IMPACT OF CUSTOMER ORIENTATION OF SERVICE EMPLOYEES ON RELATIONSHIP QUALITY AND CUSTOMER LOYALTY

(Case study of Commercial Banks in Addis Ababa)

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A thesis submitted to the graduate studies program of Addis Ababa University School of commerce in partial fulfillment of the award of Masters of Arts Degree in Marketing Management

Advisor: Yassin Ibrahim (PhD)

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STATEMENT OF DECLARATION

I hereby declare that this thesis entitled “IMPACT OF CUSTOMER ORIENTATION OF SERVICE EMPLOYEES ON RELATIONSHIP QUALITY AND CUSTOMER LOALTY” is my own effort and that it has not been presented for a degree in this or any other university. All The sources of the material used in the study have been duly acknowledged.

Robel Beyene _____ 30th of May 2015

Signature Date

Acknowledgement

First and foremost my gratefulness goes to my Heavenly Father for All I have is from him, and the knowledge and blessings I have received that have enabled me to be who and to stand where I am.

Next I would like to thank the following people for their help and support in the completion of this project:

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- The respondents of this study, who gave me their valuable time and assistance to provide the data for this study.
- All those people (from my colleagues to staffs of the eight banks), who helped me get the data in the first place.

Abstract

The main focus of this study is on the assessment of customer orientation of service employees on the bank–customer relationship quality and examining how this relationship quality (measured in three dimensions) affect the behavioral and attitudinal loyalty of customers in case of the Ethiopian banking sector. In order to achieve the underlying objective, an analytical model is developed based on previous researches as a guideline to test the relationships between Customer orientation of service employees (COSE), relationship quality (trust, commitment and satisfaction) and customer loyalty. Hypotheses were developed from the literature review based on the conceptual model. The data used in this study was collected through, a self-completed questionnaire distributed to conveniently selected 480 bank customers of the eight leading banks in Addis Ababa city. Two multivariate analysis methods are employed to analyze the primary data. Initially, confirmatory factor analysis was used to develop and refine the measurement model. Then, a structural equation model was used to test the hypotheses. The SPSS 20 for windows and STATA 12 are used to process the primary data. The findings of this thesis prove that COSE does have a strong positive relationship with the three relationship quality dimensions (Trust, Commitment and Satisfaction). Further, this study also supports that Behavioral and attitudinal customer loyalty can be presented as a positive and linear function of Satisfaction and commitment. However, the relationship between Trust and Loyalty is not strong and significant. Based on the findings of the study theoretical implications and implications for and managers are recommended.

KEYWORDS:

Commitment, Customer Loyalty, Customer orientation of service employees, Relationship Marketing, Relationship Quality, Satisfaction, Trust

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APPENDIX

Variables and Indicators	Initial Model			Modified Model		
	Factor Loading	Cronbach's Alpha	Communality	Factor Loading	Cronbach's Alpha	Communality
TechnicalSkill						
technicalSkill1	0.72	0.8229	0.5184			
technicalSkill2	0.8		0.6400			
technicalSkill3	0.85		0.7225			
Socialskill						
socialskill1	0.61	0.7803	0.3721			
socialskill2	0.77		0.5929			
socialskill3	0.86		0.7396			
Motivation						
motivation1	0.74	0.8067	0.5476			
motivation2	0.74		0.5476			
motivation3	0.82		0.6724			
Decisdionmaking authority						
decisdionmakingauthority1	0.79	0.8341	0.6241			
decisdionmakingauthority2	0.87		0.7569			
decisdionmakingauthority3	0.73		0.5329			
Trust						
trust1	0.26	0.6231	0.0676		0.8084	
trust2	0.22		0.0484			
trust3	0.65		0.4225	0.76		0.5776
trust4	0.7		0.4900	0.7		0.49
trust5	0.8		0.64	0.73		0.5329
trust6	0.73		0.5329	0.7		0.49
trust7	0.14		0.0196			
Commitment						
commitment1	0.8	0.5955	0.64	0.84	0.8541	0.7056
commitment2	0.87		0.7569	0.85		0.7225
commitment3	0.77		0.5929	0.76		0.5776
commitment4	0.28		0.0784			
commitment5	0.06		0.0030			
Satisfaction						
satisfaction1	0.57	0.8106	0.3249	0.8	0.8237	0.64
satisfaction2	0.62		0.3844	0.7		0.49
satisfaction3	0.41		0.1681			
satisfaction4	0.79		0.6241	0.67		0.4489
satisfaction5	0.74		0.5476	0.62		0.3844
satisfaction6	0.76		0.5776	0.65		0.4225
Behavioral loyalty						
behloyalty1	0.59	0.7279	0.3481			
behloyalty2	0.76		0.5776			
behloyalty3	0.61		0.3721			
behloyalty4	0.59		0.3481			
Attitudinal loyalty						
attloyalty1	0.73	0.6903	0.5329	0.77	0.8003	0.5929
attloyalty2	0.8		0.64	0.77		0.5929
attloyalty3	0.76		0.5776	0.75		0.5625
attloyalty4	0.28		0.0784			

Table 7.1.Comparison of initial and modified measurement model (CFA)

አዲስ አበባ ዩኒቨርሲቲ
በቢዝነስና ኢኮኖሚክስ ኮሌጅ
የንግድ ስራ ት/ቤት
የድህረ ምረቃ ትምህርት ፕሮግራም

<u>በባንክ ደንበኞች የሚሞላ መጠይቅ</u>

<u>ውድ ተሳታፊዎች</u>

ስሜ ሮቤል በየነ ሲሆን የአዲስ አበባ ዩኒቨርሲቲ የንግድስራ ት/ቤት የገበያ ስራ አመራር የድህረ ምረቃ ተማሪ ነኝ፡፡ የመመረቂያ ፅኑፌን የባንክ ሰራተኞች ደንበኛ ተኮር አገልግሎትና ይህም በ ደንበኛና በባንክ መካከል ያለውን የግንኙነት ጥራት ላይ እና በደንበኛ ታማኝነት ላይ ያለውን አስተዋፅኦ ለመዳሰስ ጥናታዊ ፅሁፍ እያከናወንኩ እገኛለሁ፡፡ እርስዎም (እርስዎ የሚያስተዳድሩት ድርጅት) የባንክ ደንበኛ/ተጠቃሚ እንደመሆንዎ መጠን በዚህ ጥናታዊ ፅሁፍ ላይ እንዲሳተፉ በትህትና ተጋብዘዋል፡፡

ከክፍል 1 እስከ 4 ያሉትን ጥያቄዎች መልሶ ለማጠናቀቅ ቢበዛ10 ደቂቃ ይፈጃል፡፡ መጠይቁን በመሙላትዎ የሚያገኙት ጥቅም እንዲሁም የሚደርስብዎት ምንም አይነት የታወቀ ጉዳት የለም፡፡ የሚሰጡትን መረጃ ሚስጥራዊነት ሙሉ በሙሉ የተጠበቀ ሲሆን ይህን ሚስጥራዊነት ለማጠናከር ስም መፃፍ አያስፈልግም፡፡

በዚህ መጠይቅ ላይ ለመሳተፍ ከወሰኑ እባክዎትን በመጀመሪያ ***<u>ትእዛዙን በደንብ ያንብቧቸው</u>*** በመቀጠልም ***<u>ሁሉንም ጥያቄዎች</u>*** በተቻለ መጠን በታማኝነትና በቅንነት በመመለስ መጠይቁን ይመልሱ፡፡ ተሳትፎዎት ሙሉ በሙሉ በፈቃደኝነት ላይ የተመሰረተ ሲሆን በማንኛውም ጊዜ ከተሳትፎ ራስዎን ማግለል ይችላሉ፡፡

ከመጠይቁ የሚሰበሰበው መረጃ ለዚህ የዳሰሳ ጥናት ውጤታማነት ጉልህ አስተዋፅኦ ስለሚኖረው በተቻለ አቅም ለመጠይቁ አግባብ ያለው ምላሽ ይሰጡ ዘንድ በትህትና እጠይቃለሁ፡፡ ውድ ጊዜዎትን ሰውተው ለሚያደርጉልኝ ቀና ትብብር በቅድሚያ እጅግ በጣም አመሰግናለሁ፡፡

ከአክብሮት ጋር!

ክፍል 1 የተሳታፊዎች መሰረታዊ መረጃ

ይህ የመጠይቅ ክፍልየተሳታፊዎችን መሰረታዊ መረጃ የሚዳስሱ ጥያቄዎችን አካቷል፡፡ እባክዎትን በሳጥኑ ውስጥ የ ☒ ወይም ☑ምልክት በማድረግ ይመልሱ

1. ዕድሜከ20 በታች☐ከ 21-30 ☐ከ31-40☐ከ41 በላይ☐
2. ፆታ ወንድ ☐ ሴት ☐
3. የትምህርት ደረጃ ከሁለተኛ ደረጃ ትምህርት በታች ☐ሁለተኛ ደረጃ ትምህርት ☐ ዲፕሎማ☐የመጀመሪያ ዲግሪ ☐ከመጀመሪያ ዲግሪ በላይ☐
4. ከዚህ ባንክ ጋር ምን ያህል ጊዜ አብረው ቆይተዋል _____
   ከ2 ዓመትበታች☐ከ 2-5 ☐ከ6-10 ☐ከ 10 ዓመትበላይ☐

ክፍል2 የባንክ ሰራተኞች ደንበኛ ተኮርነት

ይህ ክፍል እስካሁን ድረስ ከባንኩ ጋር በነበሮት ግንኙነት የተገነዘቡትን/የተመለከቱትን/ እና ስለዚህ ባንክ ሰራተኛ/ኞች ደንበኛ ተኮርነት የእርስዎን አመለካከት የሚዳስሱ ጥያቄዎችን ያጠቃልላል፡፡ እባክዎትን ለእንዳንዱ አረፍተነገሮች የመስማማትና ያለመስማማትዎን መጠን አመለካከትዎን በትክክል የሚወክለውን ቁጥር **በማክበብ** ይግለፁ፡፡ ለምሳሌ

1	2	③	4	5

1-በጣም አልስማማምን ይወክላል 2-አልስማማምን 3-ገለልተኛ አመለካከትን 4-እስማማለሁን እንዲሁም 5-በጣም እስማማለሁን ይወክላል

ለማወዳደሪያና የመሆን ዕድልን (likelihood) ለሚጠይቁ ጥያቄዎች

1 በጣም ዝቅተኛንይወክላል 2ዝቅተኛን3 ገለልተኛ አመለካከትን 4ከፍተኛን እንዲሁም 5 በጣም ከፍተኛን ይወክላል

የሰራተኞች ሙያዊ ክህሎት						
1.	የዚህባንክሰራተኞችከፍተኛየባንክአገልግሎትዕውቀትአላቸው፡፡	1	2	3	4	5
2.	የዚህባንክሰራተኞችበስራቸውባለሙያናቸው	1	2	3	4	5
3.	የዚህባንክሰራተኞችለስራቸውብቁናቸው	1	2	3	4	5
የሰራተኞች ማህበራዊ ክህሎት						
4.	የዚህባንክሰራተኞችከፍተኛማህበራዊክህሎትአላቸው (ለምሳሌተግባቢናቸው)	1	2	3	4	5
5.	የዚህባንክሰራተኞችየደንበኞችንፍላጎትናደንበኞችያሉበትንሁኔታከግምትበማስገባትአገልግሎትይሰጣሉ፡፡	1	2	3	4	5
6.	የዚህባንክሰራተኞችደንበኞችንእንዴትመንከባከብእንዳለባቸውበደንብያውቃሉ፡፡	1	2	3	4	5
የሰራተኞች ተነሳሽነት						
7.	የዚህባንክሰራተኞችትጉህናለስራቸውታታሪናቸው	1	2	3	4	5
8.	የዚህባንክሰራተኞችየደንበኞችንፍላጎትለማሟላትየተቻላቸውንሁሉያደርጋሉ፡፡	1	2	3	4	5
9.	የዚህባንክሰራተኞችምንጊዜምከፍተኛየስራተነሳሽነትይታይባቸዋል፡፡	1	2	3	4	5
በራስ የመወሰን ስልጣን						
10.	የደንበኛአገልግሎትንበተመለከተየዚህባንክሰራተኞችበራሳቸውውሳኔዎችንእንዲወስኑይፈቀድላቸዋል፡፡	1	2	3	4	5
11.	የደንበኞችንችግርለመፍታትየዚህባንክሰራተኞችበራሳቸውመንገድእንዲሄዱይፈቀድላቸዋል፡፡	1	2	3	4	5
12.	በደንበኞችጥያቄጊዜየዚህባንክሰራተኞችየበላዮቻቸውን/አለቆቻቸውን/ ማስፈቀድሳይጠበቅባቸው የደንበኞችንፍላጎት ያሟላሉ፡፡	1	2	3	4	5

ክፍል 3 በደንበኛ እና በባንክ/ባንክ ሰራተኛ መካከል ያለው ግንኙት ጥራት

ይህ ክፍል በእርስዎ እንደደንበኝነትዎ እና በባንኩ ወይም በባንክ ሰራተኞች መካከል ስላለው ግንኙነት ጥራት የሚዳስሱ ጥያቄዎችን አካቷል፡፡እባክዎትን ለእንዳንዱ አረፍተነገሮች የመስማማትና ያለመስማማትዎን መጠን አመለካከትዎን በትክክል የሚወክለውን ቁጥር **በማክበብ** ይግለፁ፡፡

የሰራተኞች ተአማኒነት						
13.	ከባንኩ ጋር ያለኝን ግንኙነት በተመለከተ የዚህን ባንክ ሰራተኛ እኔ ሳልገኝ አስፈላጊ ውሳኔዎችን እንዲያሳልፍ ልፈቅድ እችላለሁ፡	1	2	3	4	5
14.	ለሚያሳልፉት ውሳኔም ምክንያታቸውን መጠየቅ አያስፈልገኝም፡፡	1	2	3	4	5

15.	የዚህ ባንክ ሰራተኞች እኔን ለመርዳት/ለማገዝ ምንጊዜም ፈቃደኛ ነው፡፡	1	2	3	4	5
16.	የዚህ ባንክ ሰራተኛ በሚሰጠኝ መረጃ ትክክለኛነት እተማመናለሁ፡፡	1	2	3	4	5
17.	በዚህ ባንክ ሰራተኛ ሙሉ እምነት አለኝ፡፡	1	2	3	4	5
18.	የዚህ ባንክ ሰራተኛ ምንጊዜም ቃሉን ይጠብቃል፡፡	1	2	3	4	5
19.	የዚህ ባንክ ሰራተኞች ታማኝ ናቸው	1	2	3	4	5
ከባንኩ ጋር ላለኝ ግንኙነት መሰጠት(commitment)						
ከዚህ ባንክ ወይም የባንክ ሰራተኛ/ኞች ጋር ያለኝ ግንኙነት						
20.	ለኔበጣምአስፈላጊነው፡፡	1	2	3	4	5
21.	ለረጅምጊዜአንዲቆይእፈልጋለሁ፡፡	1	2	3	4	5
22.	ለረጅምጊዜእንዲቀጥልጥረትላደርግይገባል፡፡	1	2	3	4	5
23.	ይህ ባንክ /የባንክ ሠራተኛ/ ከዚህ በኋላ ባይኖር ለኔ እንደ ትልቅ ኪሳራ ነው	1	2	3	4	5
24.	የዚህባንክሰራተኛለሚሰራቸውጥቃቅንስህተቶችእንዳላየሆኜላልፍ እችላለሁ	1	2	3	4	5
እርካታ						
25.	ከዚህባንክሰራተኛጋርባለኝግንኙነትረክቻለሁ	1	2	3	4	5
26.	ከሌሎችካየኋቸውወይምከሰማኋቸውግንኙነቶችጋርሲወዳደርከዚህባንክሰራተኛ ጋርያለኝግንኙነትበጣምጥሩነው	1	2	3	4	5
27.	በዚህባንክሰራተኞችተደስቻለሁ፡፡	1	2	3	4	5
28.	ባንኩእንደኔያሉደንበኞችን ለማርካትበሚያደርገውጥረትተደስቻለሁ	1	2	3	4	5
29.	ለባንክአገልግሎትይህንንባንክመምረጤጠቅሞኛል	1	2	3	4	5
30.	በዚህባንክአጠቃላይአገልግሎትረክቻለሁ፡፡	1	2	3	4	5

ክፍል 4 የደንበኛ ታማኝነት

ይህ ክፍል በእርስዎ እንደደንበኛነትዎ ለባንኩ ያለዎትን ታማኝነት(loyalty) የሚዳስሱ ጥያቄዎችን አካቷል፡፡እባክዎትን ለእንዳንዱ አረፍተነገሮች የመስማማትና ያለመስማማትዎን መጠን እንዲሁም ለማወዳደሪያና የመሆን ዕድልን (likelihood) ለሚጠይቁ ጥያቄዎች አመለካከትዎን በትክክል የሚወክለውን ቁጥር በማክበብ ይግለፁ፡፡

ባህሪያዊ ታማኝነት (behavioral loyalty)						
31.	የዚህንባንክአገልግሎትበድጋሚብጠቀምደስይለኛል፡፡	1	2	3	4	5
32.	ወደፊትየዚህንባንክአገልግሎትተጠቃሚሆኜየምቀጥልበትዕድል	1	2	3	4	5
33.	ይህባንክየሚሰጣቸውንሌሎችአገልግሎቶችየምጠቀምበትዕድል (ለምሳሌ የብድር አገልግሎት ወይም የውጪምንዛሬ አገልግሎት ቢፈልጉ ከዚሁ ባንክ የሚጠቀሙበት ዕድል)	1	2	3	4	5
34.	ከሌሎችባንኮችጋርሲወዳደርከዚህባንክጋርያለኝግንኙነት(ድግግሞሽ)	1	2	3	4	5
	የአመለካከት ታማኝነት (Attitudinal loyalty)					
35.	የዚህባንክአገልግሎትጥራትከሌሎችባንኮችይበልጣልብዬአምናለሁ	1	2	3	4	5
36.	የባንክአገልግሎትንበተመለከተ፣ይህባንክየመጀመሪያምርጫዬነው፡፡	1	2	3	4	5
37.	ስለዚህባንክብጠየቅመልካምነገርእናገራለሁ፡፡	1	2	3	4	5
38.	ለሌሎችሰዎችየዚህንባንክአገልግሎትእንዲጠቀሙእመክራለሁ፡፡	1	2	3	4	5

Addis Ababa University,
College of Business and Economics
School of Commerce
Graduate studies program

Questionnaire to be filled by Bank customer

Dear Participant:

My name is Robel Beyene and I am a graduate student at Addis Ababa University School of commerce. For my final project, I am examining customer orientation of service employees and its impact on relationship quality and customer's loyalty. Because you are a customer of this Bank, I am inviting you to participate in this research study by completing the attached surveys.

