

The Application of CRM in Awash International Bank

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**The Application of Customer Relationship Management
and its Effect on Loyalty
(The Case of Awash International Bank)**

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**Addis Ababa University School of Commerce
Department of Marketing Management
Post Graduate Program**

June, 2014

Addis Ababa, Ethiopia

**The Application of Customer Relationship Management
and its Effect on Loyalty
(The Case of Awash International Bank)**

By: Helen Mamo

Advisor: Teklegiorgis Assefa (Asst. Prof.)

**A Research Project Submitted in Partial Fulfillment of
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Statement of Certification

This is to certify that **Helen Mamo Teklu** has carried out her research work on the topic entitled **The Application of Customer Relationship Management and its Effect on Loyalty (The Case of Awash International Bank)**. The work is original in nature and is suitable for submission for the award of Masters Degree in Marketing Management.

Advisor: Teklegiorgis Assefa (Asst. Prof.)

Date: _____

The Application of CRM in Awash International Bank

Statement of Declaration

I hereby declare that **The Application of Customer Relationship Management and its Effect on Loyalty. (The Case of Awash International Bank)** project is wholly the work of **Helen Mamo Teklu**. I have carried out the present study independently with the guidance and support of the research advisor, **Teklegiorgis Assefa (Asst. Prof.)**. Also any other contributors or sources have either been referenced in the prescribed manner or are listed in the acknowledgements together with the nature and the scope of their contribution. And the study has not been submitted for award of any Degree or Diploma Program in this or any other Institution. It is in partial fulfillment to the requirement of the program Master's Degree in Marketing Management.

Helen Mamo Teklu

Date: _____

The Application of CRM in Awash International Bank

Table of Contents

CONTENT	PAGE
Acknowledgement	I
List of Tables	II
List of Figures	III
Acronyms	IV
Abstracts	V
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.1.1 Back ground of the bank	2
1.2 Statement of the Problem	3
1.3 Research objectives	4
1.3.1 General objective.....	4
1.3.2 Specific objective	4
1.4 Basic Research Questions	5
1.5 Research Hypothesis.....	5
1.6 Significance of the Study	6
1.7 Definition of terms	6
1.8 Scope of the study	6
1.9 Organization of the study	6
CHAPTER TWO – LITERATURE REVIEW	7
2.1 Meaning of CRM	7
2.2 Objective of CRM.....	11
2.3 Evolution CRM	13
2.4 Dimensions of CRM	14
2.4.1 Key customer focus.....	15
2.4.2 CRM Organization.....	15
2.4.3 Knowledge management.....	16
2.4.4 Technology based CRM	17

The Application of CRM in Awash International Bank

2.5 CRM & the banking industry.....	18
2.6 Banking business in Ethiopia	19
2.7 Benefits of CRM strategy in Banking Industry	20
2.8 Obstacles to CRM Implementation.....	21
2.9 Success Factors for CRM Implementation	24
2.10 Loyalty.....	24
2.11 CRM and customer loyalty	27
CHAPTER THREE – RESEARCH METHODOLOGY	28
3.1 Research approach	28
3.2 Research type	29
3.3 Sample and sampling methodology.....	30
3.3.1 Target population.....	30
3.3.2 Sampling method	30
3.3.3 Sample size	30
3.4 Source of data Collection	31
3.5 Data collection Instrument	32
3.6 Reliability of the study	32
3.7 Validity of the study	33
3.8 Data analysis	33
CHAPTER FOUR –FINDINGS and DISCUSSION	34
4.1 Reliability.....	34
4.2 Background of respondents.....	34
4.3 Level of CRM practices-Customers’ perception	36
4.3.1 Key customer focus.....	37
4.3.2 CRM organization.....	38
4.3.3. Knowledge management.....	40
4.3.4 Technology based CRM	41

The Application of CRM in Awash International Bank

4.4 Level of customer loyalty	43
4.5 The relationship between the study variables	44
4.6 The effect of CRM dimensions on loyalty	46
4.7 Multiple Regressions of CRM dimensions	49
CHAPTER FIVE – CONCLUSION AND RECOMMENDATION.....	55
5.1 Conclusions	55
5.2 Recommendations.....	56
Bibliography	
Appendix.....	

