services with in the specified banks. Accordingly, (32.6%) of CBE customers and (35.2%) of private bank sample customers replied its being of the most accurate type (excellent). On the contrary, 15.2% of CBE respondent. and 14% of private bank samples revealed its being below average. To sum up, the accuracy level distinction between the specified banks is almost invisible.

With regard to the service providers politeness and helpful behaviors, (57.5%) of CBE customers and 76% of private bank respondents indicated that the bank acceptance level is above average. Conversely, only 18.2% of CBE and 12.5% of Private bank respondents said that the banks such service level is below average.

As can be seen from the above table, commercial bank of Ethiopia's capital adequacy is by far more than privately owned commercial

banks. Specifically, 85% of CBE customers pointed that CBE capital adequacy is above average. Where as 54.6% of private bank subjects identified that the banks capital adequacy is above average.

Deposit mobilization (Branch networking) is a current basic issue to be considered and employed by service rendering firms. As far as such issue is concerned, private banks are a number of steps a head to government owned banks. Typically, 77.4% of private bank subjects revealed the fact of branch net working's facilities excellence in private banks. The reverse is true in government banks, as 72.2% of the total respondents indicated the branch networking in such banks is now at a below average rate.

### **Human Resources**

A competent employee who is committed to deliver customer satisfaction is a valuable asset in any organization. Retaining such individuals and, attracting and developing others like them is very crucial towards maintaining a successful business. The following figure tries to depict the human aspects of private and government owned banks.

Table 4 . Human aspects of private and government owned banks

No	Item title	Item	CBE		Private banks	
			No	%	No	%
1	Motivated employees	a. Excellent	0	0	14	11.0
		b. Very good	22	16.7	64	50.0
		c. Good	51	38.6	47	36.7
		d. Poor	44	33.3	3	2.3
		e. Very poor	15	11.4	0	0
2	Staff adequacy (qualified & adequate human resource)	a. Excellent	34	25.8	30	11.7
		b. Very good	28	21.2	28	13.3
		c. Good	46	34.8	38	29.7
		d. Poor	22	16.7	17	21.9
		e. Very Poor	2	1.5	15	23.4
3	Provided caring, individualized attention given by the employees	a. Excellent	15	11.4	29	22.7
		b. Very good	15	11.4	58	45.3
		c. Good	60	45.4	28	21.9
		d. Poor	22	16.7	11	8.6
		e. Very poor	20	15.2	2	1.6
4	Trained employee	a. Excellent	10	7.6	26	20.3
		b. Very good	27	20.5	39	30.5
		c. Good	74	56.1	31	24.2
		d. Poor	12	9.1	31	24.2
		e. Very poor	9	6.8	1	0.8

Human resources of service rendering firms play a significant role in customers' satisfaction level and establishments of attractive customer relation system. Customers were asked whether the

banks possess motivated employee or not. 16.7% of CBE and 61% of private bank customers replied that the banks are well equipped with motivated man power. Whereas, 2.3% of private bank and 44.7% of CBE respondents placed that the employees' motivation rate is below average. This figure seems to reveal the fact that private bank employee's motivation level is relatively better than government owned bank employees.

The availability of adequate and qualified man power strongly determines a business entity's success and prosperity in this competitive business world. Accordingly, 25.8% of CBE and 11.7% of private bank customers' rated 5 (excellent), 34.8% of CBE and 29.7% of private bank customers rated 3 (good) and 1.5% of CBE and 23.4% of private bank customers selected 1 (Very poor). It can be seen from such analysis result that, some staff adequacy problem is associated with private banks. This needs immediate remedy.

Customers will be pleased if they receive individualized attention and caring from the respective service providers. This in turn has a significant implication on customers repeat business decisions, loyalty and positive word of mouth. As can be seen from the above figure, item 3, the provided caring and individualized attention of private bank employees is fascinating. Among the total respondents of CBE, 22.8% of them pointed that they received an above average caring and specialized attention. On the other hand 68% of private bank respondent obtained above average empathy. 31.9% of CBE and 10.2% of private bank respondents received a disappointing

service specification. It is quite clear from this analysis that private banks out smart commercial bank of Ethiopia as empathy (caring & individualized attention) is concerned.