Completing part 1-4 of the following questionnaire will require approximately 10 min. There is no compensation for responding nor is there any known risk. In order to ensure that all information will remain confidential, please do not include your name.

If you choose to participate in this project, please read all the instructions carefully then answer all questions as honestly as possible and return the completed questionnaires. Participation is strictly voluntary and you may withdraw from participate at any time.

Since the data collected will provide useful information for the study please give genuine response.I thank you for taking the time to assist me in my educational endeavors

Sincerely,

Part 1 respondent's demographic data

This part of the questionnaire includes item related to basic data of respondents please indicate your responses by putting ☒ or ☑marks in the box

5. Age <20 ☐ 21-30 ☐ 31-40 ☐ 41<☐
6. Sex Male ☐ Female ☐
7. Educatin status bellow 2ndary education ☐2ndary education ☐
   Diploma ☐ 1st degree ☐ above 1st degree ☐
8. How long have you been customer of this bank
   <2 years ☐ 2-5years ☐ 6-10 years ☐> 10 years ☐

Part 2 Customer orientation of service employees

1-Strongly disagree 2- disagree 3-Neutral 4-Agree and 5-Strongly Agree

Technical skills					
The employees of this bank have a high level of knowledge.	1	2	3	4	5
The employees of this bank are experts in their job.	1	2	3	4	5
The employees of this bank are highly competent	1	2	3	4	5
Social skills					
The employees of this bank have extensive social skills.	1	2	3	4	5
The employees of this bank are able to consider their customers' perspective.	1	2	3	4	5
The employees of this bank know how to treat a customer well.	1	2	3	4	5
Motivation					
The employees of this bank show strong commitment to their job.	1	2	3	4	5
The employees of this bank do their best to fulfill their customers' needs.	1	2	3	4	5
The employees of this bank are always highly motivated.	1	2	3	4	5
Decision-making authority					
The employees of this bank are allowed to decide autonomously in customer matters.	1	2	3	4	5
The employees of this bank have appropriate room for maneuver in solving customer problems.	1	2	3	4	5
In the case of customer requests, employees of this bank do not need to ask their superior for permission.	1	2	3	4	5

Part 3 Relationship quality

TRUST					
I can let the bank employee make important decisions without my involvement	1	2	3	4	5
there is No need of questioning their motives	1	2	3	4	5
The employees of this bank was always willing to provide assistance to me	1	2	3	4	5
I believe in the information that the bank employee provides me with	1	2	3	4	5
I have full confidence in the bank employee	1	2	3	4	5
A bank employee keeps promises	1	2	3	4	5

A bank employee is honest	1	2	3	4	5
COMMITMENT					
The relationship I am having with this bank/ employee….					
- Is important for me.	1	2	3	4	5
- Is something I intended to maintain indefinitely.	1	2	3	4	5
- Deserved a maximum of my effort to maintain.	1	2	3	4	5
If this bank/employee no longer exist this would be significant loss for me	1	2	3	4	5
I would turn a blind eye to a minor mistake of the bank employee.	1	2	3	4	5
SATISFACTION					
I was satisfied with the relationship I had with the employee of this bank.	1	2	3	4	5
Compared to other relationships I knew or heard about, the one I had with the employee of this bank was quite good.	1	2	3	4	5
I am pleased with employees of the bank	1	2	3	4	5
I was happy with the effort this bank was making towards consumers like me.	1	2	3	4	5
Decision to choose this company for banking service was wise	1	2	3	4	5
I am satisfied with bank's overall services	1	2	3	4	5

Part 4 Customer Loyalty

BEHAVIOURAL LOYALTY					
I would like to buy Bank services from this bank again.	1	2	3	4	5
Likelihood to continue purchasing this Bank's products and services.	1	2	3	4	5
Likelihood of purchasing other products and services the Bank offer.	1	2	3	4	5
Frequency of interaction with this bank as compared to other banks	1	2	3	4	5
ATTITUDINAL LOYALTY					
I Believe this bank's products and services are superior to competitors.	1	2	3	4	5
Regarding bank service, this bank is my first choice than other banks	1	2	3	4	5
If I has been asked about this bank I would say positive things	1	2	3	4	5
I will recommend the bank's products and services to others.	1	2	3	4	5

Chapter One
Introduction

1.1. Backgroundof the study

Decades has elapsed since the old transactional marketing concept was replaced by loyalty based relationship marketing. Because of the high cost associated with acquiring new customers, Marketers have gradually come to understand that long term customer relationship is advantageous than serving new customer now and then on a transaction basis. Thus, Customer loyalty is currently one of the most fundamental marketing focal areas which has comes to be an imperative concern for managers and academicians. Further, this increasing concern is generally exacerbated by the strong competition in the business environment. A special case to this phenomenon is the financial service industries where there is a wide range of choices and rapidly emerging innovative services, it is an imperative task of managers to win loyalty of their customers which have variety of choice at every corner and to retain them.

Loyalty

According to *Rai and Medha(2013)* "Customer Loyalty is a psychological character formed by sustained satisfaction of the customer coupled with emotional attachment formed with the service provider that leads to a state of willingly and consistently being in the relationship with preference, patronage and premium". Many research Findings suggests that it is profitable to retain customers in pursuit of the long term multiple transaction rather than to acquire new Customer. "Loyal customers provide firms a consistent source of revenue (repeat and increased purchases) and for cost reduction (less promotional expenses) that leads to increased profits.*"(Li & Green,2011).* Thus, loyalty in service context can directly or indirectly influence performance of business organization.

A complete/global customer Loyalty in literatures is conceptualized as a complex bi-dimensional construct that is measured comprising customers' attitude and behavior. Attitude refers to a mental desire or predilection towards people, objects and events. In marketing and business context it includes customer preference, buying intention, supplier prioritization and recommendation willingness. Our attitudes influence our purchase decisions and consumer

behavior *(Khan, 2006).* Behavior on the other hand measures customers' actual conduct it can be assessed by measuring shares of purchase, purchasing frequency or willingness to repurchase.

Relationship Quality

Relationship Quality(RQ) …Can be seen as the degree of appropriateness of a relationship to fulfill the needs of the customer associated with the relationship *(H. Kose, etal,2013)*. It can also be thought as the overall evaluation of the eminence of the customer – employee/organization relationship and it has been found in literatures to be the heart of a healthy relationship between buyers and sellers *(Hennig-Thurau et al., 2002)*. In this regard, several researchers postulated that the relationship quality is a suitable solution for the vendor to assess the nature and the intensity of customer relationships and to develop a competitive advantage which is difficult to duplicate by his competitors *(Hennig-Thurau et al., 2002; Wong et al., 2007 cited inGhzaiel&Akrout, 2012). Hennig-Thurau& Klee (1997)* suggested that the customer's evaluation of the relationship with the company also impacts customer retention and thus, must be considered. It is also commonly admitted that relationship quality is a condition to build long term relationships *(Crosby et al., 1990; Bejou et al., 1996 cited inGhzaiel&Akrout, 2012)*. There is no agreement in defining and conceptualizing RQ However, there is some degree of consensus that RQ is a higher-order construct comprising several different, though related dimensions *(Vieira et.al.(2008), Palmatier (2008) Alawneh(2012)). Vieira et.al.(2008)* suggests that ***Trust***, defined as the ability and willingness to rely on the relationship manager's integrity and behavior (i.e. trustworthiness) so that the long-term expectations of the buyer will be met, ***Commitment***, defined as the parties' firm and consistent motivation to maintain a relationship that is valued by them, and ***Satisfaction***, defined as the assurance, perceived by the buyer, regarding the relationship manager's future performance, given that past performance has been consistently satisfactory, should be included as dimensions of RQ. In this study the trust, commitment and satisfaction approach to relationship quality is adopted. And these RQ dimensions are hypothesized to have a positive effect on both behavioral and attitudinal loyalty.

Customer orientation

Due to the interactive nature of service and its intangibility in contrast to product, the performance, behavior and actions of the service employee at the service encounter determines customer's judgment of the overall quality of the service. These behaviors and actions measure the orientation of the employee towards customer i.e. customer orientation. Thus, the customer orientation of service personnel is often regarded as a main determinant of service firms' success *(Hennig-thurau., 2004)*. *Hennig-thurau., (2004)* propose to measure service employees customer orientation using four dimensions i.e. Technical skills, Social skills, Motivation and decision-making authority

According to previous literatures, the extent to which the service employee is customer oriented in the mind of the customer has a significant effect on the quality of customer-employee relationship which in turn affect loyalty.

By combining the above key concepts, the purpose of this research was to conduct an empirical study on selected bank customers to assess the impact of customer orientation of bank employees on customer – employee relationship quality and customer's loyalty.

1.2. Brief overview of the Ethiopian Banking sector

Throughout the Dergue Regime Ethiopia had a mono banking system where there was only one commercial bank operating in the whole country, the Commercial Bank of Ethiopia, one Development Bank, and one Housing and Saving Bank. This happened following the nationalization of the private banks that were operating in the imperial era.

This was reversed in 1994 with the issuance of proclamation for the licensing and supervision of banks business proclamation number 84 of 1994 that allowed domestic investors in banking business, which led to the beginning of a new era in the financial sector. Immediately after the enactment of the proclamation private banks began to emerge.

Currently, the number of banks which are licensed to providing banking service in the country is 20. From the 20 banks, three are government owned and the remaining are private.

Lately there were more than ten banks which were on the process of formation**.** However, due to the National Bank of Ethiopia's Directive No SBB/50/2011 which revised the minimum paid up capital requirement of new entrants from birr 75 million to birr 500 million nearly all have filed for liquidation.

In Ethiopian context, the financial system is dominated by banking industry, and yet, it is amongst the major under-banked economy in the world. *(Zerayehu et.al, 2013)* The Ethiopian banking industry can be characterized as highly profitable, concentrated and moderately competitive. Competition in terms of price is relatively weak in the Ethiopian banking industry. According to *Zerayehu et.al (2013)*In a nut shell, banks in the Ethiopian case are competing in terms of service quality and efficiency (including use of technological advances), branch network expansions, advertising and prices, put in the order of their significance.

1.3. Statement of the Problem

As said by *Zhang and Feng, (2009)* attracting more customer, building good relationship quality with customers, making customers satisfied and trusting, and obtaining customer's loyalty, through relationship marketing tactics is a challenge that is a must to face for service providers.

Despite the very importance of customer orientation of service employees (COSE)to promoterelationship quality which is an indicator of a stronger relationship andfor creating loyal customer specially in service context, there are only few studies conducted on the issue as far as the reviewed literatures are concerned and only little empirical research has been conducted to examine these two important constructs *(Hennig-thurau., (2004), Macintosh, (2007))*. Further no study has yet tested the impact of COSE on the way customers assess transactions with service employees or their relationship with the service provider as a whole *(Hanzaee and Mirvaisi, 2011)*. Even if customer's perception of the firm depends on their experience of interaction with employees, Most studies (empirical and conceptual) focus on customer orientation/market orientation of the overall firm rather than customer orientation of the boundary spanners which are the employees. *Saxeand Weitz(1982),Hennig-Thurau(2004),Macintosh (2007)* are among the very few scholars to assessed the link betweenCOSEand customer satisfaction, commitment, and retention and in

other countries with different socio-cultural and economical setting than countries like ours. Alemayehu (2014) attempts to assess the impact of Customer orientation on satisfaction and loyalty in Ethiopian context but fails to comprehensively study the concept of relationship quality. On the conceptual basis of the models of these researchers, this study hadcomprehensively studied the causal chain between customer orientation, relationship quality and customer loyalty.

1.3.1. Research questions

In this study the following questions are addressed

- What role does customer orientation play in creating a quality customer – employee relationship? What effect does Customer orientation have on trust, commitment and satisfaction
- How do relationship quality dimensions affect customer loyalty?

1.4. Objective of the study

1.4.1. General objective

The main purpose of this research was to conduct an empirical study on selected bank customers to assess the impact of customer orientation of bank employees on relationship quality and customer's loyalty by analyzing the relationship of every construct in the conceptual model.

1.4.2. Specific objective

- To assess the impact of customer orientation on relationship quality dimensions (i.e. trust, commitment and satisfaction)
- To investigate the extent to which loyalty is affected by trust, commitment and satisfaction in Ethiopian bank context.
- To develop and test comprehensive COSE – loyaltymodel
- To recommend plan of actions for managers on how to achieve loyalty through customer orientation

1.5. Scope of the study

The ultimate objective of this study was to assess the impact of customer orientation on relationship quality and loyalty and the following are the delimitations;

First, in terms of the constructs in the model, Service employees Customer orientation was measured using *Hennig-thurau's, (2004)* COSE model in which it is conceptualized as a second order construct of four dimensions (i.e. Technical skills, Social skills, Motivation and decision-making authority)and only three basic components (trust, commitment andsatisfaction) are used to measure relationship quality. Further global/true loyalty is conceived as composite construct of behavior and attitude.Other customer orientation and relationship quality measurements are beyond this study and deemed unnecessary.In addition, the importance of loyalty for the firm and causal relationship between RQ constructs specifically trust and commitment is beyond the objective of the study andwasnot investigated.

Second, this study was delimited to the financial service sector and specifically the banking sector only. This study only focused on Ethiopian Banking Sector, others in the financial Industry in the countries were not involved. Further, geographically, the study delimits to bank branches in Addis Ababa city due to time and resource constraints.

Third, in this study the focus is on the perception of customer regarding the six constructs. This study was done only from customer's point of view, the service firms' or employee's Perspectives about this subject were not researched.

1.6. Significance of the study

The outcome of any research is its findings. Hence the findings of this study have theoretical/academic and managerial/strategic significance:

Academic significance: academically the current study explains the relationship of customer orientation and customer loyalty by developing a concise model based on previous literatures and conducting an empirical quantitative study. Besides, the study can help readers as a further clarification of the existing literature on the topics covered i.e. customer orientation, relationship quality, and customer loyalty. In-addition it could help as a basis for further studies.

Strategic significance: strategically, this study forwards the implication for managers to utilize the concept of COSE regarding customer service and relationship marketing.

1.7. Structure of the research

Chapter 2, the literature review of this study, provides the theoretical background for the empirical part of the study. It starts with a discussion of what relationship marketing isand comparison with the traditional transactional marketing. The concept of COSEis then examined in order to understand what it is and how itaffects the quality of the bank – customer relationship. This is followed by a detail discussion about Relationship quality and its conceptualization and dimensions.Then, the benefits of and approaches to customer loyalty are discussed. Finally, based on the above discussion empirical framework and research hypothesis are forwarded.