The Application of CRM in Awash International Bank

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The Application of CRM in Awash International Bank

List of Tables

Table 4.1 Background Characteristics of the customer respondents	35
Table 4.2 Level of practice of the dimensions of CRM- Customer`s Perception.....	36
Table 4.3 Sample statistics - Key Customer Focus.....	37
Table 4.4 Sample statistics - CRM organization	39
Table 4.5 Sample statistics - Knowledge Management	41
Table 4.6– Technology-based CRM.....	42
Table 4.7 –Level of customer loyalty	43
Table 4.8 Level of agreement & disagreement on customer loyalty	43
Table 4.9 Correlations.....	44
Table 4.10 Multi-collinearity	47

The Application of CRM in Awash International Bank

List of figures

Figure 2.1 Conceptual model of relationship between CRM & customer loyalty.....	17
Figure 4.1 Linearity.....	48
Figure 4.2 Homoscedasticity	49

The Application of CRM in Awash International Bank

Acronyms

AIB – Awash International Bank

ATM- Automatic Teller Machine

CRM – Customer Relationship Management

SPSS- Statistical Package for Social Science

The Application of CRM in Awash International Bank

Abstract

CRM in banking industry entirely different from other sectors, because banking industry purely related to financial services, which needs to create the trust among the people. So applying CRM is mandatory for the bank to have loyal customers.

This research aimed to assess the extent to which AIB applied CRM practices across four dimensions (Key customer focus, Knowledge Management, CRM Organization & Technology based CRM) and its effect on customer loyalty.

The researcher collects data from AIB customers by distributing questionnaires which measured their agreement and disagreement on CRM activities of the bank and their level of loyalty to the bank by using five point Likert scale.

For this research 385 questionnaires were distributed and 285 (74%) were returned back for analysis. The collected data was analyzed by using statistical package for social science (SPSS) version 16.0 software using graphs, tables and other descriptive statistics (mean ,standard deviation) and inferential statistics (correlation and regression)as appropriate.

From the analysis the researcher recommend AIB should give priority for the application of technology based CRM dimension than other dimensions because this dimension has high effect on customer loyalty.

The Application of CRM in Awash International Bank

CHAPTER ONE

INTRODUCTION

This chapter introduces the reader to the study of the application of CRM and its effect on loyalty in Awash International Bank. In addition the statement of the problem, basic research questions, objective of the study, definition of terms, significance of the study, scope of the study, limitation of the study and organization of the study are discussed.

1.1 Background of the Study

There has been a shift from a transaction to relationship focus in marketing. Customers become partner & the firm must make long- term commitments to maintaining those relationships with quality, service & innovation. Relationship marketing essentially represents a paradigm shift with in marketing- away from an acquisition/transaction focus toward a retention/relationships focus. Relationship marketing (relationship management) is a philosophy of doing business, a strategic orientation, which focuses on keeping & improving current customers rather than on acquiring new customers. This philosophy assumes that many consumers & business customers prefer to have an ongoing relationship with one organization than to switch continually among providers in their search for value. Building on this assumption & the fact that it is usually much cheaper to keep a current customer than to attract a new one, successful marketer are working on effective strategies for retaining customers (Valarie A.Zeithaml, Mary Jo Bitner, 2003)

The first three steps in the marketing process—understanding the marketplace and customer needs, designing a customer-driven marketing strategy, and constructing a marketing program-all lead up to the fourth and most important step: building profitable customer relationships. Customer relationship managements perhaps are the most important concept of modern marketing. Some marketers define it narrowly as a customer data management activity (a practice called CRM). By this definition, it involves managing detailed information about individual customers and carefully managing customer “touch points” to maximize customer loyalty. Most marketers, however, give the concept of customer relationship management a broader meaning. In this broader sense, customer relationship management is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. It deals with all aspects of acquiring, keeping, and growing customers. (Philip kotler, Garyarmstrong ,2012)

The Application of CRM in Awash International Bank

1.1.1. Background of the Bank


Awash International Bank S.C. was established in 1995 G.C by 486 founding shareholders with a paid up capital of Birr 23,123,917. It is the first private bank to be established after the liberalization of the banking sector after the fall of the Dergue. On February 13, 1995 G.C, it opened its first branch named Head Office Branch at a building located at Bole.

The name AWASH was selected to be the name of the bank from many alternatives tabled for the founding shareholders. The bank was named after the river Awash as the name is famous among the Ethiopian people and it contributes a lot for the development of the country.

Currently there are 18 private banks operating in Ethiopia. The overall standing of the bank in the private banking industry of the country is second next to Dashen Bank. As noted above the key success factor for the private banks is to attract and retain customers.

Awash International Bank has 138 branches out of this 94 branches are located in Addis Ababa and 44 branches are out line branches. The bank classifies these branches into 5 grades (Special class, first class, second class, third class and forth class) based on volume of transaction, variety of services provided, site location, amenities and staff strength, cash holding limits and other similar considerations. Almost all private banks in Ethiopia provide similar services to their customers. New products developed by each bank are easily copied by its competitors. With the joining of new private banks and the huge expansion of the state owned and private banks in the country the competition is becoming stiffer each year. Therefore to win this competition AIB needs to apply CRM in its full dimension.