Table 5. Quality management and Location assessment results.

No	Item Title	Item	CBE		Private Banks	
			No	%	No	%
1	Quality of Management	a. Excell	1	0.8	34	26.6
		ent	13	9.8	60	46.9
		b. Verygo	34	25.8	30	23.4
		od.	60	45.5	4	3.1
		c. Good	24	18.1	-	0
2	Convenience of Office Location & Layout	a. Excellent	81	61.4	26	20.3
		b. Very good	44	33.3	18	14.1
		c. Good	7	5.3	45	35.2
		d. Poor	0	0	30	23.4
		e. Very Poor	0	0	9	7.0

It is quite clear that effective and efficient (quality) management produces a sound business organization with customer's loyalty and attractive Profit records. Customers were requested to evaluate their specific bank management system and 10.6 of CBE, 73.5% of private bank users found it in an above average level. Conversely,

63.6% of CBE and 3.1% of private bank respondents revealed below average management quality of their particular banks. This seems to imply that, private banks management quality by far exceeds government commercial banks.

Customers will be satisfied if they get the product that they want in accordance with the time limit they have stated in a convenient location. The customers' response in relation to the bank convenient location and accessibility come up with a positive response as long as CBE is concerned. Typically, 94.7% of CBE respondents indicated the exposure of an above average convenience & access to CBE. Private Banks on the other side falls short of location decisions.

Table 6. Technology profiles in CBE and privately owned banks.

No	Item title	Item	CBE		Private banks	
			No	%	No	%
1	Technology	a. Excellent	2	1.5	28	21.9
		b. Very good	12	9.1	64	50.0
		c. Good	35	26.5	30	23.4
		d. Poor	46	34.8	6	4.7
		e. Very Poor	37	28.1	0	0

Customers will be pleased if they receive a service performance that moves in parallel with the technology of the time period. Accordingly, customers were contacted to examine the technological applications of their bank. Despite CBE's being in a relatively advanced financial position to acquire the appropriate

banking technologies, 32.9% of the respondent figured its failure. The private banks seems to be a head of CBE in the application of banking technologies as 95.3% of the respondent rated average and above performance levels.

### Comparative Analysis on Selected Service Variables

The table listed below indicates customers evaluation of CBE on selected key criteria's.

Table 7 . Customers of CBE evaluation on selected criteria

No	Criteria	5	4	3	2	1	Total
1	Customer Satisfaction	30	55	17	24	6	132
2	Hospitality	32	44	32	15	9	132
3	Speed	14	14	59	31	14	132
4	Technology	2	12	35	46	37	132
5	Accuracy	43	50	19	12	8	132
<b>Total</b>		121	175	162	128	74	660

The following table tries to show customers assessment of private banks on selected criteria's.

Table 8: Customers of private banks evaluation on selected criteria's

No	Criteria	5	4	3	2	1	Total
1	Customer satisfaction	52	45	8	12	11	128
2	Hospitality	45	51	16	9	7	128
3	Speed	28	28	64	8	0	128
4	Technology	28	64	30	6	0	128

5	Accuracy	45	49	19	9	9	128
<b>Total</b>		198	237	137	44	27	640

### Test Statistics

#### Hypothesis Testing

The hypothesis was stated such that, there is a significant difference between private and government owned banks in responses to customer relation management. So, the customer relation management in bringing customer satisfaction is more effective in privately owned commercial banks than government banks.

The following table endeavors to reveal test results of the related criteria's.