Chapter 3 presents the methodology adopted in order to answer the research questions. The research design, methods, data collection, contents of the survey and the resulting data are all presented here in detail. This chapter also presents the statistical methods used in the study starting with confirmatory factor analysis (CFA) and then structural equation model (SEM) analysis.

Chapter 4 presents the analysis of the empirical data regarding the effect that COSE has on Relationship quality and customer loyalty, based on the findings of the literature review. This chapter reviews the reliability and validity of the analysis and test the hypotheses portrayed in previous sections using the statistical methods mentioned earlier.

Chapter 5 discusses the empirical findings and their fit to the reviewed literature. Next, the key findings of the study are summarized for further elaboration.

Chapter 6 finalizes the thesis with discussions of the study’s conclusion, managerial and theoretical implications, limitations and implications for future research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Relationship marketing and Loyalty

Relationship marketing and customer relationship management have taken a central position in marketing strategy in the past two decades. *(Palmatier., 2008).* Relationship marketing-establishing, developing, and maintaining successful relational exchanges-constitutes a major shift in marketing theory and practice.*(Morgan and hunt, 1994)*

Several definition of relationship marketing has been forwarded by many researchers over time. Some of the definitions are presented below.

Relationship marketing Involves activities aimed at developing long-term, cost-effective links between an organization and its customers for the mutual benefit of both parties (*lovelock and wright 1999)*

Relationship marketing is simply an orientation of treating all customer interactions as part of an ongoing stream of interactions, rather than treating each customer interaction as an isolated incident. Relationship marketing focuses on a long-term relationship and series of transactions with the customer. (*Gengler&Leszczyc, 1997)*

Relationship marketing according to kotler is the process of creating, maintaining and enhancing strong, value laden relationships –with customers and other stakeholders. Relationship marketing is oriented more towards the long term. The goal is to and the measure of success in long-term customer satisfaction The objective is to deliver long-term value to customers build relationships and to develop loyal customers who will do a growing volume of business with the firm in the future. *(Kotler et.al. 1999).*

After a due analysis of several aspects of relationship marketing, *Palmatier R. (2008)* forward the following definition:

"Relationship marketing (RM) is the process of identifying, developing, maintaining, and terminating relational exchanges with the purpose of enhancing performance."

We can better understood Relationship marketing by comparing its counterparts known as transactional/Traditional marketing.

For example, *Christopher et al. (1991)* explained that transactional marketing is focused on a single sale in the short term. Transaction marketing is said to be oriented towards product features with low emphasis in service, and involves moderate customer contact and limited customer commitment, when compared with relationship marketing which emphasizes product benefits with high service, customer contact, and customer commitment.

Understanding relationship marketing requires distinguishing between the discrete transaction, which has a "distinct beginning, short duration, and sharp ending by performance," and relational exchange, which "traces to previous agreements [and] ... is longer in duration, reflecting an ongoing process" (*Morgan and hunt, 1994*)

Grönroos (1991) argues that transaction and relationship marketing differ in the following aspects:

- Time perspective, where transactional marketing is Short-term focused and relationship marketing has long term orientation,
- Price elasticity in which customers tend to be less sensitive to price in relationship marketing than in transactional marketing,
- The dominating marketing function and quality dimension,: Quality of interactions is the important one in relationship marketing and quality of output is dominant in transactional marketing
- Measurement of customer satisfaction, the customer information system, functional interdependence, and the role of internal marketing etc.

The following table compares relationship marketing with traditional marketing

Relationship marketing compared with traditional marketing

Relationship marketing	Traditional marketing*
Orientation to customer retention	Orientation to single sales
Continual customer contact	Episodic customer contact
Focus on customer value	Focus on product features
Long-term horizon	Short-term horizon
High customer-service emphasis	Little emphasis on customer service
High commitment to meeting customer expectations	Limited commitment to meeting customer expectations
Quality concerns all staff members	Quality concerns only production staff

*Traditional marketing can also be considered transactional marketing, in which each sale is considered to be a discrete event. This table is based on an idea from: F. Robert Dwyer, Paul Schurr, and Sejo Oh, "Developing Buyer-Seller Relationships," *Journal of Marketing*, Vol. 51, April 1987, pp. 11–27.

Table 2.1 comparison of relationship marketing with traditional marketing Source: Bowen and Shoemaker, (1998)

The ultimate goal of relationship marketing is to reap the highest value from a loyal customer by maximizing the value for the customer at the same time because Generally speaking, customers who buy more frequently and in larger volumes, who are not sensitive to price and who are more likely to spread positive word of mouth are more profitable than occasional users. As a result companies must be oriented toward a long-term relationship with loyal customers rather than focusing on transactions.

In this study all the variables raised are under the domain of relationship marketing

2.2. Customer orientation of Service employees (COSE):

One of the most important subjects in relationship marketing domain is customer orientation of service personnel and service firm. According to literatures customer oriented companies produce high-quality service from the customer's perspective, rather than the management's "we know what customers want" attitude. They put themselves in the shoes of the customer and design delivery systems that meet customer needs and expectations. They hold close to the concept of dedication to the customer.

Customer orientation is a central theme in literature (*Scheer and Loos, 2002)*. Customer orientation can be thought of as the behavior and ability of service employees to help and fulfill customer's expectation during the interpersonal interaction with customers. *Hennig-Thurau (2004)* defines COSEas the extent to which the employee's behavior in personal interactions with customers meets those customer needs.

In the marketing literature, the impact of a firm's customer orientation on its long-term economic success is largely undisputed. The concept of customer orientation has thus developed into one of the main fields of marketing research. The idea behind customer orientation - which is closely related to the fundamental thinking behind marketing itself is that a company has to address the needs and wishes of its customers adequately in order to ensure that they will buy the company's products and services, experience a high degree of satisfaction with these goods and services, and then become loyal customers of that company.*(Hennig-Thurau and Thurau, 2002)*

Especially in the case of services with high interaction like bank, The customer's perception of the extent to which employee is inclined to the fulfillment of customers need have a significant input in the customer's judgment of the quality of their relationship or the quality of the service in general which leads not only to an increase in customer satisfaction and a positive relationship with employee but also to an emotional commitment to the organization, and for retaining these customer. In the words of *Hennig-Thurau (2004)* as a result of the intangible and interactive nature of services, customers often rely on the behavior of service employees when judging the quality of a service. Consequently, the employees' level of customer orientation is considered an important leverage for service firms' economic success.

The more client-contact service employees (bank employees) have communicated benefits, the stronger the clients' perception that bank employees put clients' needs first. When employees of client-oriented bank provide superior and highly satisfactory services, the service image of the bank will improve and client satisfaction will increase. Client orientation appears to have a direct relationship with relationship quality. *(al-alak and alnawas,2010)*

The findings of an empirical study by *Hennig-Thurau (2004)* for two service contexts (i.e. book/CD/DVD retailers and travel agencies) illustrate that service employees' level of customer orientation is a key driver for customers' satisfaction with the service firm, the level of emotional commitment of these customers to the firm, and, most importantly, their degree of retention.

The studies by *Narver and Slater (1990) and Jaworski and Kohli (1993)* empirically substantiate the economic potential of firm's customer orientation. Further the existing sales literature generally agrees that customer-oriented selling leads to increased profits and customer satisfaction *(Keillor et.al. 2000)*

2.2.1. Conceptualizing customer orientation

In this study service employee's customer orientation is conceptualized as a construct having four dimensions as suggested by *Hennig-Thurau (2004)*

The four dimensions are:

1.Technical skills,
2.Social skills,
3.Motivation and
4.decision-making authority

The employee's ***technical skills*** refer to the knowledge and those technical or motor skills which a service employee must possess in order to fulfill the customer's needs during the personal interaction process. Such technical skills are essential for customer need fulfillment as the uno-actu characteristic of service encounters requires the employee to respond instantly to the customer instead of relying on data in knowledge databases, etc. In several service areas such as hairdressers and massage salons, the employee's motor skills are to a large extent identical with the service provided and cannot be substituted by other service components.*(ibid.)*

The concept of ***social skills*** focuses on the service employee's ability to take the customer's perspective during interactions. Specifically, such perspective taking can take place visually (i.e. the employee understands what the consumer sees and perceives), cognitively (i.e. the employee understands what the consumer thinks), and emotionally (i.e. the employee

understands what the consumer feels. All of these three facets enable the employee to understand the consumer's needs and are therefore considered necessary for need fulfillment. *(Hennig-Thurau, 2004)*

Regarding the ***motivation*** dimension of service employee's customer orientation, *Hennig-Thurau (2004)* deduce employee's motivation to serve customers from Vroom's expectancy theory which assumes that people's motivation to exert effort is dependent upon their expectations for success and consists of three elements, namely: Expectancy, Instrumentality and Valence *(Jobber and Lancaster, 2009)*

1.Expectancy. This refers to a person's perceived relationship between effort and performance, i.e. to the extent to which a person believes that increased effort will lead to higher performance.
2.Instrumentality. This reflects the person's perception of the relationship between performance and reward; for example, it reflects the extent to which a person believes that higher performance will lead to promotion.
3.Valence. This represents the value placed upon a particular reward by a person. For some individuals promotion may be highly valued; for others it may have little value.

Motivation is essential for the employee's transformation of social and technical skills into customer-oriented behavior. *(Hennig-Thurau, 2004)*

The concept of motivation to behave in a customer-oriented way requires the existence of all three components, as non-compensatory inter-component relationships are expected to exist between the three. If an employee is not attracted by the idea of serving customers or the related consequences (e.g. pay, employee-of-the-month award), then he or she will probably not engage in customer-oriented behavior, even if there is a realistic chance of performing well and receiving monetary or non-monetary rewards..

The Final dimension of customer orientation, the employees' self-perceived ***decision-making authority*** corresponds to the extent to which service employees feel authorized to decide on issues that concern customers' interests and needs (*ibid*). Self-perceived decision-making authority is related to the empowerment concept intensively discussed in the services literature (*ibid*). As with motivation, decision-making authority is needed in order

to transfer an employee's skills and intention to treat customers in a friendly and competent way into actual behavior.

Consequently, service employees' Customer orientation is considered a four-dimensional construct with technical skills, social skills, motivation, and decision-making authority as dimensions. The assumption of *Hennig-Thurau, (2004)* that the four dimensions belong to the same constructs was also supported by the data. In the analysis correlations between all four Customer orientation dimensions were strong and highly significant, clearly indicating that the dimensions belong to a joint construct.

2.3. Relationship quality: Definition and conceptualization

Another imperative theme in relationship marketing is relationship quality. Relationship Quality (RQ)…..can be seen as the degree of appropriateness of a relationship to fulfill the needs of the customer associated with the relationship *(Thurau and klee, 1997).* Based on a review of the marketing literature, Relationship quality can be viewed as model that shows the degree that the customer trusts the service provider and in the future, has confidence in the service provider's performance to be consistently satisfactory.

Relationship quality is focused more on long-term customer relationships rather than on short-term transactions. Previous researchers have shown that a high quality relationship can earn life-long customer commitment and is valuable for a business. Such a relationship reduces uncertainty for customers and helps maintain a good business relationship.

Relationship quality has not only a direct effect on the seller's outcomes but also a conceptually meaningful, positive, leveraging effect through its interaction with relationship breadth and composition on performance outcomes.*(Palmatier, 2008)*

Relationship Quality is a critical success factor that influences the competitiveness of an organization. Relationship Quality is one of the important outcomes of marketing activity *(Mousavi, 2012)* Findings reveal that a better quality of the relationship results in a greater satisfaction with the relationship. *(Lages, et.al.,2004)*

The result of a study by*Gr´egoire and Fisher (2006)* Reveals that compared to low RQ customers, High RQ customers experience a very low desire for retaliation, which should result in a lower propensity to spread negative word-of-mouth, to exit the relationship with

the firm, and to contact third-party organizations. When strong RQ customers attribute a service failure to uncontrollable factors, they do not consider retaliation to be a reasonable response. Given the quality of their relationship with a firm, they tend to give the firm the benefit of the doubt.

Good relationship quality makes customers want to stay with the current service provider*(C.-T. Liu et.al. 2011)*Relationship quality represents an important asset allowing maintaining and developing ongoing customer relationship *(Ghzaiel and Akrout 2012)*

Crosby, Evans and Cowles (1990)(cited on Pepur et.al. 2011) state that quality relationship represents the utmost importance while offering professional services such as accounting and to many financial services due to the following facts:

- the service is complex, customized, and delivered over a continuous stream of transaction,
- many buyers are relatively unsophisticated about the service,
- The environment is dynamic and uncertain in ways that affect future needs and offerings.

2.3.1. Dimensions of relationship quality

There are several contextual dimensions of relationship quality developed by researchers in the marketing literature.*Lages, et.al.(2004)* Propose the RELQUAL scale in export marketing in which Relationship quality is presented as a high-order concept with Multidimensional scale comprising four dimensions (1) amount of information sharing in the relationship, (2) communication quality of the relationship, (3) long-term relationship orientation and (4) satisfaction with the relationship. In their study in the service context, *Gr´egoire and Fisher(2006)* conceptualizes RQ as a higher-order construct that is reflected in trust, satisfaction, commitment, and identification. *Morgan and hunt (1994)* empirical result suggest that commitment and trust are the key to cooperative relationships which are required for relationship marketing success. Further they posit that Identifying commitment and trust as key mediating variables is critical to the study and management of relationship marketing.

After a rigorous survey of a literature relevant to relationship quality, *Vieira et.al., (2008)* forward the following comprehensive table illustrating the most common dimensions of relationship quality.

Table 1: Dimensions of Relationship Quality

Authors	Trust	Satisfaction	Commitment	Other constructs	Single dimension	Context
(Dwyer and Oh 1987)	X	X		Minimal opportunism		Buyer-seller relationships in marketing channels.
(Crosby et al. 1990)	X	X				Life insurance; Services people-based relationships.
(Lagace et al. 1991)	X	X				Relationships between physicians and pharmaceutical salespeople.
(Moorman et al. 1992)					X	Relationships between marketing researchers and various users.
(Storbacka et al. 1994)				Relationship strength		Relationships between service providers and consumers.
(Wray et al. 1994)	X	X				Financial services; Relationships between customers and the salesperson.
(Kumar et al. 1995)	X		X	Conflict, Willingness to invest in the relationship, Expectation of continuity.		Business-to-business relationships between large suppliers and small resellers.
(Bejou et al. 1996)	X	X				The same as in Wray et al. (1994).
(Boles et al. 1997)					X	Business-to-business relationships.
(Hennig-Thurau and Klee 1997)	X		X	Product-related or service-related quality perception		Relationships between consumers and firms.
(Leuthesser 1997)	X	X				Relationships between industrial purchasing executives and various suppliers
(Bejou et al. 1998)	X	X		Customer orientation, Ethics, Expertise, Length of relationship, Sales orientation,		Financial services; Relationships between customer and financial adviser.
(Dorsch et al. 1998)	X	X	X	Minimal opportunism, Customer orientation, and Ethical profile.		Business-to-business relationships between purchasing executives and vendors.
(Smith 1998)	X	X	X			Relationships between industrial purchasing executives and suppliers.
(Boles et al. 2000)	X	X		Equity.		Telecommunications, business customers.
(Hennig-Thurau 2000)	X		X	Product-related or service-related quality perception		Relationships between customers and manufacturers
(Naudé and Buttle 2000)	X	X		Coordination, Power, and Conflict.		Business-to-business relationships.

Table 2.2 dimensions of relationship quality in literatures source: Vieira et.al., (2008)

Table 1 (contd.)

Authors	Trust	Satisfaction	Commitment	Other constructs	Single dimension	Context
(Shamdasani and Balakrishnan 2000)	X	X				Relationships between service providers and customers
DeWulf et al. 2001)	X	X	X			
(Hennig-Thurau et al. 2001)	X		X	Service quality.		Relationships between students (alumni) and universities.
(Holmlund 2001)				Technical, Social, Economic.		Business-to-business relationships.
(Vieira 2001)	X	X				Business-to-business relationships between banks (via client managers) and small to medium enterprises.
(Hennig-Thurau et al. 2002)	X	X	X			Relationships between consumers and various service providers.
(Hewett et al. 2002)	X		X			Industrial buyer's relationship with a particular seller.
(Parsons 2002)	X	X				Relationships between purchasers and various types of suppliers, mostly industrial, at both individual and organizational levels.
(Wong and Sohal 2002)	X		X			Relationships between shoppers and large departmental store.
(Keating et al. 2003)	X			Effort, Value, Understanding, Communication, and Power.		Relationships between online retail consumers and providers.
(Roberts et al. 2003)	X	X	X	Affective Conflict.		Relationships between services providers and consumers.
(Walter et al. 2003)	X	X	X			Business-to-business relationships between clients and industrial suppliers.
(Ivens 2004)	X	X	X			Relationships between purchasing managers and their suppliers.
(Woo and Ennew 2004)				Cooperation, Adaptation, and Atmosphere.		Business-to-business professional services.
(Huntley 2006)				Technical, Social, Economic, Partnership, Time.		Relationships between firm and customer representatives for IT products and after-sale service.
(Ulaga and Eggert 2006)	X	X	X			Relationships between manufacturing companies and purchasing managers.
(Ivens and Pardo 2007)	X	X	X			Business-to-business relationships in goods and services industries
(Rauyruen and Miller 2007)	X	X	X	Service Quality.		Business-to-business relationships in a services setting.