Vision

 “To be the strongest and most preferred bank of the people.”

Mission

The Application of CRM in Awash International Bank

- ✚ “To provide modern, efficient, competitive, diversified and profitable banking service at domestic and international banking levels, to a continuously growing number of customers in a socially responsible manner.”

Core Values

- ✚ Dynamism
- ✚ Professionalism
- ✚ Excellence
- ✚ Integrity
- ✚ Accountability
- ✚ Impartiality
- ✚ Team Spirit
- ✚ Social Responsiveness

1.2 Statement of the Problem

Ethiopia is on the way to be the middle income country in the next 10 years. For this expected growth of the country the financial sector has its own contribution and private banks take their own part for this development.

In order to take their parts in the development of the country, first of all the banks must be profitable and owners must get sustainable profit because the establishment of these banks is too expensive and takes long time to accumulate this wealth in addition a loss by these banks is not only a crisis to the owners but also the loss can have a negative impact on the growth of the country. Therefore the profitability and sustainability of these banks are important for the expected growth of the financial sector as well as the growth of the country. As stated earlier to be profitable the bank must win the competition through creating loyal customers and to become more profitable these banks must be customer centric and apply full dimensions of CRM in their business activities. The four dimensions of CRM are Key customer focus, knowledge management, CRM organization & technology based CRM.

The Application of CRM in Awash International Bank

Therefore this study has the purpose of assessing to what extent CRM is being applied in Awash International Bank in its full dimension (Key customer focus, knowledge management, CRM organization & technology based CRM). In addition, the effect of these dimensions on loyalty of customers will be measured in this study. Any gap between what the application of CRM should be and what it actually is will be identified in the study. Then by identifying the effect of CRM dimensions on loyalty, the bank can focus on the CRM areas which have the strongest effect on loyalty and prioritize its efforts.

1.3 Research Objectives

1.3.1 General objective

The general objective of this study is to determine the extent of application of CRM dimensions and measure their effect on loyalty.

1.3.2 Specific objectives

The specific objectives of the study are:

- ✚ To determine the extent of the application of the CRM dimensions (Key customer focus, knowledge management, CRM organization & technology based CRM) in AIB.
- ✚ To determine the effect of each CRM dimensions (Key customer focus, knowledge management, CRM organization & technology based CRM) on customer loyalty.
- ✚ To recommend ways to improve on CRM areas which are found to be weak and build on areas which are found to be strong.
- ✚ To help focus management's attention on the CRM dimensions this has the strongest effect on customer loyalty.

1.4 Basic research Questions

The Application of CRM in Awash International Bank

- 1) What is the extent of the application of the CRM dimensions (Key customer focus, knowledge management, CRM organization & technology based CRM) in AIB?
- 2) What is the effect of Key customer focus dimension on loyalty?
- 3) What is the effect of knowledge management dimension on loyalty?
- 4) What is the effect of CRM organization dimension on loyalty?
- 5) What is the effect of technology based CRM dimension on loyalty?

1.5 Research hypothesis

H1o: Key customer focus dimension does not have a significant effect on loyalty in AIB.

H1a: Key customer focus dimension has a significant effect on loyalty in AIB.

H2o: Knowledge management dimension does not have a significant effect on loyalty in AIB.

H2a: Knowledge management dimension has a significant effect on loyalty in AIB.

H3o: CRM organization dimension does not have a significant effect on loyalty in AIB.

H3a: CRM organization dimension has a significant effect on loyalty in AIB.

H4o: Technology based CRM dimension does not have a significant effect on loyalty in AIB.

H4a: Technology based CRM dimension has a significant effect on loyalty in AIB.

1.6 Significance of the study

This study is expected to contribute to the theoretical and methodological study of CRM practices. The study will also contribute for AIB to identify the dimensions of CRM which are done properly and which need further improvement to a successful implementation of CRM across the four dimensions and their effect on customer loyalty. In addition this paper will give

The Application of CRM in Awash International Bank

insights to other researchers who want to assess the level of the application of CRM and its effect on loyalty in the banking industry or other related businesses.

1.7 Definition of Terms

Customer Relationship Management (CRM) - CRM is defined as a strategic approach that enables organizations to use internal resources (i.e. Technology, people, and process) to manage the relationship with customers for the whole of their life cycles, in order to create a competitive advantage and improve an organization's performance.

Customer loyalty- customer loyalty is as “a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, despite situation influences and marketing efforts having the potential to cause switching behaviors”.