Table 9 Taste of hypothesis at 5% level of significance & its result

Criteria	132 customers of CBE			128 customers of private banks			Test hypothesis	
	Mean	Vari.	St. dev.	Mean	Vari.	S.dev.	z valve	HO status
Satisfactction	3.598	1.331	1.153	3.894	1.6	1.265	-1.996	Rejected
Hospitality	3.568	1.366	1.169	3.921	1.244	1.115	-2.5	Rejected

Speed	2.8712	1.547	1.24	3.591	1.454	1.2061	-4.71	Rejected
Accuracy	3.8	1.345	1.16	3.875	1.375	1.173	-0.52	Accepted
Technology	2.21	1.459	1.208	3.89	1.367	1.169	-11.3	Rejected

## Interpretation

### Level of Customer Satisfaction

Here, the significance level ( $\alpha$ ) is 5% as other social researches and the null and alternative hypotheses were stated as:

$H_0$ :- There is no significant difference in the level of customer satisfaction between the two banks.

$H_a$ :- There is a significant difference in the level of customers satisfaction between the two banks.

Or  $H_0 : \mu_1 = \mu_2$

$H_a : \mu_1 \neq \mu_2$

The test statistics is Z distribution as the sample sizes are more than 30.

### Decision rule

Reject  $H_0$  if :  $|Z| > 1.96$  .

$$Z = \frac{X_1 - X_2}{\sqrt{\frac{\delta^2_1}{n_1} + \frac{\delta^2_2}{n_2}}} = \frac{3.6 - 3.89}{\sqrt{\frac{1.33}{132} + \frac{1.6}{128}}} = -1.996$$

Where X = sample mean

$\delta^2$  = sample variance

n = sample size

The calculated Z -1.996 when placed in absolute value is out of:  $|Z| > 1.96$ , therefore the null hypothesis will be rejected or alternative hypothesis ( $H_a$ ) will be accepted. Meaning there is significant difference in the level of customer satisfaction as long as the two banks are concerned. In other way, the average customer satisfaction level of CBE is less than private commercial banks.

To sum up, the above analysis indicated that CBE took inferior position in customer satisfaction levels. If the company wants to stay competitive in to day's competitive banking business with mutual satisfaction, satisfying its customers is the lonely option.

### **Speed of Service**

As far as performance speed rate is concerned the average customers rank out of 5 is 3.31 to CBE and 3.828 to private banks

$$Z = \frac{2.8712 - 3.5938}{\sqrt{\frac{1.547}{132} + \frac{1.454}{128}}} = -4.7044$$

The null hypothesis will be rejected as:  $|Z| > 1.96$  & the Z calculated is -4.7. Meaning private banks are faster than CBE. Here, CBE should remember that at this current moment prompt service delivery is an important issue of customers, as people are moving from one service pot to the other.

### Service Accuracy

The average accuracy rank of the two banks is 3.8 and 3.875, respectively.

$$Z = \frac{3.8 - 3.875}{\sqrt{\frac{1.345}{132} + \frac{1.375}{128}}} = -0.52$$

Here, the null hypothesis will be accepted because the rule is to reject  $H_0$  if  $|Z| > 1.96$  and the calculated  $Z$  is  $-0.52$ . Meaning, there is no significant accuracy difference in the two banks.

### Service Technology

The average rank for technology evaluation is 2.21216 for CBE and 3.8906 for the private bank. .

$$Z = \frac{3.89 - 2.2121}{\sqrt{\frac{1.459}{132} + \frac{1.369}{128}}} = -11.2878$$

Here, the null hypothesis will be rejected as the calculation says so. Therefore, private banks technological service applications exceed government owned banks'.

### **Interview result analysis and discussions**

Analysis made based on the information obtained from interview questions with management & Employees of commercial banks.



The researcher interviewed 14 management staff and 21 non management staff from the five commercial banks. The sample size is selected in such a way to reflect their respective proportion in the organization in terms of numbers (management Vs Non management).