As shown in the above table several researchers adopt varying dimensions for the measurement of relationship quality. In almost all studies relationship quality is considered as a high order construct having more than one dimension. These approach of measuring relationship quality using several dimensions is supported by *Palmatier, (2008)* who posits that Relationship quality has a stronger impact on objective performance as composite construct that captures multiple aspects or dimensions of a relationship (e.g., trust, commitment, relationship satisfaction), than any single dimension. Further he suggests that, Different aspects or dimensions of a relationship may be synergistic, and performance is optimized only when the relationship is sufficiently strong on all critical aspects. *(Palmatier, 2008)*

According to prior research, the composite relationship quality construct captures the diverse interaction characteristics required to create a high-caliber relational bond, such as commitment, trust, reciprocity norms, and exchange efficiency. Thus, each construct is related but captures unique aspects of relational bonds; these aspects in turn positively influence specific exchange outcomes. In aggregate, however, they reflect the overall quality or caliber of the bond. *(ibid)*

Although there is no consensus among researcher regarding the dimensions that structure relationship quality it is a common practice to measure relationship quality using distinct but interrelated construct, trust and commitment and satisfaction. In the context of financial service marketing specially, these constructs help to achieve customer's high relationship quality perception. Trust, satisfaction and commitment have also been referred to as the building blocks of RM *(Vieira et.al.,2008)*

2.3.1.1.Trust and Commitment

As literatures suggest, *(Morgan and Hunt,1994)*If cooperative relationships are required for relationship marketing success, commitment and trust are, indeed, key points for service providers to combine stable long-term relationship with their customers, and in turn achieve loyalty behavior. As a result, in this study relationship quality is considered as a high order construct of trust and commitment from customers' perspectives.

Morgan and Hunt (1994) stipulate that trust and commitment are central to relationship marketing because they encourage marketers to work at preserving relationship investments

by cooperating with exchange partners, resist attractive short-term alternatives in favor of the expected long-term benefits of staying with existing partners, and view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically. According to literatures trust and commitment (key relationship quality indicators) in relationship result in Co-operation, reduced Conflict and Uncertainty and improved Relationship performance *(Chowdhury (2012), Morgan & Hunt, (1994))*.

Cooperation is defined as the situations in which exchange partners work together in order to accomplish common goals, coordinated and complementary actions between exchange partners to achieve mutual goals *(Chowdhury, 2012)*A partner committed to the relationship will cooperate with another member because of a desire to make the relationship work. Both theory and empirical evidence indicate that trust also leads to cooperation *(Morgan and hunt, 1994)*. Conflict is defined as overall level of disagreement between exchange partners *(Chowdhury (2012).* Mutual trust and commitment between transaction parties help conflictual episodes to be reduced or to be perceived as functional conflicts *(Chowdhury (2012), Morgan & Hunt, (1994))* which can be resolved amicably *(Morgan and hunt, 1994)*. Uncertainty is a state in which a party is in a situation in which instant decision making is hindered due to lack of enough information to base the decision, unpredictability of the consequence of the decisions made and, lack of confidence on the decisions made. It is put forward that Trust reduce decision-making uncertainty because the trusting partner has confidence that the trustworthy party can be relied on. *(Morgan & Hunt, (1994), Chowdhury (2012))*

Because trust and commitment serve multiple relationship functions, they can be considered to be what "distinguishes productive, effective relational exchanges from those that are unproductive and ineffective—that is whatever produces relationship marketing successes instead of failures" *(Morgan & Hunt, 1994)*.

These crucial functions of trust and commitment can be provided mainly because they "lead directly to cooperative behaviors that are conducive to relationship marketing success" *(ibid).*

Trust

Trust is generally viewed as an essential ingredient for building and maintaining successful relationships. *(Mousavi, 2012)*

Trust is considered so important to long-term relationships and enhancing customer loyalty. Many researchers have suggested that customers' trust is a significant role in building long-term relationship and achieving customer loyalty (*Zhang and Feng, 2009)*

Trust can be viewed as a partner's belief that the other partner will perform actions that will result in positive outcomes, as well as not take actions that will result in negative outcomes *(Roberts-Lombard 2014).*

Morgan and Hunt (1994) conceptualize trust as existing when one party has confidence in an exchange partner's reliability and integrity.

Trust is an important indicator of relationship quality. Only when a person trusts the trustee will he/she be likely to perceive that there is a high quality relationship between the trustee and him/her. A relationship that lacks trust is unlikely to be perceived as of high quality. (*Alawneh, 2012)*

The literature on trust suggests that confidence on the part of the trusting party results from the firm belief that the trustworthy party is reliable and has high integrity, which are associated with such qualities as consistent, competent, honest, fair, responsible, helpful, and benevolent.(*Morgan and Hunt 1994)*

Commitment

Morgan And Hunt (1994) define relationship commitment as an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely.

Commitment is defined as a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, a confidence in the stability of the relationship, and investments in the relationship (*Chowdhury, 2012*)

Commitment, defined as the parties' firm and consistent motivation to maintain a relationship that is valued by them Commitment motivates partners to cooperate in order to preserve the relationship investments. This implies that partners forgo short-term alternatives in favor of long-term benefits associated with current partners. *(Morgan & Hunt, 1994).*

Commitment is central to a successful relationship. Commitment is the desire to maintain the relationship and is indicated by ongoing investment into activities which are expected to maintain the relationship into the future. As it may take time to reach a point where a commitment is made, it may also imply a certain maturity in the relationship *(Morgan & Hunt, 1994).*

2.3.1.2. Satisfaction

Satisfaction represents an extremely important quality relationship dimension. The majority of the prominent authors defined satisfaction as a positive, affective state resulting from the appraisal of all aspects of relationships among companies.*(Pepur et.al. 2011)*

Customer satisfaction is an overall attitude formed based on the experience after customers purchase a product or use a service. It is a reflection of being content with such a product or a service *(C.-T. Liu et.al. 2011).* Satisfaction is the assessment of the experience of interacting with a service provider up to the present time, and is used by customers to predict future experience *(Crosby et al.,1990)*

Satisfaction is a measure of how a customer's expectations are met and often has been perceived as the final result of all activities carried out during the process of purchase and consumption. In fact, some researchers suggest that customer satisfaction is an overall evaluation based on the total experience with a good or service over time. Most of investigators have accepted customer satisfaction as a key factor for behavioral variables and it has been widely accepted among researchers as a powerful predictor for behavioral variables. Satisfaction is located in central area of relationship between clients and firms. *(mousavi, 2012)*

2.4. Customer loyalty

Nowadays, in competitive economy there is no warranty for business companies to survive. Loyal customers can be of great help to companies to survive and improve. Therefore, companies need to concentrate on loyalty of customers and enjoy customers' loyalty as a main strategy for future. (*Aliabadi et.al, 2013*)

In the age of cut throat competition and heightened customer expectations, cutting on defection and building bonds of long lasting loyalty with the customers seem to be the only means of sustained profitability and growth.*(Rai and Medha, 2013)*

The distinctive nature of services, increased role of technology and higher customer involvement in service delivery processes have furthered the importance of customer loyalty in service industries. *(ibid)*

Customer loyalty is the most important goal of implementing relationship marketing activities. *(Zhang and Feng , 2009)*. Customer loyalty is one of the most important indicators used to evaluate the quality of services offered by an organization. According to the results of numerous researches published in the relationship marketing literature, a loyal customer may bring many benefits to the organization, contributing both to the improvement of the growth rate and to the increase of the safety degree or organizational stability.*(Filip and Anghel, 2009)*

There is an observable worldwide shift toward loyalty marketing in most of the sectors across various industries. *(Rai and Medha, 2013).*

Customer loyalty is winning the confidence of the customer in favor of an organization such that the relationship becomes a win-win situation for both the organization as well as the customer. *(Ganiyu, Uche and Elizabeth, 2012)*

Customer Loyalty can be considered as customer’s willingness to continue patronizing a firm over the long term, preferably on an exclusive basis, and recommending the firm’s products to friends and associates *(Lovelock and Wirtz, 2007).*

According to *Rai and Medha (2013)* “Customer Loyalty is a psychological character formed by sustained satisfaction of the customer coupled with emotional attachment formed with

the service provider that leads to a state of willingly and consistently being in the relationship with preference, patronage and premium".

Consumer loyalty in the service industry also referred as service loyalty means customer's faithfulness to specific brand in the service industry. Therefore customers maintains a series of loyalties to the organizations whose service they usually consume. *(Ali I. et.al. (2012))*

The most widely accepted definition of loyalty is that customer loyalty is the behavioral outcome of a customer's preference for a particular brand or a selection of similar brands, over a period of time, that is the result of an evaluative decision-making process. *(Gilmore A. 2003)*

Customer loyalty is not a process that finishes with the customer joining the loyalty program but actually a process that starts with the customer joining the same. Customer loyalty is something more of what an enterprise must get from the customer. As opposed to what the name suggests, it is not just something that the customer has to build towards the enterprise. *(Ganiyu, Uche and Elizabeth 2012)*

2.4.1. Importance of Customer loyalty

Customer loyalty can seem elusive and magical to those trying to obtain it. However, there are a lot of good reasons for businesses to pursue customer loyalty as a strategic objective. *(Ganiyu, Uche and Elizabeth 2012)*

There are abundant researches discussing the importance of relationship marketing and loyalty to the success of a service firm. Among the literatures regarding importance of relationship marketing and loyalty, the most relevant literatures are presented in the following section.*(ibid).*

The power of customer loyalty is clear and compelling: It leads to more profitable growth. Loyal customers stay longer with companies that treat them well. They buy more of their products, and they cost less to serve. They recommend the companies to their friends and colleagues, becoming, in effect, a highly credible volunteer sales force. Investing in loyalty can generate more attractive returns than rolling out an ambitious new marketing plan or expanding line of company's business. Loyalty can be of substantial value to both customers and the firm.*(ibid 17).*

The following are the most significant Importance of Customer loyalty in the literature:

- Loyal/Relational customers tend to increase their purchases over time, *(Mudie and Pirrie (2006), Lovelock and Wright (1999), Lovelock and Wirtz (2007))* or at minimum, continue purchasing at the same level *(Ganiyu, Uche and Elizabeth (2012))* either because they are consolidating their purchasing onto a preferred supplier or because their own business/family has grown and there is a need for more. *(Mudie and Pirrie (2006))*
- Profit from reduced costs. As customers become more experienced, they make fewer demands on the supplier (for instance, they have less need for information and assistance). They may also make fewer mistakes when involved in operational processes, thus contributing to greater productivity. *(Mudie and Pirrie (2006), Lovelock and Wright (1999), Lovelock and Wirtz (2007)) Reichheld and Sasser (1990*). In addition since Customers are expensive to acquire; keeping them loyal allows you to amortize acquisition costs to bring in new customers, e.g. cost of selling, advertising etc. *(Mudie and Pirrie (2006), Ganiyu, Uche, and Elizabeth (2012))*
- Profit from referrals of other customers. Positive word-of-mouth recommendations are like free selling and advertising, saving the firm from having to invest as much money in these activities (ibid). satisfied customers are more likely to introduce new customers to the company through word-of-mouth recommendation *Ganiyu, Uche, and Elizabeth (2012)), Mudie and Pirrie (2006), Reichheld and Sasser (1990)*
- Price premium and promotion. New customers often benefit from introductory promotional discounts, whereas long-term customers are more likely to pay regular prices, and when they are highly satisfied they are even willing to pay a price premium. Moreover, customers who trust a supplier may be more willing to pay higher prices at peak periods or for express work. (*Lovelock and Wright (1999), Mudie and Pirrie (2006))* In addition there is less need to offer price promotions to this group. Indeed these customers are likely to be less price-sensitive than others (which does not mean they have no price sensitivities). (*Mudie and Pirrie (2006))*

- Another importance loyalty to a service firm is that because customers Believe company services are superior to competitors they do not actively seek alternative service providers and are less vulnerable against competitive actions. In addition loyal customers are more likely to accept new service initiative by the service provider. (*Mudie and Pirrie (2006), Ganiyu, Uche, Elizabeth (2012), Reichheld and Sasser (1990))*
- Finally loyal customers have increased tolerance of occasional services failures, providing the company with opportunities to correct problems by Giving the company sincere suggestions (feedback) as to their needs and expectations rather than using these failure as a basis for compromising the relationship. *(ibid)*

2.4.2. Approaches to Customer loyalty

Loyalty to an object (e.g. a brand, store, service or company) is shown by favorable propensities towards that object. These propensities may be behavioral or attitudinal *(East et.al. 2005)*. The following section gives a brief explanation for the concepts.

I. Behavioral/Purchase loyalty

The behavioral approach considers customers loyal only based on their actual conduct i.e. because they continue to buy. In fact this approach is the earliest form of loyalty conceptualization (*(Mousavi, (2012), Bobâlcă,(2013)*

Behavioral loyalty relates to shares of purchase, purchasing frequency (*Zhang and Feng, 2009).* It is according to *Motamedifar et.al (2013*) the customer's willingness to repurchase the product and to continue a relationship with the supplier.

In industrial and service marketing, behavioral loyalty is viewed as retention of the brand*(East et.al. 2005).*

Behavioral loyalty is evaluated with the help of different quantitative indices like: the number of purchases made by the customer from the product portfolio of a company, the frequency of acquisition, the percentage from the total expenditures made by a customer for a certain product or service, with regard to a certain organization, the cross-buying potential of the customer. *(Filip and Anghel, 2009)*

However the behavioral definition has its own draw back that it does not allow to differentiate true loyalty from that of artificial/spurious loyalty. It is possible for a customer to continue purchasing from the same service provider without a strong attitude toward the firm. This type of loyalty or customer retention may be called spurious loyalty, if the repeated customer behavior happens without a strong attitude or a clear preference of the customer toward the current bank. In cases of spurious loyalty, customers continue to patronize a certain bank due to familiarity or habit, inertia, passivity, deals, low income or lack of others alternatives, but do not have a corresponding positive relative attitude. *(Filip and Anghel, 2009)*

II. Attitudinal loyalty

The attitudinal approach treats loyalty as a state of mind. Attitudinal loyalty describes customer's attitude toward loyalty by measuring customer preference, buying intention, supplier prioritization and recommendation willingness *(Zhang and Feng, 2009).* Attitudinal loyalty is also the level of the customer's psychological attachments and attitudinal advocacy vis-à-vis the supplier (*Motamedifar et.al (2013*). It is defined as a consumer's desire to continue his relationship with the company in spite of the lower prices of the competing companies and to recommend the products or the services to his friends *(Bobâlcă, 2013)*

Attitude determines the grade to which a customer's position towards a product or service is desirable.*(Mousavi,, 2012).*

The intensity of these attitudes represents a key predictor of the repeating purchase. It is also shown that the clients who manifest attitudinal loyalty are less capable of spread negative information about the brand. An expanded perspective of "attitude defines loyalty" indicates the existence of a relation between clients and brands. *Bobâlcă, 2013)*

This attitude can be measured by asking people how much they love the brand, how much are they attached to the brand or have positive feelings about it, what are the chances they will recommend the brand to other people *(Dick and Basu, (1994), Mousavi,, (2012)).*

Again the attitudinal approach could not measure a true loyalty status of a customer. By just having a positive attitude or preference over others a person cannot be treated as a true loyal

without favorable behavior i.e. purchase because aside from their promotional value they have little or no contribution for the company's revenue. This is the case of latent loyalty in *dick and basu's (1994)* loyalty typology where a customer is characterized by high relative attitude combined with low repeat purchase. *Sondoh, (2009) (in Bobâlcă,(2013)* posits that Measuring attitudes means involving customer' feelings for a brand or a company, the buying intentions or the recommendation intentions but the global loyalty phenomenon cannot be understood without the act of buying. The discussion on behavioral and attitudinal approaches to loyalty is clearly seen from the following *Dick and Basu's (1994)* Typology of Loyalty. As can be seen from the matrix true loyalty can only be assessed using both attitudinal and behavioral aspect.