Table 10 ; Employees profile of CBE and Private banks

Respondents	Number			
	Private Bank	CBE	Total	Percentage
Management staff				
Manager	6	1	7	0.20
Supervisor	6	1	7	0.20
<b>Sub total</b>	12	2	14	0.40
Non management staff	12	2	14	0.40
Clerical	6	1	7	0.20
Non clerical	18	3	21	0.60
<b>Subtotal</b>				
<b>Total</b>	30	5	35	1.00
Management Staff				
Degree and above	11	1	12	0.34
Diploma	1	1	2	0.06
<b>Sub total</b>	12	2	14	0.40
Non management staff				
Degree and above	8	1	9	0.26



Diploma	4	1	5	0.14
Certificate &/or 12 grade	6	1	7	0.20
<b>Sub total</b>	18	3	21	0.60
<b>Total</b>	30	5	35	1.00
<b>Management staff</b>				
<b>Male</b>	11	2	13	0.37
<b>Female</b>	1	0	1	0.03
<b>Sub total</b>	12	2	14	0.40
<b>Non management staff</b>				
<b>Male</b>	12	2	14	0.40
<b>Female</b>	6	1	7	0.20
<b>Sub total</b>	18	3	21	0.60
<b>Total</b>	30	5	35	1.00
<b>Experience</b>				
<b>&lt; 5 years</b>	10	3	13	0.37
<b>5 -- 10 years</b>	16	1	17	0.49
<b>11 -- 20 years</b>	4	1	5	0.14
<b>Total</b>	30	5	35	1.00

From the total 35 interview 7(20%) are managers, 7 (20%) are supervisors, 14 (40%) are clerical staff and the remaining 7 (20%) are non-clerical staff. As far as education is concerned 21(60%)

have degree and above, 7(20%) have diploma, and 7(20%) are 12<sup>th</sup> grade complete and/or have certificate.

Female respondent are only 1(3%) of management staff and 7(20%) from non management staff. In terms of experience, 13(37%) of the respondent stayed for less than 5 years in their respective banks. While 5 (14%) of them served the bank for more than 10 years. In addition, the researcher has understood that despite such difference in the respondents in terms of experience and sex, they responded to the question in similar way irrespective of their experience and sex.

The respondent over all personal assessment result reveals the following major strength and weaknesses associated with the entire commercial banks. The possible strength of commercial bank of Ethiopia are loyalty, strong capital base, availability of big stock loan able fund, staff competence and experience, wide branch network, large customer base, and high market share. Where as its weakness are poor customer-focus, low-asset quality, fragmented structure, poor human resource utilization, centralized decision making, weak leadership provision and deteriorating staff culture.

On the contrary the strength associated with private commercial bank in general is relative fast service delivery, fast loan processing, and motivated employees. Where as the weakness to be pointed are limited capital base, very limited branch network and market share.

The employees of CBE were also interviewed concerning the fact that the availability and exposure of customers complaints. Most of the respondents affirmed that there are many customer complaints on banking service performance. The main source of complaint on the side of customers is service inefficiency. That is higher share of complaints stem from poor service quality which could be attributed to bank's organizational structure, human resource, banking products, technologies, finance and accounting, credit and risk management and others. Among all the respondents 51 % of them witnessed that the existing organizational structure of banks fairly respond to the prevailing market situation and banking technology. But it is not up to date in light of the changing circumstance and customer needs. As the vertical tall structure and long hierarchy (particular to CBE) makes it impossible to make fast and effective decision. It also elongates communication lines hindering timely communication between the customers and lower level staffs, on one hand, and the top management of the bank on the other hand.

Among the total respondents 46 % of them supported the idea that the existing staff of the bank possess fairly the required knowledge and skill of the banking service to the level of desired standard. Whereas 31 % of the interviewees revealed the reverse. Currently the importance of human capital is more readily recognized than ever before. That is why, banks are appreciating more and more the need to invest in their people and not invest in buildings, technology and systems. They started to motivate their employees with competitive benefit packages (especially private banks) and

invest more in training employees. But still they don't have systematized staff succession plans. Consequently there is ample room for random assignments of individual even to higher positions.

Concerning banking services 51% of the respondents declared that the prevailing banking products and services and customers handling are very limited (especially that of CBE) to respond to customers' need or satisfaction. Employees witnessed that customers are already expressing their opinion about CBE's services and products by defecting to the private banks. They said when compared with other emerging banks in the market, CBE's services quality is very low. Customers usually complain about the extended waiting time at the branch counters and about delayed credit processing and decisions. The low service quality of CBE remains to be the main reasons for customers shifting their investment (account) to other banks. The weak technological support of the operation and the weak marketing and interpersonal skills of the front office employee and managers do as well contribute to the low quality of the services. The decision hierarchies of the bank are too long to support improved services qualities.

The majority of the respondents agree that CBE is in a relatively good financial position in terms of capital adequacy, profitability and liquidity while there is a deterioration of asset quality. Where as, even if there is a limited liquidity and capital adequacy problem at this moment for private commercial banks, they are continuously

increasing their capital at an alarming rate. They said that some of the reasons for the deterioration of the quality of the assets of CBE are poor documentation of customers' data, slow credit processing and inadequate credit analysis of branch managers. But this is relatively better in private banks.

It is emphasized by respondents that the existing banking technology of commercial banks in Ethiopia is very limited. Even if CBE is in a relatively good financial position to acquire appropriate banking technologies that are readily available in the market, it failed to do so. The emerging banks are now a head of CBE in the application of banking technologies. CBE, on the other hand, is still using outdated operational and administrative systems with weak technology support. They also stressed that appropriate systems and technologies have no option for both CBE and private banks to be competitive in the market.

Eventually, for the question raised regarding "Do you positively publicize your bank to the others?", 6% of the CBE respondents replied as yes and 74% of the private bank employees responded positively. This reveals that the sense of belongingness is high in private banks than CBE.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.**

This chapter deals with the presentation of summary of the research findings, description of the conclusions drawn based on the findings and presentation of the recommendations forwarded based on the conclusion drawn from the major findings.

#### **SUMMARY OF THE FINDINGS**

This is a section which endeavors to highlight major research findings in a summarized manner and provide the major findings in nutshell.

The study was conducted to discover the exposure of significant differences in customer relation management as implemented in private and government owned banks. Accordingly, four private banks (Dashen bank, Nib international bank, Wogagen bank, and united bank) were randomly assumed and four branches of CBE were included in the study. The study was made only in the capital

Addis Ababa where, the researcher was curious to know the customer relation issues. For the purpose of gathering pertinent information, sampling techniques were implemented. Both primary and secondary data were assessed to reach at good results. Primary data were collected from 260 sample customers of aggregate bank users and 35 staffs of the business entities.

The study out put pointed out that 70.5% of CBE customers and 55.5% of private bank users are above the age of 30.

It is also the result of the study that majority of the respondents receive saving, local transfer and current account services of their respective banks. Private Banks saving account users aged less than 40 constitutes 50% of the total, which is of the highest magnitude. However, foreign exchange users are very few (3%) as long as CBE is concerned.

The result of the study also depicted that 83.5% of the aggregate two distinct banks respondents have more than one year service relationship with their respective banks.

It is confirmed from the result of the study that most CBE customers are users of other banks (particularly majority of the youngsters). On the contrary, the majority of private bank respondents (72.2%) receive banking service solely from their respective banks.

The result analysis and discussion section also revealed that the speed of service as long as private banks are concerned is attractive as 94% of the respondents indicated its being about average and above. However, 77.8% of CBE respondents pointed that the bank's prompt service delivery rate is average and above.

One of the major out put of the result analysis and discussion section also disclosed that the accurate service delivery rate is above average in all respective banks. Typically, 84.8% of CBE and 86% of private bank sample subjects revealed an above average accuracy rate.

As can be seen from the result analysis and discussion section 57.5% of CBE and 76% of private bank users received above average polite and helpful behavior of their respective service providers.

The study out put also pointed that CBE's capital adequacy is a number of steps ahead to private banks. Specifically, 85% of CBE respondents disclosed that capital adequacy is above average level. Where as the identical issue figure of private banks is 54.6%.

The result analysis and discussion section also indicated that branch networking states of private banks is by far greater than CBE. 77.4% of private bank user advocated deposit mobilization effectiveness in private commercial banks. As far as CBE is concerned, the result analysis and discussion section reveled that

72.2 % of respondents rated below average deposit mobilization level in their particular banks.