		Repeat patronage	
		High	Low
Relative	High	True loyalty	Latent loyalty
attitude	Low	Spurious loyalty	No loyalty

Fig. 2.1 Dick and Basu's (1994) Typology of Loyalty

III. Composite loyalty

Composite loyalty is a merger of behavioral and attitudinal loyalty, and is expected to have a better anticipative power *(Mousavi,, 2012).* customer loyalty incorporates consumer preferences and their affective disposition toward the bank, which combined with repeat purchasing, describes the ideal situation of true loyalty. *(Filip and Anghel, 2009)* The composite definitions suggest that loyalty should always comprise favorable attitudes, intentions and repeat-purchase *(Mousavi, 2012).*

2.5.Empirical framework and research hypothesis

Findings of empirical studies

Customer orientation and relationship quality

Domain expertise which represents the customer's perception of the other party's level of technical knowledge and the ability to demonstrate such knowledge is one of the key drivers of RQ *(Vieira et.al.,2008).*

Client-oriented service providers provide service that goes beyond customer expectations and continue to put clients' needs and interests ahead of any other interest. The more client-contact service employees (bank employees) have communicated benefits, the stronger the clients' perception that bank employees put clients' needs first. When employees of client-oriented bank provide superior and highly satisfactory services, the service image of the bank will improve and client satisfaction will increase. Client orientation appears to have a direct relationship with relationship quality. *(Al-alak and Alnawas 2010)*

Most importantly, the customer may stay with a certain service provider not because of superiority of performance, but because of the commitment he or she has developed to the service provider and its employees, that can be characterized by elements of emotionality and friendship. In the case of services, such an emotional commitment is based predominantly on the customer's personal familiarity with and affinity to single service employees. Consequently, we presume that the employees' handling of interactions with customers strongly influences the level of commitment a customer develops toward a service provider (*Hennig-Thurau, 2004*). COSE is found to significantly impact the consumer's emotional commitment to the service provider *(Hennig-Turau, 2004)*

The conceptual framework postulates that an organization's market orientation and their perceptions of their partner's market orientation have an association with the organization's trust, commitment and relational norms. Based on the regression analysis, it was clear that market orientation significantly and positively influences the elements of commitment and the elements of trust practicing high level of market orientation would help increase trust, commitment and relational norms. (*Zakaria et.al, 2011)*

COSE is also found to significantly impact the consumer's emotional commitment to the service provider and its impact on customer satisfaction is clearly stronger *(Hennig-Turau, 2004)*

Seller expertise which is the Knowledge, experience, and overall competency of seller has strong association with building both trust and commitment (*Palmatier et al., 2006*)

Market orientation consists of customer orientation, competitor orientation, and cross-functional coordination where customer orientation measures the degree to which firms satisfy their target customers. Buyer will perceive a seller firm more trustworthy if the firm is market oriented.*(Chowdhury, 2012)*

There exist a significant positive relationship between customer orientation and expertise and respondents' perception of relationship quality.*(Macintosh, 2007)*

Based on the analysis of the above empirical studies the first hypothesis is proposed as follows

H1: Customer orientation of service employee positively affects dimensions of relationship quality

- ***H1a: Customer orientation of service employee positively affect trust dimension of relationship quality***
- ***H1b: Customer orientation of service employee positively affect and commitment dimension of relationship quality***
- ***H1c: Customer orientation of service employee positively affect satisfaction dimension of relationship quality***

Relationship quality and loyalty

The findings would seem to suggest that trust and commitment are indeed two important notions that cause corporate clients to uphold a relationship with their provider. *(Gounaris, 2005)*

There is a significant positive relationship between trust and loyalty with correlation coefficient r=0.663, commitment and loyalty with correlation coefficient r=0.587*(Motamedifar, 2013).*

The test of relationship between Trust, satisfaction, commitment and customer loyalty using correlation coefficient results in a significantly strong relationship between the variables where the coefficient is greater than 0.6 at a p-value of 0.05 for each. Therefore the hypothesis stating that Trust satisfaction and commitment influences customer loyalty is accepted. *(Dust and askarzade, 2013)*

It has been proven that commitment to creating a relationship with customer's results in a reduction in customer's attitude changes and an increase in their purchases and their future satisfactory intentions like customer loyalty *(Dust and askarzade, 2013)*

The findings of the study supported the contention that strong relationship exist between customer satisfaction and loyalty. However, customer satisfaction alone cannot achieve the objective of creating a loyal customer base. *(Ganiyu, Uche and Elizabeth, 2012)*

Trust, with Beta value of 0.28, has a significant, positive influence on customer loyalty. *(Yee and Faziharudean, 2010)*

Customer satisfaction exerted a positive impact on customer loyalty with a positive standard coefficient at 0.83 and t = 6.48.*(Haghighi et.al., 2012)*

Based on the analysis of the findings of the above empirical studies the following hypothesis and sub-hypotheses are proposed

H2: Relationship quality dimensions have a positive impact on both attitudinal and behavioral customer loyalty

H2a: Trust has a positive impact on customer attitudinal loyalty.

H2b: Trust has a positive impact on behavioral loyalty.

H2c: Commitment has a positive impact on attitudinal loyalty.

H2d: Commitment has a positive impact on behavioral loyalty.

H2e: Satisfaction has a positive impact on attitudinal loyalty.

H2f: Satisfaction has a positive impact on behavioral loyalty.

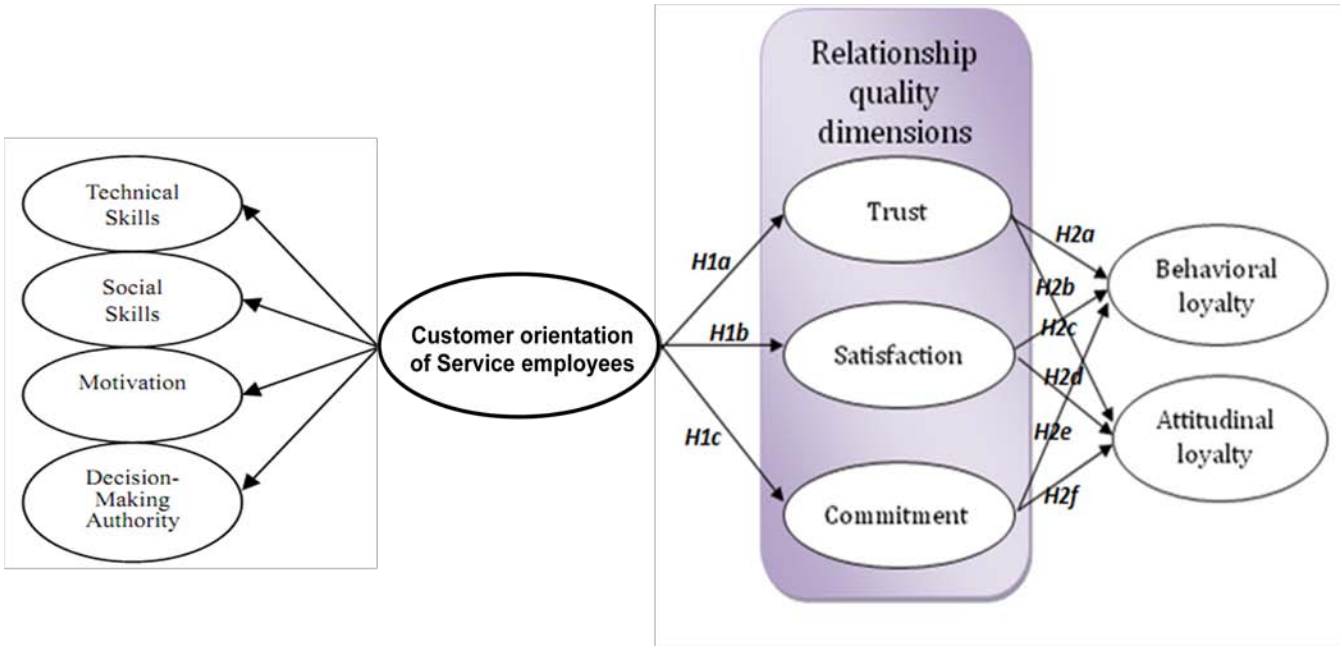


Fig. 2.2. Summary of the hypotheses and conceptual framework

(Modified from Hennig-Thurau (2004))

CHAPTER THREE

METHODOLOGY OF THE STUDY

This empirical study was conducted having the main purpose of assessing the impact of customer orientation of bank employees on customer's loyalty through affecting customer – employee relationship quality by analyzing the relationship of every construct in the proposed conceptual model (shown in figure 2.1). Further the end result of the study hassolved the following research questions derived from analysis of the relevant literature:

- What role does customer orientation play in creating a quality customer – employee relationship? What effect does Customer orientation have on trust, commitment and satisfaction
- How do relationship quality dimensions affect customer loyalty?
- Will the research model developed holds in the target population of the study?

3.1. Research approaches

Qualitative vs. Quantitative research approach

Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior. Research in such a situation is a function of researcher's insights and impressions. Such an approach to research generates results either in non-quantitative form or in the form which are not subjected to rigorous quantitative analysis. Generally, the techniques of focus group interviews, projective techniques and depth interviews are used. *(Kothari, 2004)*

The essence of qualitative research is to identify the characteristics and structure of phenomena and events examined in their natural context. Subsequently, these characteristics are brought together to form a mini theory or a conceptual model. Conducting qualitative research requires an 'open' attitude in order to understand how others experience their situation. *(Jonker and Pennink, 2010)*

Qualitative research is based on the fact that knowledge about reality can only be obtained through 'the eyes of someone else'. It is common to call this the 'actor approach'. This basic

approach implies that the researcher cannot be an objective outsider. As a person, the researcher is involved with both his own research and the phenomena that are being examined. *(ibid.)*

In contrast Quantitative research involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. *(Kothari, 2004)*The essence of quantitative research is to use a 'theory' to frame and thus understand the problem at hand. Its starting point, if not focus, can be to contribute to the development of theory. It is grounded in the basic attitude that knowledge about reality can also be obtained 'through the eyes of the researcher'. It is he who elaborates theory based on findings. In order to make this happen, theory is most often translated into a conceptual model and elaborated predominantly by means of hypotheses. For the researcher conducting quantitative research implies carefully operationalising a theory and subsequently measuring it by means of variables and questions. He needs to justify the way in which he has designed and operationalise the research methodologically and technically. *(Jonker and Pennink, 2010)*

In the first phase of this study qualitative data was collected and analyzed in the form of literature review. The outcome of the review helps the researcher to develop a conceptual framework and to formulate hypotheses. Later, for the purpose of testing the proposed hypothesizes, a quantitative method was utilized in this research.

A quantitative approach is found fundamental in order to examine the customers' perception of service employees' customer orientation, the quality of their relationship as indicated by trust, commitment and satisfaction and their loyalty level and to analyze the causal relationship between these construct. Quantitative approach is employed to visualize a fuller image of the relationship between variables.

3.2. Research design

"A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure." In fact, the research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data. As such the design includes an outline of what the researcher will do from writing the hypothesis and its

operational implications to the final analysis of data. *(Kothari, 2004).*Research design is the overall plan for connecting the conceptual research problems to the pertinent (and achievable) empirical research.

Research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible yielding maximal information with minimal expenditure of effort, time and money. Just as for better, economical and attractive construction of a house, we need a blueprint (or what is commonly called the map of the house) well thought out and prepared by an expert architect, similarly we need a research design or a plan in advance of data collection and analysis for our research project. Research design stands for advance planning of the methods to be adopted for collecting the relevant data and the techniques to be used in their analysis, keeping in view the objective of the research and the availability of staff, time and money. Preparation of the research design should be done with great care as any error in it may upset the entire project. Research design, in fact, has a great bearing on the reliability of the results arrived at and as such constitutes the firm foundation of the entire edifice of the research work.*(ibid.)*

A good design is often characterized by adjectives like flexible, appropriate, efficient, economical, and so on. Generally, the design which minimizes bias and maximizes the reliability of the data collected and analyzed is considered a good design. The design which gives the smallest experimental error is supposed to be the best design in many investigations. Similarly, a design which yields maximal information and provides an opportunity for considering many different aspects of a problem is considered most appropriate and efficient design in respect of many research problems. Thus, the question of good design is related to the purpose or objective of the research problem and also with the nature of the problem to be studied.*(ibid.)*

Types of research design

There are basically three categories of research designs i.e. exploratory, descriptive and diagnostic research studies, and hypothesis-testing/causal research studies.

Exploratory research studies are also termed as formulative research studies. The main purpose of such studies is that of formulating a problem for more precise investigation or of

developing the working hypotheses from an operational point of view. The major emphasis in such studies is on the discovery of ideas and insights. *(Kothari, 2004)*. Exploratory researches are intended to develop initial ideas or insights and to provide direction for any further research *(Williams, 2004).* The main aim of exploratory research is to identify the boundaries of the environment in which the problems, opportunities or situations of interest are likely to reside and to identify the salient factors or variables that might be found there and be of relevance to the research. Generally this type of design is qualitative and flexible in nature as in the survey of concerning literature; the experience survey and the analysis of 'insight-stimulating' examples.*(Kothari, 2004)*.

Descriptive research is research studies that describe what's happening in a market without potentially explaining why it is happening. *(Williams, 2004).*The main aim of descriptive research is to provide an accurate and valid representation of the factors or variables that are relevant to the research question. Such research is quantitative more formal and more structured and uses more sample than exploratory research

And finally Causal studies are those where the researcher tests the hypotheses of causal relationships between variables by examining whether one variable causes or determines the value of another variable. *(Kothari, (2004), Williams, (2004))* This design is by far the most formal and structured design.

In this study the researcher utilizedcausal design mainly and some aspects from exploratory and descriptive designs. Initially exploratory study was employed in the form of literature survey. This helps the researcher in order to explore and conceptualize the importance of employees' customer orientation in customer relationship. Further, the dimension of customer-employee relationship quality and its importance on customers' loyalty was investigated in the literature survey. The output of the exploratory design help the researcher to develop a conceptual model showing the relationship of customer orientation, relationship quality and customer loyalty and to formulate a working hypothesis.

Afterward, since one of the objectives of this study is describing the relationship between the mentioned concepts, descriptive design in the form of central tendency (mean value/average), and relationship (covariance/correlation) was employed.

Finally, causal research design where the aim is to study functional relationships existing between two or more variables was utilized. This analysis which can also be termed as regression analysis was employed to test the hypotheses and determine the causal relationship between customer orientation of service employees, dimensions of relationship quality (i.e. trust, satisfaction, and commitment) and customer loyalty (both attitudinal and behavioral). In this way the current study make use of all the three research designs

3.3. Research methods

3.3.1. Data sources collection tools

Primary vs. secondary research

Secondary research

Secondary data are those which have already been collected by someone else and which have already been passed through the statistical process. Secondary data means data that are already available i.e., they refer to the data which have already been collected and analyzed by someone else. When the researcher utilizes secondary data, then he has to look into various sources from where he can obtain them. In this case he is certainly not confronted with the problems that are usually associated with the collection of original data. *(Kothari, 2004).*Since, any ample and professional research study should be based on Secondary data as a framework; in the initial phase of this study secondary data was used extensively. Secondary research was utilized initially in order to obtain a greater understanding and to uncover existing knowledge in the area of service employees' customer orientation, measurement and dimensions of relationship quality and concepts of customer loyalty. This research had helped the researcher to identify major gaps and to define the research problem and to develop the primary research approach and the conceptual model. These data were collected from sources like journal articles, books, company publications; web publications etc and they are collected on the basis of their relevance to the field of investigation, accuracy, and availability.

Primary research

The primary data are those which are collected afresh and for the first time, and thus happen to be original in character *(Kothari, 2004).* Primary data is data collected directly from first-hand experience. These are data that the researcher gathers and assembles for the purpose of inquiry at hand, specific information in the area of investigation and pointed to the research objectives. In this study primary data was collected in the form of customer survey. The primary source of data employed in this study is the questionnaire. A structured questionnaire comprising of multiple items were designed and administered to the selected sample respondents. The questionnaire helps in the study to investigate customers' perception of bank employees' customer orientation and its effect on the customer-employee relationship quality and their loyalty.

The first phase was a qualitative exploration of knowledge in the area of service employees' customer orientation, measurement and dimensions of relationship quality and concepts of customer loyalty by collecting secondary data through literature survey. This research helps the researcher to identify major gaps and to define the research problem and to develop the primary research approach and the conceptual model. Themes from this qualitative research were then developed into an instrument so that the working hypothesis (model) can be tested that relate, compare the exogenous variable (COSE) with the endogenous variables (Relationship quality and loyalty) for the target population.