It is confirmed from the result of the study that CBE's service providers' motivation rate is not as such satisfactory. 44.7 % of CBE respondents pointed out that the employees motivation rate is below average. On the other hand, 61% of private bank users showed that the banks are well equipped with motivated man power. As long as the availability of adequate and qualified manpower is concerned, 47% of CBE and 25% of private bank users rated above average service of their respective banks. Service providers caring and individualized attention is fascinative with in private banks as 68% of the respondents assured an above average service level. Where as the rate is only 22.8% of the total CBE respondents.



Private bank's management quality excellence is also one among the findings of the study. Specifically, 73.5% of private bank users supported an above average management quality of their respective banks. Where as CBE's above average level of quality sums to 10.6%.

One of the major outputs of result analysis and discussion section came up with a positive response as far as CBE's accessibility is concerned. 94.7% of CBE respondents conformed that there is an above average access to CBE. Here private banks falls short of such merit.

The study product also revealed that private banks service related technological application is attractive. Typically, 62.9% of private bank and 4.7% of CBE customers mate updated technology of their particular banks.

The test statistics also revealed that , there is significant difference in the level of customer satisfaction as long as the two banks are concerned as the calculated Z -1.996 when placed in absolute value is out of  $|Z| > 1.96$ . As far as service speed is concerned the null hypothesis will be rejected as:  $|Z| > 1.96$  & the Z calculated is -4.7. The rule is to reject  $H_0$  if  $|Z| > 1.96$  and the calculated Z for the accuracy is -0.52. Meaning, there is no significant accuracy difference in the two banks. At last but not the list the test statistics presented that Private Banks technological service applications exceed government owned banks'.

The researcher has just also interviewed 35 aggregate staffs of the two sectors and came up with the following findings. The possible strengths of CBE are loyalty, strong capital base, availability of big stock loan able fund, staff competence and experience, wide branch network, large customer base, and high market share. Private banks on the other hand posses a merit of fast service delivery, fast loan processing, and motivated employees. On the other flip potential criticisms of CBE are poor customer centered approach, low-asset quality, fragmented structure, poor human resource utilization, centralized decision making, weak leadership provision and deteriorating staff culture. Where as weakness to be pointed

with private banks are limited capital base, very limited branch network and market share.

To sum up, the majority of CBE respondents revealed the inefficiency of their respective bank operations. Customers usually complain about the extended waiting time at the branch counters and delayed credit processing decisions. Besides, the bank uses outdated operational and administrative systems coupled with weak technology. But the respondents never hesitated to state the fact that CBE is in a relatively good financial position and liquidity. The result also depicted that sense of belongingness is very low in government commercial banks, as only 6% of them positively publicized the bank.

## CONCLUSIONS

What can be concluded from the afore-mentioned research findings is presented below:

- ❖ The majority of Government bank customers are users of other banking service providers. On the contrary, most private banks possess loyal customers.
- ❖ Speed of service of private banks is better than government owned commercial banks.
- ❖ Hospitality (friendly, generous reception and entertainment of customers) while rendering service is higher in private banks than government owned banks.
- ❖ Government banks are a number of steps ahead to private owned banks as long as capital adequacy (availability of large loan able funds ) and strong capital base is concerned.
- ❖ Branch networking (Deposit mobilization) status of private banks is greater than government owned banks.
- ❖ Employee motivation level is high in privately owned banks.
- ❖ Staff adequacy problem is a current issue being observed in most privately owned banks.
- ❖ Privately owned commercial banks' management quality, when relatively seen with government owned banks, is extremely beautiful.
- ❖ Government owned banks, when compared with privately owned banks are well known with wider branch of networks, large customer bases and high market shares,.



- ❖ Government banks are renowned with excellent profit records and liquidity status.
- ❖ Government owned banks fall short of achieving Win Win scenarios (mutual satisfaction). That is company profit and customer satisfaction.
- ❖ Government owned banks name is raised with poor human resource utilization, centralized decision, weak leadership provision and deteriorating staff cultures.
- ❖ The technology used to produce service out put is more advanced in privately owned banks than Government owned banks.
- ❖ The accuracy of service offerings in the two banks frame work is significantly identical.
- ❖ As a result, customer relation management of private and Government owned banks significantly differ each other.

## **RECOMMENDATIONS**

Improving the quality of customer relationship systems is of pivotal importance for the successful continuation and expansion of commercial banks in Ethiopia. The customers profile and evaluations on major service features (speed, hospitality, accuracy, technology, etc.) and overall satisfaction is assessed before. Here under we can see some deviations of this bank from the respective customer's requirements. As customer is the king to this service rendering firms, alleviating such problems call for immediate remedies. In line with the afore-mentioned conclusions and study findings, the following recommendations are forwarded.

### **Private Banks**

- ❖ Private commercial banks should also improve the prevailing customer waiting time as speed and related problems are the major dissonance creators of service customers. This in turn will translate satisfied customers in to delighted and loyal users.
  
- ❖ The flourishing credit card services should also be entertained by the private industry.
  
- ❖ Private Banks should also endeavor to exploit their business opportunity via branch network expansion schemes.

- ❖ These days it is not uncommon to observe huge discrepancies between service demands and capacities. Therefore, staff adequacy problem needs an immediate solution. In other words, adequate number of staffs should be assigned in the service delivering areas.
- ❖ Besides the above mentioned facts private banks should also maintain and improve the specified strengths.

### **Government owned bank**

- ❖ Speed and related problems are major dissonance inventors in the government owned banks. The banks should take measures to improve banking procedures so that time taken to wind up any activity in the bank will be improved. As time is precious to the king.
- ❖ The banks need to establish branch networking systems so as to facilitate inter branch communications that will enable customers to make withdrawals and/or deposits at a desired branches. Further more the adoption of modern technology is extremely crucial.
- ❖ Currently location is an indubitable competitive advantage of government owned banks. However, building other huge competitive edges is a paramount importance as the branching out of private commercial banks can put this merit under big question mark.

- ❖ Government owned banks should take immediate corrective action towards customer complaints and suggestions to insure effective customer relationship management. In addition management's commitment towards service quality should be enhanced.
  
- ❖ The banks should also offer additional delegation of authority and responsibility to the front line employees so as to shorten the elongated service delivery path.
  
- ❖ The banks should study and implement attractive and economically feasible incentive systems that can sufficiently motivate the organization employees. This in turn reduces the turn over rate of relatively experienced staffs.
  
- ❖ In general government owned bank should make all personals aware of their significant contribution towards effective customer relationship systems.

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## APPENDIX A

**Addis Ababa University  
Faculty of business and economics  
MBA program**

### QUESTIONNAIRE

#### *"CUSTOMER RELATION MANAGEMENT"*

Dear respondent!

This question is designed to collect data on customer relation management of selected government and private banks to come up with recommendations, which can help to improve CRM of bank customers. Your genuine, frank and timely responses have great importance to determine the success of the study. Hence, your short, precious and honest response is highly appreciated. Answers given will remain confidential and are used for analysis purpose.

Thank you in advance for your cooperation.

Eyob Adinew

General directions

1. You are not required to write your name.
2. Please try to answer all the questions.
3. Please put 'x' in the box provided for multiple choice questions.

#### I. General bio data

Name of your bank and branch \_\_\_\_\_

1. Sex                      male                       female

2. What is your level of education?

- |  |   |
|--|---|
| <input type="checkbox"/> Masters degree or above | <input type="checkbox"/> certificate    |
| <input type="checkbox"/> Bachelor degree         | <input type="checkbox"/> 12 complete    |
| <input type="checkbox"/> Diploma                 | <input type="checkbox"/> other, specify |

3. Please identify your field of specialization if your answer to the above question is Diploma, Degree, masters and above \_\_\_\_\_.