3.3.2. Case selection and Sampling

In this research, the case study is focused on the Ethiopian Banking sector. One of the reasons is that the financial system in Ethiopian context is according to literatures dominated by the banking sector thus the sector merits investigation. Further the author is currently working in the sector, and it will be easy for the authors to do research by focusing on the sector. But since the industry is wide and complex at a country level, at least geographically, it is necessary to define the context narrowly. Thus the customer's perception of bank employee's customer orientation and its impact on loyalty in selected commercial bank branches in Addis Ababa city is chosen for this study. The rationale for choosing Bank branches in Addis Ababa is based on high concentration of the sector as a capital city and because all banks have

branches in the city, and easy access. Further time and resource could not allow for survey across country.

Once more, among the eighteen commercial banks operating in the country the big eight industry leaders were selected. The procedure adopted in selecting the case is illustrates as follows.

No.	Name of banks	Year of est.	Total number of branches	Profit for 2013/14 in '000
1	Commercial Bank of Ethiopia (CBE)	1963	909	9,700,000.00
2	Dashen Bank	2003	146	928,000.00
3	Awash International Bank (AIB)	1994	191	861,000.00
4	Cooperative bank of Oromia (CBO)	2005	144	485,000.00
5	Nib International Bank (NIB)	1999	98	420,000.00
6	Wegagen Bank	1997	98	394,000.00
7	Bank of Abyssinia (BoA)	1996	111	351,300.00
8	United Bank	1998	108	350,000.00
9	Oromia International Bank	2008	115	205,000.00
10	Berhan international bank	2010	46	131,000.00
11	Zemen bank	2009	6	131,000.00
12	Lion International Bank	2006	67	128,000.00
13	Construction and Business Bank	1983	106	110,000.00
14	Bunna international bank	2009	72	109,000.00
15	Abay bank	2010	79	75,000.00
16	Addis International Bank	2011	18	60,000.00
17	Enat Bank	2013	7	39,000.00
18	Debub Global Bank	2012	32	19,000.00
Total			**2353**	**14,496,300.00**

Table 3.1. Statistics of commercial banks operating in Ethiopia source: en.m.wikipedia.org

No.	Name of banks	Year of est.	Number of branches	Profit for 2013/14 in '000
1	Commercial Bank of Ethiopia (CBE)	1963	909	9,700,000.00
2	Dashen Bank	2003	146	928,000.00
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6	Wegagen Bank	1997	98	394,000.00
7	Bank of Abyissinia (BoA)	1996	111	351,300.00
8	United Bank	1998	108	350,000.00
Total			**1805**	**13,489,300.00**

Table 3.2. Statistics of the leading eight commercial banks in Ethiopia source: authors analysis based on en.m.wikipedia.org

As shown the above table the selected banks are indeed leaders in the industry. In terms of profit, each bank make a pretax profit of well over 350 million birr, the eight banks collectively possess over 93% of the industry profit for the fiscal year 2013/14. Again in terms of branch coverage 77% of the country total is covered by the eight banks selected. All eight banks have over ten years of experience in the industry CBO being the youngest (10 years) and CBE the oldest (over 50 years). Based on the foregoing, the population of interest for the survey research can be defined as customers of the aforementioned eight leading banks branches in Addis Ababa city.

3.3.3. Sampling technique

Our knowledge, our attitudes and our actions are based to a very large extent on samples. This is equally true in everyday life and in scientific research *(Cochran,1977).* Sampling is the statistical process of selecting a subset (called a "sample") of a population of interest for purposes of making observations and statistical inferences about that population. Social science research is generally about inferring patterns of behaviors within specific populations *(Bhattacherjee, 2012).* We cannot study entire populations because of feasibility and cost constraints, and hence, we must select a representative sample from the population of interest for observation and analysis. Further, greater speed, greater scope, and greater accuracy are

other advantages of sampling. *(Cochran (1977),Bhattacherjee (2012))* It is extremely important to choose a sample that is truly representative of the population so that the inferences derived from the sample can be generalized back to the population of interest. *(Bhattacherjee, 2012)*

Basically there are two categories of sampling design i.e. probability and non-probability designs*(Kothari (2004), Cochran (1977),Bhattacherjee (2012))*

Probability sampling is a technique in which every unit in the population has a chance (non-zero probability) of being selected in the sample, and this chance can be accurately determined *(Bhattacherjee, 2012).* Simple random sampling, Systematic sampling, stratified sampling, Cluster sampling are some common probability sampling techniques. *(Kothari (2004), Cochran (1977),Bhattacherjee (2012))*

Non probability sampling- is a sampling technique in which some units of the population have zero chance of selection or where the probability of selection cannot be accurately determined. Typically, units are selected based on certain non-random criteria, such as quota or convenience *(Bhattacherjee, 2012).* Convenience sampling, Quota sampling, Judgment sampling, Snowball sampling are among the most common. *(Kothari (2004), Cochran (1977),Bhattacherjee (2012))*

For the population under study it is difficult to construct a sampling frame because the population is indeterminable. Therefore a non-probability sampling was adopted.

In this study a non-probability judgment technique was employed for selecting branches of the eight banks. Specifically, from each of the eight banks, three larger branches were selected based on their relative scale respective of their parent bank (Tier) and Willingness of the manager. Larger branches were preferred because it is expected that large response rate is obtained from large branches due to large volume of transactions and customer base. This selection method would provide 24 branches to cover for data collection. In these branches the survey instrument was distributed to respondents by the researcher. Hence, here again a non-probability convenience sampling was adopted, where only customers who happens to come to the bank with in the surveying period were selected.Severalrule of thumb techniques for sample size determination are considered. In the lowest extreme “A “typical” sample size

in studies where SEM is used is about 200 cases"*(Kline, 2011)*. Further as per*Buglear's (2003)* guide, when it is difficult to determine sample size,385 can be used by making sampling proportion 5% and the degree of confidence to 95%. By taking these techniques to determine the floor and allowing for non response bias a total of 480 questionnaires were administeredat each of the 24 branches(20 survey itemsat each branch). The following section describes the instrument that wasemployed in the survey which is the questionnaire.

3.3.4. Questionnaire design

Invented by Sir Francis Galton, a questionnaire is a research instrument consisting of a set of questions (items) intended to capture responses from respondents in a standardized manner. Questions may be unstructured or structured. Unstructured questions ask respondents to provide a response in their own words, while structured questions ask respondents to select an answer from a given set of choices. Subjects' responses to individual questions (items) on a structured questionnaire may be aggregated into a composite scale or index for statistical analysis. *(Bhattacherjee, 2012).*This method of data collection is quite popular, particularly in case of big enquiries *(Kothari, 2004)*

The merits claimed on behalf of this method are low cost, It is free from the interviewer's bias, it gives adequate time to Respondents, conveniently reaching Respondents who are not easily approachable, it helps to make use of Large samples and thus the results can be made more dependable and reliable etc. but it is not free from demerits such as Low rate of return only applicable on literate and cooperating respondents, the control over questionnaire may be lost once it is sent, inflexibility of amending the approach once questionnaires have been dispatched, possibility of ambiguous replies or omission of replies, and this method is likely to be the slowest of all.*(ibid.)*

Constructing a survey questionnaire is an art. Numerous decisions must be made about the content of questions, their wording, format, and sequencing, all of which can have important consequences for the survey responses.*(Bhattacherjee, 2012).*

In this survey, a closed ended questionnaire was developed for self-completion by respondents. The following latent variables were measured using the questionnaire

- Customer orientation of service employees – *adopted from (Hennig-Thurau (2004), Hanzaee and Mirvaisi,(2011), Alemayehu,(2014))*
- Relationship quality–*adoptedfrom (Morgan and hunt, (1994), Gounaris (2005), Gr´egoire and Fisher (2006),* (*Alawneh, 2012), mousavi (2012). etc)*
  - Trust
  - Commitment
  - Satisfaction
- Customer Loyalty – *adopted from (Mousavi, (2012), Bobâlcă,(2013),* (*Zhang and Feng, 2009), Motamedifar et.al (2013),(Filip and Anghel, 2009) (Dick and Basu, (1994)*
  - Behavioral loyalty
  - Attitudinal loyalty

3.3.5. Scale reliability and validity

Reliability and validity are the most common and important psychometric concepts related to assessment-instrument selection and other measurement strategies. *(Marczyk et.al.,2005)*

Reliability

Reliability is defined as be fundamentally concerned with issues of consistency of measures. *(Bryman and Bell, 2003) .Bryman and Bell (2003)* suggested that a multiple-item measure in which each answers to each questions are aggregated to form an overall score, we need to be sure that all our indicators are related to each other. One of the most used reliability coefficients is the Cronbach's alpha. Generally, reliability coefficients of around .90 are considered "excellent", while values around .80 are considered "very good", values around .70 are "adequate" and values of .60 are questionable *(Kiesi, 2012).*Thus, the result shows Cronbach's alpha for the constructs of the final measurement modelwasgreater than 0.7.

Validity

Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. In other words, validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested *(Kothari, 2004).Bryman and Bell (2003)* suggested that the important issue of

measurement validity relates to whether measures of concepts really measure the concept. In this thesis, the measurement was developed based on the related literatures and pre-validated measuring instrument were used for majority of the construct. Further, aside from valuable comment from the research advisor sample of the survey instrument were distributed to academicians at Jigjiga University for evaluation prior to the final survey and thequestionnaire was pre-tested in a pilot study involving 20 customers of one of the branch banks prior to the final administration in order to make certain that the content of the questionnaire are in alignment with the research objectives.

3.4. Method of statistical data analysis

In the analysis part of this study which is the empirical part, statistical analysis methods that are relevant for testing the conceptual model were used. The purpose of the empirical part is to test the hypotheses based on the literature review. The statistical analysis is performed using two multivariate statistical methods: Confirmatory factor analysis and multivariate Regression analysis. These methods are appropriate to extract sufficient factors to represent the data and to examine the relationships between the constructs.

Factor analysis is a statistical method used to find a small set of unobserved variables (also called latent variables, or factors) which can account for the covariance among a larger set of observed variables (also called manifest variables). A factor is an unobservable variable that is assumed to influence observed variables*(Albright and Hun, 2009).* Factor analysis is a multivariate statistical procedure that has many uses, to briefly note here, Firstly; factor analysis reduces a large number of variables into a smaller set of variables (also referred to as factors). Secondly, it establishes underlying dimensions between measured variables and latent constructs, thereby allowing the formation and refinement of theory. Thirdly, it provides construct validity evidence of self-reporting scales.*(Williams et.al., 2010)*

There are two major classes of factor analysis: Exploratory Factor Analysis (EFA), and Confirmatory Factor Analysis (CFA). Broadly speaking EFA is heuristic. In EFA, the investigator has no expectations of the number or nature of the variables and as the title suggests, is exploratory in nature. That is, it allows the researcher to explore the main dimensions to generate a theory, or model from a relatively large set of latent constructs often represented by a set of items. Whereas, in CFA the researcher uses this approach to test a

proposed theory (CFA is a form of structural equation modeling), or model and in contrast to EFA, has assumptions and expectations based on priori theory regarding the number of factors, and which factor theories or models best fit. *(ibid.)* Confirmatory factor analysis (CFA) was used to test the theoretical model in order to build a measurement model to be used in a further analysis with the structural equation model (SEM) to test the study's hypotheses.

Another multivariate technique is structural equation modeling (SEM), Structural equation modeling is a general term that has been used to describe a large number of statistical models used to evaluate the validity of substantive theories with empirical data. Statistically, it represents an extension of general linear modeling (GLM) procedures, such as the ANOVA and multiple regression analysis. One of the primary advantages of SEM (vs. other applications of GLM) is that it can be used to study the relationships among latent constructs that are indicated by multiple measures. It is also applicable to both experimental and non-experimental data, as well as cross-sectional and longitudinal data. SEM takes a confirmatory (hypothesis testing) approach to the multivariate analysis of a structural theory, one that stipulates causal relations among multiple variables. The causal pattern of intervariable relations within the theory is specified a priori. The goal is to determine whether a hypothesized theoretical model is consistent with the data collected to reflect this theory. The consistency is evaluated through model-data fit, which indicates the extent to which the postulated network of relations among variables is plausible. *(Lei and Wu, 2007).*More specifically, various theoretical models can be tested in SEM that hypothesize how sets of variables define constructs and how these constructs are related to each other *(Schumacker and Lomax, 2010).*

SPSS 20 and STATA 12 were used for conducting the above mentioned statistical analyses.

Model fit Indices

When using SEM, a model is hypothesized, and the ability of the model to have produced the data is tested. For these there are several indices that can be compared to measure the fitness of the model. Most commonly the result of SEM test is aχ^2 value, which gives a probability value for a test of equality between the data and the model.

In addition to the χ^2 the root mean square error of approximation (RMSEA) is a measure that estimates how well the population non-centrality index fits to a population covariance matrix per degrees of freedom and controls the χ^2 statistics to reject models with a large sample or a large number of variables. The purpose of the RMSEA in an SEM study is to adjust the complexity of the model and sample size (Davčik,2007). It is a measure of the estimated discrepancy between the population and model implied population covariance matrices per degree of freedom. *Schumacker and Lomax (2010)* suggested that Value of .05 to .08 indicate close fit, and .08 or less indicate adequate fit.

The standardized root mean square residual (SRMR) (Davčik,2007) is a measure of the average of the standardized fitted residuals. It represents the average of the residual's fit between observed and estimated input matrices. It ranges from.00 to 1.00, and a value of less than .08 indicates a good fit.Studiessuggest indicating more than one test statistics to assess the model fit. In this research several indices were reported to assess the model fit including RMSEA, SRMR, CFI, TLI etc.

CHAPTER FOUR

EMPIRICAL DATA PRESENTATION AND DATA ANALYSIS

This chapter will present the empirical data collected from the survey, the data will be presented in table with SPSS AND STATA data processing results, followed by the data analysis which are combined with theories and empirical data.

4.1. Demographic profile

The demographic profile of the total number of respondents who participated in the study showed the following breakdown. The study participant composed of 57.6% males and 42.4% females. The age of the majority group represented was 21-30 (61.2%). The second largest group was 31-40 (27.1%). The least respondent group was 41< (8.4%) and >21(3.2%). Regarding their educational level, the highest number of respondents (46.6%) are degree holders the remaining group goes with proportion of 30.4% college Diploma, 12.6% secondary education 7.4% graduate Degree and 2.9% below secondary education. With regard to respondent's length of customer-ship, the highest proportions of respondents (43.4%) were customers for 2-5 years with their respective bank. Those who have been customers less than 2 years possess 30.4% of the total. The remaining 20.4% and 5.8% have been in customer-hood for 6-10yrs and more than 10 years respectively.

4.2. Empirical Data Reliability Testing

In this survey, there are total 346 feedbacks from sample population. Among which 309 feedbacks are retained after eliminating incomplete questionnaires, thus the 309 observations are found fit to be used in the analysis i.e. no missing data in the questionnaires. For the six major constructs (and four sub constructs that are used to reflect COSE as COSE is conceptualized as a second order construct) that this study focused on, it is necessary to measure internal reliability of each construct with its different number of items. Confirmatory factor analysis (CFA) was used to test the potential indicators for the six constructs presented in the previous chapters. The purpose of the confirmatory factor analysis was to test the measurement model reliability and eliminate indicators that did not fit the model. CFA model

allows the researcher to specify the number of factors that exist for a set of variables and which factor each variable will load on before the data is analyzed (Hair et al., 2010).The key results for CFA are factor loadings, which are the correlation between original variables and the factors. There are different views about how high the values should be. Hair et al. (2010) required values for factory loadings to be greater than ±0.50 in order to be considered practically significant. On the other hand, Kline (2011) suggested that factory loadings greater than ±0.70 are ideal. In addition the communalities which measures the percent of variance in a given variable explained by all the factors jointly and may be interpreted as the reliability of theindicator should be 0.40 or higher. The six constructs contained between 4 and 7 indicators, with total of 38 potential indicators. The choice of indicators to be retained in the structural model is made not only by how well these indicators fit the model, but also by considering their importance to the theory.

Further the internal reliability of the measurement model was tested; the Cronbach's alphas are calculated for items designed for the same construct. If the items are multi-dimensional, Cronbach's alpha will generally be low, in which case, it can be made use of the correlation matrix of the items to select a subset of items that tend to be uni-dimensional.

Initially the measurement model contained all the relevant indicators (38 questions) from the three parts of the questionnaire: COSE (comprising Technical skill, Social skill, Motivation, andDecision-making authority), Relationship Quality dimensions (Trust, Commitment and Satisfaction), and the two Loyalty aspects i.e. Attitudinal and Behavioral loyalty. However the reliability test for the measurement scale proves some problems.