4. Which bank are you using currently?

CBE                       Private Banks                       Both

5. Which Banking Operation?

Saving                       Current                       Local Transfer

- Loan       Foreign       Other,specify \_\_\_\_\_  
 6.For how long you are using the service of the bank?  
 Less than 1 year       4--5 years  
 2 -- 3 years       5 years and above

**II. Research related questions**

How do you rate your banks performance in terms of the following parameters?(Note: please tick 5= for excellent,4 = for very good,3 = for satisfactory,2 = for poor ,1 = for very poor.)

	Bank One					Bank Two				
	5	4	3	2	1	5	4	3	2	1
7. Provision of prompt ( Quick service)										
8. Provision of accurate and timely service										
9. How helpful and polite your bank is										
10. How well your bank listen to you										
11. Your bank's capital adequacy										
12. Your bank's loan processing system										
13. Profitability										
14. Credit volume(Ability to satisfy huge loan demand)										
15. Deposit mobilization ( Branch networking )										
16. Your satisfaction level										
17. Service failure recovery procedures										
18. Motivated employees										
19. Trained employees										
20. Adequacy of staffs ( Qualified and adequate human resource)										
21. Ability to perform the promised service dependably and consistently (Reliability)										
22. Provided caring individualized attention given by the employees (Empathy)										
23. Availability of facilities (equipments used to give the service) and appearance of personnel.(Tangible benefits)										
24. Quality of management										
25. Convenience of office locations and layout										
26.Parking lot										

27. What do you like most among your bank's performance?

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28. As to your opinion, the importance of customer relationship management in creating good relationship with a company?

- Extremely important       Less important

Important

Extremely insignificant

29. Have you ever seen any feed back offering mechanisms in your bank?

Yes

No

30. How do you rate the overall quality of your bank's service?

Excellent

Satisfactory

Very poor

Very good

Poor

31. How do you rate the overall service quality of your bank's competitors?

Excellent

Satisfactory

Very poor

Very good

Poor

32. Do you positively publicize your bank to the others? Why or Why not

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APPENDIX B

Interview Questions

The following interview inquiries are prepared for the employees of the bank ( both private and government banks) so as to get the required information regarding the bank's current performance.

1. Sex

Male

Female

2. Which banking sector is your current employer?

CBE

Private bank

3. What is your current position in the bank?

Management

Supervisor

Clerical

4. How long have you worked in the bank?

Less than 5 years

11 -- 20years

5 -- 10 years

More than 20 years

5. What is your level of education?

Masters or above

Diploma

12 complete

BA degree

Certificate

other specify \_\_\_\_\_

6. Identify the good and bad aspects of your bank in response to customers' relation.

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7. Have you ever encountered any customer's complaint?

Yes

No

8. If your answer is yes to the above question, would you please identify these customers' complaint areas?

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9. Do you positively publicize your bank to the others?

Yes

No

## APPENDIX C

### FORMULAS OF COMPUTATIONS APPLIED

$$\text{Sample Mean}[X] = \frac{\sum R \cdot P}{n}$$

Where R = The allotted rate[1,2,3,4or 5]  
P = The possible out comes of R

$$\text{Sample variance} \quad \delta^2 = \sqrt{\frac{\sum [x - \bar{x}]^2}{n-1}}$$

$$Z = \frac{(X_1 - X_2)}{\sqrt{\frac{\delta^2_1}{n_1} + \frac{\delta^2_2}{n_2}}}$$

Where:

X – Sample Mean

$\delta^2$  - Variance of the sample

n – No of individual in the sample

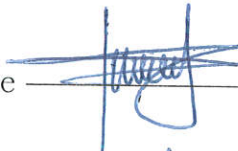
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## DECLARATION

I, Eyob Adinew, declare that this paper prepared for the partial fulfillment of the requirements for MBA degree entitled **Customer Relation Management: Comparative Analysis of Private and Government Owned Banks** is prepared with my own effort. I have made it independently with the close advice and guidance of my advisor Dr. Salehu Anteneh.

NAME: Eyob Adinew

Signature \_\_\_\_\_



Date \_\_\_\_\_

24/07/08

Advisor: Salehu Anteneh (PhD)

Signature \_\_\_\_\_



Date \_\_\_\_\_

24/07/08