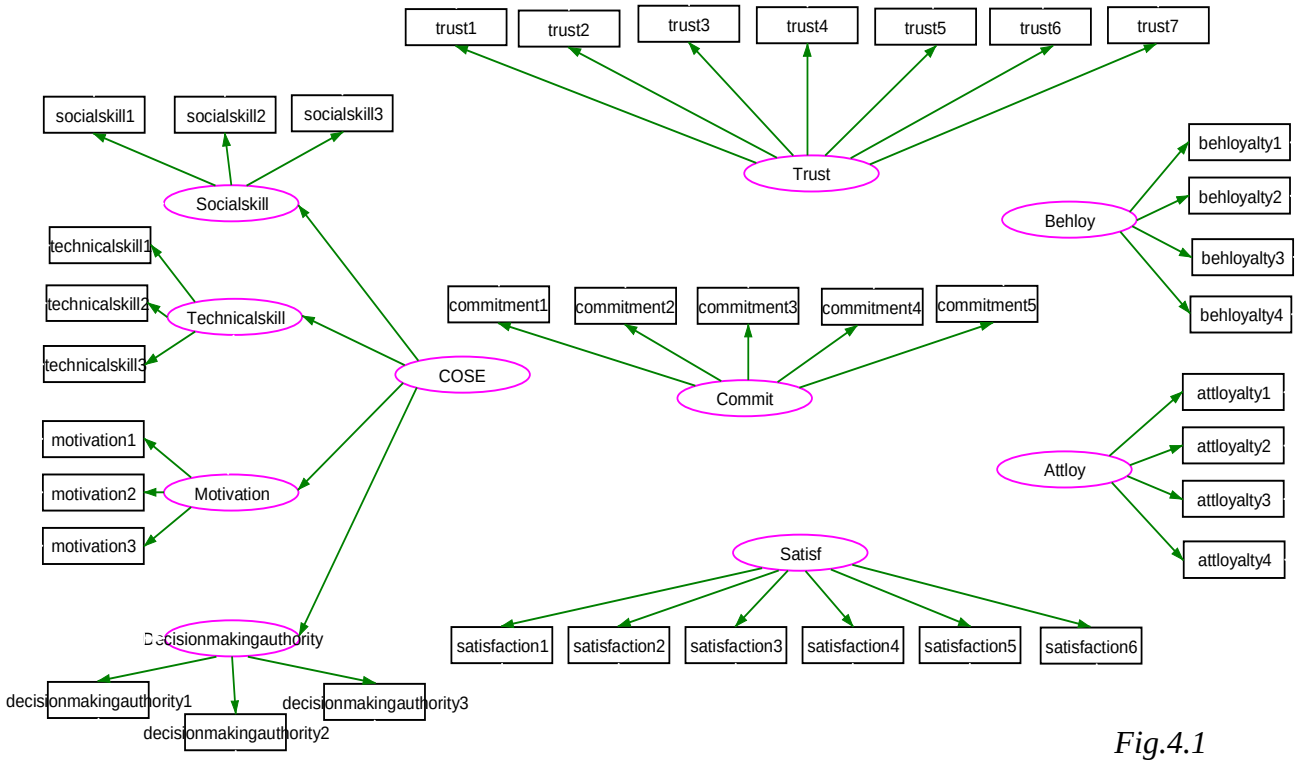


Fig.4.1

The original measurement model

The original model (seen in above figure) includes all the relevant indicators (questions) of the latent variables; COSE, Trust, Commitment, Satisfaction, and Behavioral and Attitudinal Loyalty from the three major parts of the questionnaire. However, this initial CFA model did not have desirable result in overall factor loading and communality. the detail analysis and comparison is found in the appendix)

The next step in testing the measurement model was to trim the measurement model by removing indicators in order to improve the model fit. Indicators were eliminated based on their factor loadings and communalities and their importance to the theory. The elimination takes place by eliminating indicators with factor loadings lower than 0.50 and communality score lower than 0.4. But it was also decided to retain variables with lower score on the communality as long as the variables load above 0.5 and are important theoretically.

The following variables are retained under this consideration despite their lower communality.

Retained Variables	Factor Loading	Communality
socialskill1	0.61	0.3721
satisfaction1	0.57	0.3249
satisfaction2	0.62	0.3844
behloyalty1	0.59	0.3481
behloyalty3	0.61	0.3721
behloyalty4	0.59	0.3481

Table 4.1. Variables retained despite their low communality

Finally, the following items were discarded for their loadings are less than 0.50 and there communality very low.

Removed Variables	Factor Loading	Communality
trust1	0.26	0.0676
trust2	0.22	0.0484
trust7	0.14	0.0196
commitment4	0.28	0.0784
commitment5	0.06	0.0030
satisfaction3	0.41	0.1681
attloyalty4	0.28	0.0784

Table 4.2. Variables removed

In addition to the CFA the Cronbach's alpha of the six major constructs was calculated, here also the result of the initial model shows the alphas for most of the latent constructs lay in short of the acceptable range, it indicates that the internal reliability/consistency of these constructs is low and there may be some items that are multi-dimensional thus it is necessary to trim the model and cast-out the unidimensional items. The following table illustrates the reliability coefficients of the latent variables before and after the model refinement.

Variables	Initial Model		Final Model	
	Number of items in the scale	Scale reliability coefficient	Number of items in the scale	Scale reliability coefficient
COSE	4	0.7572	4	0.7572
Trust	7	0.6231	4	0.8084
Commitment	5	0.5955	3	0.8541
Satisfaction	6	0.8106	5	0.8237
Behavioral loyalty	4	0.7279	4	0.7279
Attitudinal loyalty	4	0.6903	3	0.8003

Table 4.3.comparison of Cronbach's alpha of the Initial and final model

The refined measurement scale for the remaining latent variable is presented in the below figure. As indicated in the above table the reliability score is improved by the elimination process. The final measurement scale contained 31 indicators Out of the 38 original indicators.

Because the final measurement model (Figure 4.1) accurately reflected the researcher's theoretical perspective and scores good in the reliability test, it was retained for use in the structural equation model.

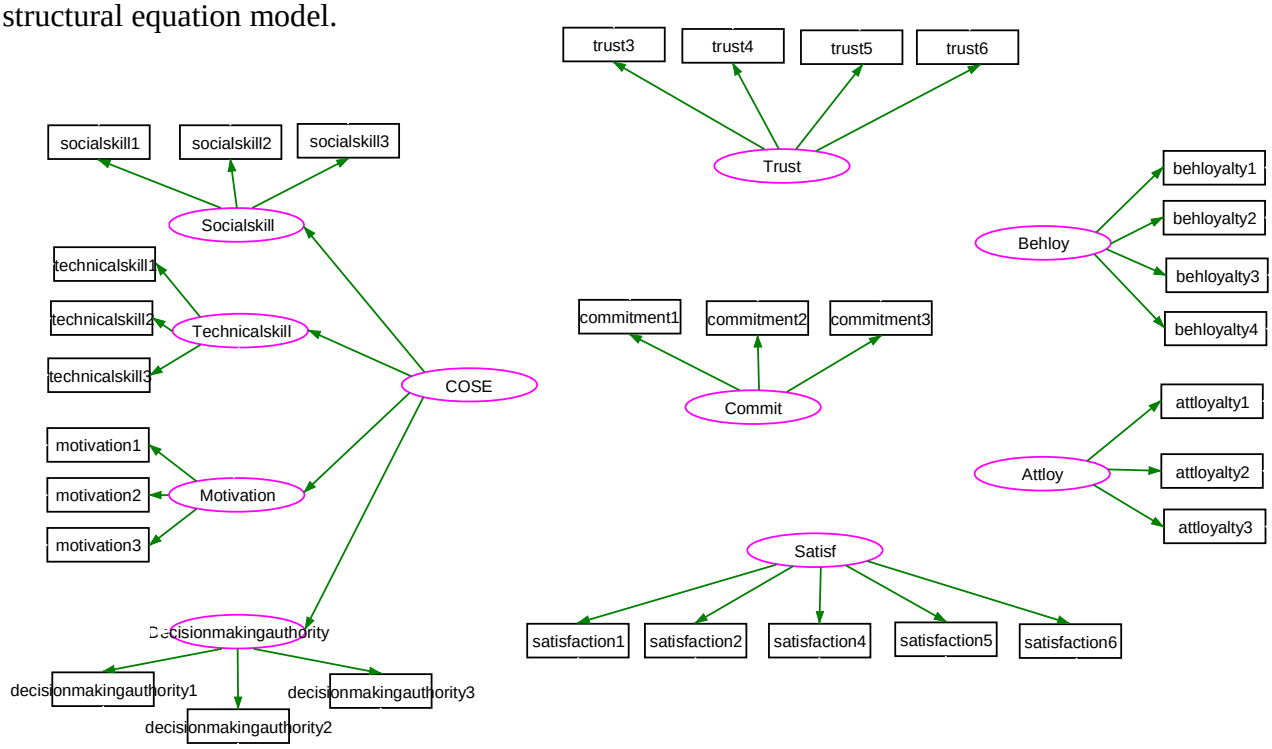


Fig4.2. The final Measurement model

4.3. Description of the Empirical Data and Correlation Analysis

After checking the reliability of the items, the averaged scores of items for each construct is calculated as the final score upon which we conduct further analysis including the hypothesis test. Table 4.4 shows SPSS output for the means, standard deviations and skewness for all the constructs. The sample standard deviations of Commitment (0.791), Behavioral Loyalty (0.728) and Attitudinal loyalty (0.8409) are relatively higher, while the others range from 0.654 to 0.687. Although all of the constructs are negatively skewed, West, Finch, & Curran (1995) recommend concern if skewness > 2 and kurtosis > 7, (and according to Kline (1998) kurtosis values above 10, and skewness values outside of |3.0|) thus the assumption of normality of distribution is not significantly violated. The non-normality could be due to the limited number of categories used in the Likert scales.

Statistics

		COSE	Trust	Commitment	Satisfaction	Behloyalty	Attloyalty
N	Valid	309	309	309	309	309	309
	Missing	0	0	0	0	0	0
Mean		3.81931	4.16505	4.23301	4.11597	4.01780	4.03344
Std. Deviation		.654813	.661640	.735370	.681610	.721092	.786771
Skewness		-.579	-.772	-1.089	-.849	-.612	-.902
Std. Error of Skewness		.139	.139	.139	.139	.139	.139
Kurtosis		-.012	.262	1.415	1.116	.241	1.259
Std. Error of Kurtosis		.276	.276	.276	.276	.276	.276

Table 4.4. Descriptive analysis of the latent variable in the model

Initially all hypotheses are developed to test a positive procedural direction from the independent variable to the mediators and finally to the dependent variable. From the correlation matrix in Table 4.5, first round tests of the hypotheses were in some way performed. Pair-wise correlations provide a rough view of the relationships between these different factors. All the variables are positively correlated to each other at the 0.01 level ranging from 0.4426 to 0.6856. But in order to investigate the structure of the hypotheses in a more sophisticated way, it is necessary to fit the corresponding (multivariate) linear models by accounting for the effects of other constructs and this is done in the structural equation model.

	COSE	Trust	Commit~t	Satisf~n	Behloy~y	Attloy~y
COSE	1.0000					
Trust	0.6625	1.0000				
Commitment	0.4760	0.5774	1.0000			
Satisfaction	0.6454	0.6723	0.6221	1.0000		
Behloyalty	0.4426	0.5110	0.5575	0.6467	1.0000	
Attloyalty	0.5543	0.6141	0.5738	0.6856	0.5755	1.0000

Table 4.5. STATA output for the correlation analysis of the latent variables

4.4. Testing the hypothesized model

For readers convenience the schematic presentation and the hypotheses developed in chapter two are illustrated again

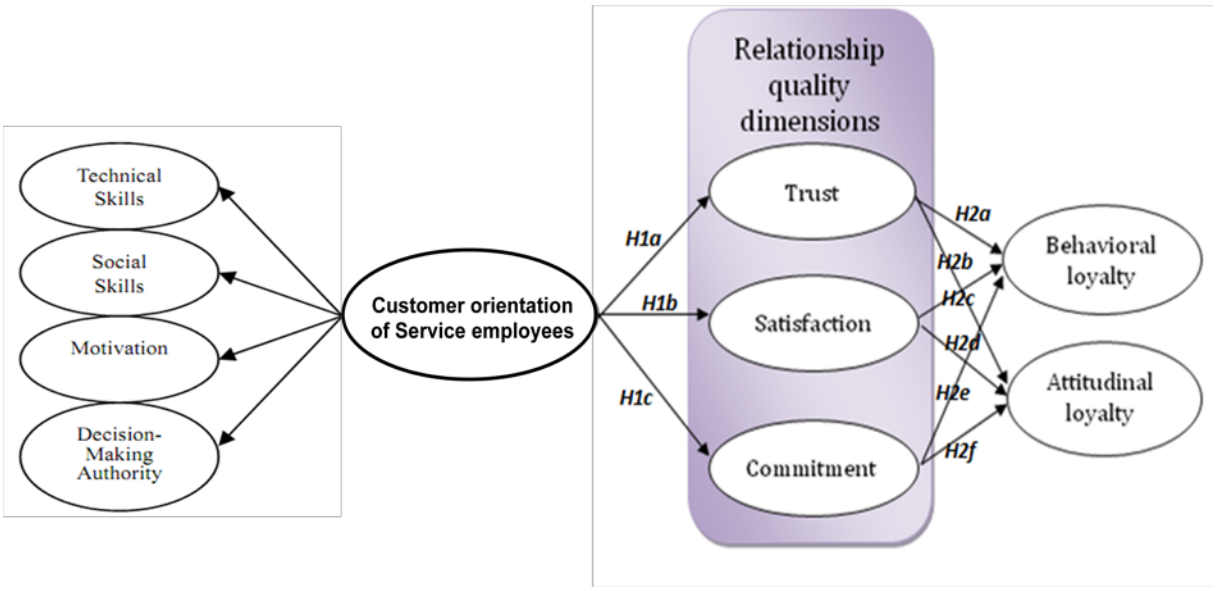


Fig 4.3.conceptual framework of the COSE – Loyalty relationship

The above figure indicates the hypothesized relationships between variables summarized as follows

H1: Customer orientation of service employee positively affects all dimensions of relationship quality

H1a: Customer orientation of service employee positively affect trust dimension of relationship quality.

H1b: Customer orientation of service employee positively affect and commitment dimension of relationship quality

H1c: Customer orientation of service employee positively affect satisfaction dimension of relationship quality

H2: Relationship quality dimensions have a positive impact on both attitudinal and behavioral customer loyalty

H2a: Trust has a positive impact on customer attitudinal loyalty.

H2b: Trust has a positive impact on behavioral loyalty.

H2c: Commitment has a positive impact on attitudinal loyalty.

H2d: Commitment has a positive impact on behavioral loyalty.

H2e: Satisfaction has a positive impact on attitudinal loyalty.

H2f: Satisfaction has a positive impact on behavioral loyalty.

The following figure shows the final model tested including the measurement and structural parts from STATA's graphical user interface

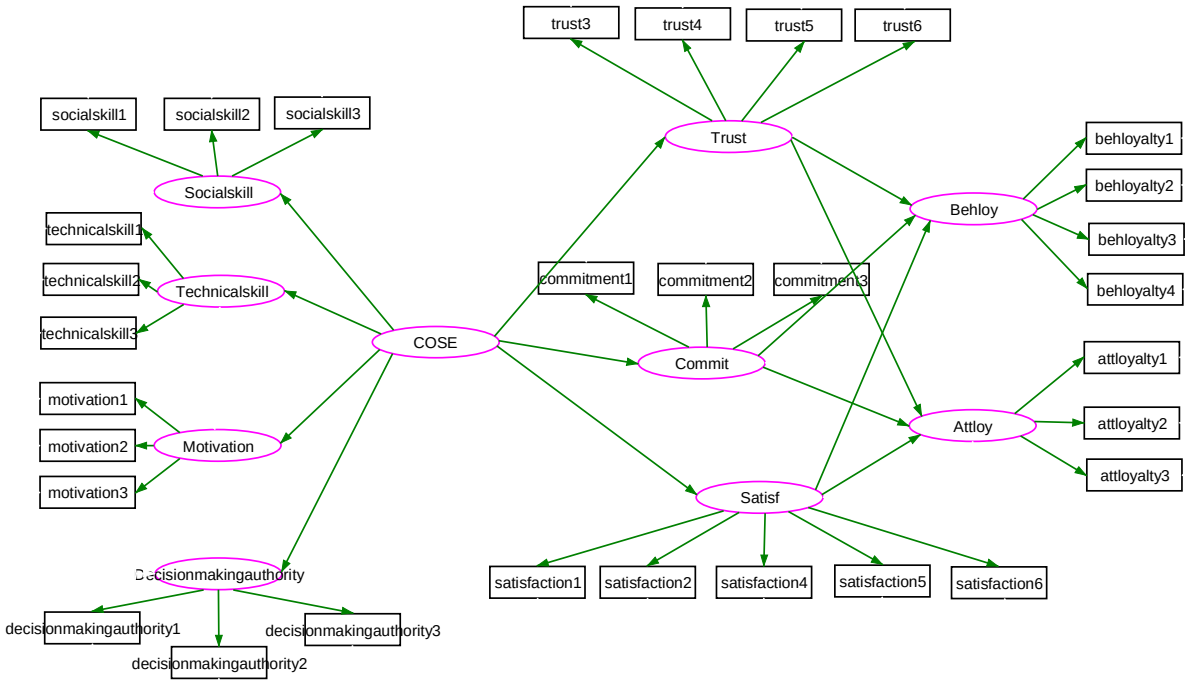


Fig. 4.4.the final measurement and Structural model from STATA's GUI

4.5. The Structural Equation Model

The result of the SEM test for the structural part is summarized as follows

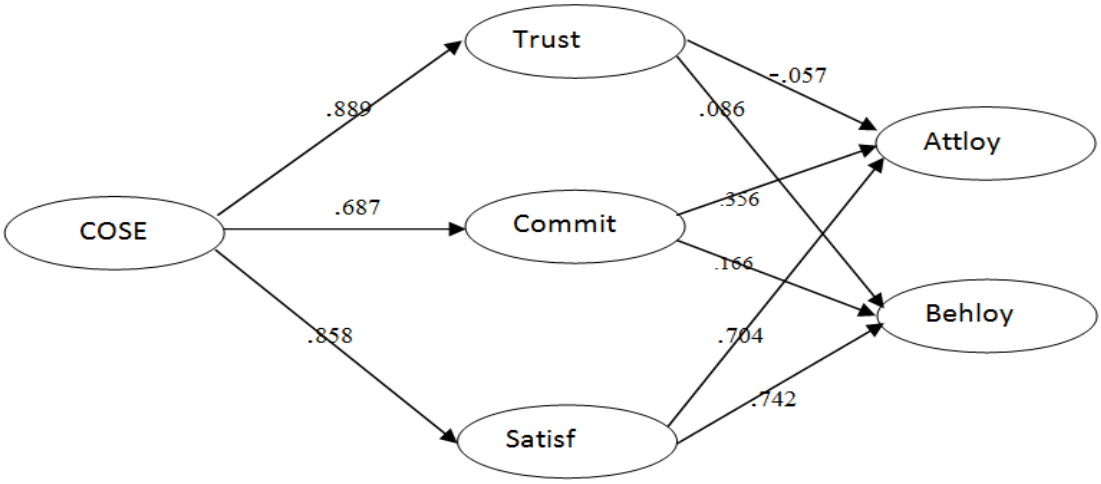


Fig 4.5.the path model (Structural part)

Table 4.7 presents the relationships between constructs, including the statistical significance of the relationships. A two-tailed test was used to assess the statistical significance. Almost all relationships were significant to at the .05 level and two relationships were not significant at all. All the significant relationships are positive and according to the theory. There is a very strong relationship between COSE and the three Relationship quality dimensions (Trust, Commitment, and Satisfaction), which confirms hypotheses H1a, H1b, and H1c. The relationship between Satisfaction and the two loyalty aspects is strong and significant which offer support for hypotheses H2e, and H2f. The relationship between Commitment and Behavioral loyalty is also moderate and statistically significant thus hypothesis H2d is supported. Although the relationship between Commitment and Attitudinal loyalty is weak, it is positive and statistically significant thus hypothesis H2c is moderately supported. Only two of the hypotheses were not supported with the data in hand for failing the significance test these are H2a and H2b which indicate the impact of Trust on Behavioral and Attitudinal loyalty the relationships are very weak (even negative) and statistically insignificant.

Hypotheses	Relationship	Regression coefficients	P<=.05	Status
H1a	COSE ⇨Trust	0.89	.000	Supported
H1b	COSE ⇨Commitment	0.687	.000	Supported
H1c	COSE ⇨Satisfaction	0.858	.000	Supported
H2a	Trust ⇨Attitudinal loyalty	0.086	.343	Not Supported
H2b	Trust ⇨Behavioral loyalty	-0.056	.576	Not Supported
H2c	Commitment ⇨Attitudinal loyalty	0.166	.011	Supported
H2d	Commitment ⇨Behavioral loyalty	0.356	.000	Supported
H2e	Satisfaction ⇨Attitudinal loyalty	0.742	.000	Supported
H2f	Satisfaction⇨Behavioral loyalty	0.704	.000	Supported

Table 4.6.: The relationships between constructs and their statistical significance

Considering the relative complexity and originality of the study's model the following cut-off points were adopted: $\chi 2/df<3$; RMSEA<0.8, CFI>0.9 (Hair et al.2006) and SRMR<0.8 (Hu and Bentler,1999). The model fit indices for the structural model are respectable and show that the data fits the model relatively well. chi square($\chi 2$) is 959.48 (419 df), Normed Chi square($\chi 2/df$)= 2.289928401, RMSEA=0.065, CFI=0.895, TLI=0.884, SRMR=0.062 and CD=0.936. While the CFI goal was not met, it is very close to the target.

CHAPTER FIVE

DISCUSSION AND SUMMARY

This chapter covers the conclusions of the study. It starts with a discussion of the objectives and purpose of this study. It then presents the key results and the conclusions derived from these results, followed by the managerial implications of the study. The limitations of this study are then discussed. Finally, implications for future research are discussed, including suggestions for possible future research avenues.

5.1. Discussion

The purpose of this study was to examine the impact of COSEon relationship quality dimensions and two loyalty aspects i.e. Behavioral and Attitudinal loyalty in the case of the Ethiopian Banking industry.

In order to achieve this objective, the theoretical part of the study involved describing concepts like Customer orientation of service employees, relationship quality dimensions (Trust, Commitment and Satisfaction) and Behavioral and Attitudinal loyalty. The theoretical part goes deep in to these concepts, their purposes, their conceptualization in past literatures, the relationship among them and why they are important for companies.

Based on the theory and empirical data from a sample of 480 bank customers, the empirical part of this study quantitatively examined the relationships between COSE and the three relationship quality dimensions, as well as the relationship between relationship quality dimensions and customers loyalty towards the firms.

5.2. Summary of Key results

In this section of the study the final results for the hypotheses which are then interpreted and conclusions are drawn from them are presented.

Table 5.1.shows summary of the findings and the level of support for each of the study's hypotheses.

Hypothesis	Relationship	Support status
H1a	COSE ⇨Trust	Strongly supported
H1b	COSE ⇨Commitment	Strongly supported
H1c	COSE ⇨Satisfaction	Strongly supported
H2a	Trust ⇨Attitudinal loyalty	Not supported
H2b	Trust ⇨Behavioral loyalty	Not supported
H2c	Commitment ⇨Attitudinal loyalty	Moderately supported
H2d	Commitment ⇨Behavioral loyalty	Moderately supported
H2e	Satisfaction ⇨Attitudinal loyalty	Strongly supported
H2f	Satisfaction⇨Behavioral loyalty	Strongly supported

Table 5.1. Summary of hypothesis test

Hypotheses H1a, H1b, and H1c were based on the relationships between Customer orientation of service employee and the three dimensions of Relationship quality. The logic was that the stronger the role of COSE on the three dimensions of Relationship quality, the stronger that customer loyalty will be affected by this dimension. Most of the relationships were supported with moderate to strong support level for these hypotheses. It comes out that COSE has a strong positive influence on Trust, Commitment, and satisfaction. These results validate the view of marketing scholars' that a company has to address the needs and wishes of its customers adequately through Customer orientation of service employee in order to ensure that they will buy the company's products and services, experience a high degree of satisfaction with these goods and services, and then become loyal customers of that company.According to *Hennig-Thurau, (2004)* Service employees' level of customer orientation is a key driver for customers' satisfaction with the service firm, the level of emotional commitment of these customers to the firm, and, most importantly, their degree of retention.

Hypotheses H2a, H2b, H2c, H2d, H2e and H2f were based on the relationships between the three dimensions of Relationship quality and Attitudinal and Behavioral customers' loyalty. Some of these relationships were supported strongly while some are not. Here, there is strong support for H2e and H2f the hypotheses proposing that one of the Relationship quality dimension, satisfaction, have a positive effect on both Attitudinal and Behavioral loyalty. This

is in line with previous theories and empirical evidences of marketing scholars and researchers that Customer loyalty is strongly a function of satisfaction. In addition Hypotheses H2c and H2d which are about the impact of commitment on Attitudinal and Behavioral loyalty are moderately supported however, while these relationship are significant, it does not appear to be a particularly the strongest. Lastly and somewhat surprisingly, Hypotheses H2a and H2b which explain the directional effect of Trust on Attitudinal and Behavioral loyalty are not quiet supported (significance .343 and .576 respectively). But this cannot be interpreted as Trust is not important for customer loyalty. Rather Trust is generally viewed as an essential ingredient for building and maintaining successful relationships *(Mousavi, 2012)*. The result in this study might be due to respondent's behavioral factors or other moderating factors that were not assessedby the model, such as length of relationship.

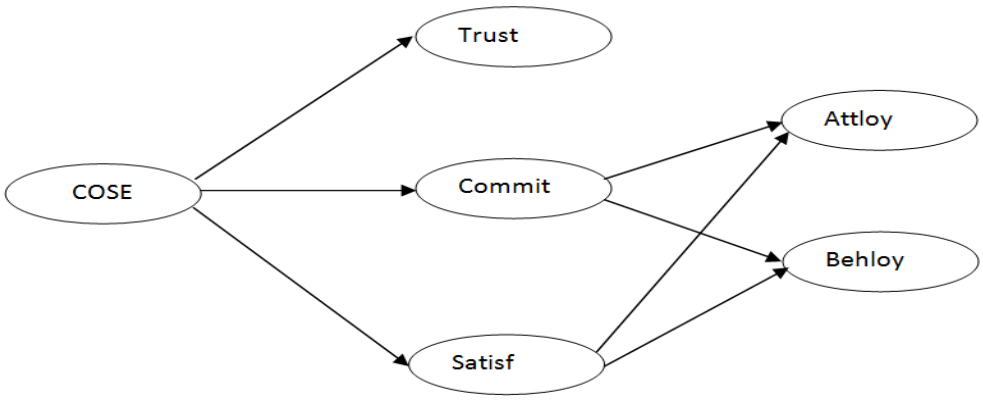


Fig. 5.1. The path model after the hypothesis test

CHAPTER SIX

CONCLUSIONS, IMPLICATIONS AND LIMITATIONS

6.1. Conclusion

In the service industry, the marketing objective have shifted from transactional focus to long term focus and maintaining customers has become a major goal of relationship marketing. Relationship quality(as indicated by Trust on, commitment to and satisfaction with the relationship) is considered to be fundamental building block of long-term relationship with customers in order to achieve mutual benefits for all parties.

Among the antecedents of relationship quality COSE is one of the most widely studied concepts that are believed to contribute to the quality perception of Customer – Employee relationship. Although relationship quality has been widely studied by scholars and implemented by service providers, customers still tend to switch to competitor. Therefore, this study was conducted to examine the impact of COSE on relationship quality dimensions (Trust, Commitment, and Satisfaction) and in turn affect the customer loyalty in the Ethiopian Banking sector. The findings of this empirical study are summarized as follows:

- COSEis positively related to all of the relationship quality dimensions. This entails that the customer oriented behavior, skills and activities of employees (measured as a function of Technical and social skills, Motivation and Decision making authority of employees) have a determining effect on Trust, Commitment and Satisfaction.
- Satisfaction is positively and strongly related to both aspects of loyalty i.e. behavioral and attitudinal. This result also provide empirical evidence supporting previous marketing theories that the higher the level of satisfaction in the relationship perceived by customers, the higher the level of customer loyalty that service providers can achieve. Customer satisfaction has contribution for customer loyalty*(Bagram& Khan (2012),Kuusik(2007)*)
- Commitment also is positively related to behavioral and attitudinal customer loyalty, though moderately.
- Against to other previous evidence in the same and other industries, Trust in this study is proved to be not affecting customer loyalty in the population under study, probably

due to the reason that a banking firm and employees are at the first place reputable to be trust worthy and trust is not questionable in the industry and is not taken into account when customers making decision of repeat patronage

6.2. Implications

This research provides both implication for academics and practical implication for managers.

6.2.1. Theoretical implications

Based on the foundation of previous theories and empirical researches regarding relationship marketing and its features, this study shows clear procedural links among Customer orientation, relationship quality and customer loyalty, which helps readers deeply understand the relationship and interaction between these three fields.

The result of the study support marketing scholar's perspective that: "Customer orientation of employees can enhance the quality of a buyer-seller relationship and in turn increase customer loyalty"; customer satisfaction, commitment and Trust as the dimensions of Employee – Customer relationship quality are found to be highly the desired outcomes of Service employees customer orientation. In addition, in the population under study, the first two of these constructs are also the precursors of customer loyalty which is the ultimate objective of developing a relationship with customer

The study also investigate that Trust is not always noteworthy in influencing customer loyalty. In the population under study, customers in the Ethiopian Banking Industry probably do not consider trust as having significant input while making the decision of staying with the current service provider or switching to another.

6.2.2. Practical implications

The findings of this research also provider important evidence for managers who are in charge of customer relationship marketing and management. It is helpful for marketers to understand the impact of relationship marketing tools like COSE from consumer's perspective.

This study substantiate that COSE have the potential for developing customer satisfaction, commitment and trust, which are the parameters for customers perception of quality of their relationship with the firm. Marketers, therefore, should put their hard works into

implementing more effective programs to ensure client orientation of their employees. Once managers understand and appreciate the value of COSE for revamping relationship quality which is a precursor of loyalty,the following suggestions are forwarded for managers to be successful in creating a distinct customer orientation.

Developing employees in technical and social skills

As a first step it is important to develop employees in terms of technical and social skill. ***Technical skill***is the knowledge and skills which a service employee needs to possess in order to fulfill the customer's needs during the personal interaction processand to give an on-the-spot response to customers request rather than seeking reference. ***Social skill***is the service employee's ability to take the customer's perspective during interactions. Aside from hiring qualified employees, companies can carry out several activities to develop the technical and social skills of employees among which training can beone important tool. Through training employers should attempt to enhance service employee's job related knowledge and ability to understand customer's feeling and needs.

Motivation

Another dimension that customers use to judge the COSEand which helps service employees to convertcustomer service skills to behavior is the extent to which employees are inspired to do their job well and to fulfill customer's request promptly. Managers should always make sure that employees are encouraged to perform well. Most commonly employees are motivated if doing the job is intrinsically motivating or when motivators such as formal recognition and rewards like attractive pay exists, and according to the expectancy theory if Expectancy Instrumentality and Valence exist. Therefore, employers should make sure that the job assignments arouseemployee's curiosity and also there exist a sufficient and valuable reward scheme so that employees are inspired to convert the technical and social skills in to customer oriented behavior.

(Decision making authority)Empowerment

After employees possess sufficient skills and knowledge and are inspired to behave in customer focused way, one thing left as per the finding of this study is Empowerment.Managers should bestowDecision making authorityto employee's to decide on

issues regarding customer service. Based on employee's competence and curiosity, managers should avail a working environment where there is flexibility for employees to make decisions on customers matter. This helps to present an immediate solution to customer's problems.

In addition, although all relationship quality building marketing tactics are important in enhancing customer loyalty, some are even more important and customers are more sensitive and responsive tosuch tactics than others. In this case, Satisfaction with and commitment to the bank – customer relationship are very important in enhancing customers behavioral and attitudinal loyalty than trust. This implied that the consumer might be indifferent to some Trust building activities. Therefore, bank service providers should consider their relationship marketing programs to improve loyalty outcome.

"Bank service providers should carefully plan, implement and closely monitor customer satisfaction and customer commitment building strategies by upholding the already implied Trustworthiness of bank employees in order to boost the desired behavioral and attitudinal customer loyalty."

6.3. Limitation

The data used in this study is only in context of banking firms in Addis Ababa. While the study is based on a theory which is presented global in nature, carefulness should be employed if the results of this study are to be applied to other areas in Ethiopia let alone non-Ethiopian companies. Next, the study only focused on the relationship of COSE, the three dimensions of relationship quality (Trust, Commitment, and Satisfaction), other factors and variables which could have moderated the entire relationship such as respondent's behavioral factors, length of relationship, are not accounted for in the central model. Thirdly, it would be interesting if other researchers conduct similar study on a country scale, and since this study is conducted in the financial service context, specifically the banking sector and did not take the numerously different industries or firm types into account, it would be exciting to see how the results would differ when examining the entire service context or another specific sector or type of customer segment (e.g. in the B2B context). Finally, the generalizability of conclusions of the paper could be questionable taking into account the convenient sampling

technique used to select respondents. There for, the researcher advice future researchers to confirm the result in another sample of respondents preferably using random samples.

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