1.8 Scope of the study

The study assess branches of Awash International Bank that are found only in Addis Ababa having higher grade (Grade I) per the Bank`s branch rating scheme. This limits the area of the study by discriminating those branches of Awash International Bank found in outlying areas and those in Addis Ababa but with lower grades.

1.9 Organization of the Study

The study will comprise five chapters. In chapter one, background of the study, statement of the problem, research questions, and research objectives, significance of the study, definition of terms, scope and limitations of the study will be included. In chapter two the review of literature in the area of CRM will be discussed. In the third chapter the methodology part will be discussed. In chapter four the analysis and interpretation of the study will be discussed. Finally in chapter five the conclusion and recommendations will be presented then reference and questionnaires which are used for the study will be attached.

CHAPTER TWO

REVIEW OF RELATED LITERATURES

2.1 Meaning of CRM

Customer Relationship Management (CRM) “is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers

The Application of CRM in Awash International Bank

at a profit. It is grounded on high-quality customer data and enabled by IT” (Buttle, 2004). CRM is a business strategy to identify, cultivate, and maintain long-term profitable customer relationships. It requires developing a method to select your most profitable customer relationships (or those with the most potential) and working to provide those customers with service quality that exceeds their expectations (McDonald, 2002)

An organization’s survival depends largely on harmonious relationships with its stakeholders in the market. Customers provide the ‘life-blood’ to the organization in terms of competitive advantage, revenue and profits. Managing relationships with customers is imperative for all types and size of service organizations. A sound base of satisfied customers allows the organization to move on the path of growth, enhance profitability, fight out competition and carve a niche in the market place. Bennett (1996) described that CRM seeks to establish long term, committed, trusting and cooperative relationship with customers, characterized by openness, genuine concern for the delivery of high quality services, responsiveness to customer suggestions, fair dealings and willingness to sacrifice short term advantage for long term gains. Schneider and Bowen (1999) advocated that service business can retain customers and achieve profitability by building reciprocal relationships founded on safeguarding and affirming customer security, fairness and self-esteem.

It requires that companies view customers as people first and consumers second. Trust, commitment, ethical practices, fulfillment of promises, mutual exchange, emotional bonding, personalization and customer orientation have been reported to be the key elements in the relationship building process (Gronroos, 1994; Morgan,1994; Gummesson,1994; Bejou et al,1998).

CRM refers to all business activities directed towards initiating, establishing, maintaining, and developing successful long-term relational exchanges (Heide, 1994; Reinartz& Kumar, 2003). One of the results of CRM is the promotion of customer loyalty (Evans &Laskin, 1994), which is considered to be a relational phenomenon, (Chow & Holden, 1997; Jacoby &Kyner, 1973; Sheth&Parvatiyar, 1995; cited by Macintosh &Lockshin, 1997). The benefits of customer loyalty to a provider of either services or products are numerous, and thus organizations are eager to secure as significant a loyal customer base as possible (Gefen, 2002; Reinartz& Kumar, 2003; Rowley & Dawes, 2000). Recent developments in Internet technology have given the Internet a

The Application of CRM in Awash International Bank

new role to facilitate the link between CRM and customer loyalty (Body and Limayem, 2004). It is common knowledge that a dissatisfied and unhappy customer will share his unfortunate experience more than a satisfied customer. It is also observed that a fraction of unhappy customers choose to complain while others simply switch their loyalty to others service providers. Loss of customer is loss of business along with the opportunity for business growth and profitability. Feedback collection from the customer is essential for the supplier to ascertain customer satisfaction and scope for improvisation (Sugandhi, 2002).

The fundamental reason for companies aspiring to build relationships with customers is economic. For survival in the global market, focusing on the customer is becoming a key factor for companies big and small. Establishing and managing a good customer relationship is a strategic endeavor. Having a CRM software installed does not ensure a successful customer relationship. For this to happen business processes and company culture have to be redesigned to focus on the customer. CRM software can be only a tool to implement a customer strategy. It is known that it takes up to five times more money to acquire a new customer than to get an existing customer to make a new purchase. Improving customer retention rates increases the size of the customer base. Thus, customer retention is essential. (Baumeister, unknown).

It is worth noting that the concept of CRM can be defined in different ways. It also means different things to different people; depending on the working environment it has been used in. (Baran et al., 2008; Dimitriadis and Steven, 2008; Piskar and Faganel, 2009). Therefore, there is no single correct definition of CRM (Abdullatif et al., 2010; Hamid, 2009; Nagi, 2005). However, to enrich the literature about CRM, this study will define it as " a strategic approach that enables organizations to use internal resources (i.e. Technology, people, and process) to manage the relationship with customers for the whole of their lives cycles, in order to create a competitive advantage and improve an organization's performance"

As indicated by Winer (2001), "CRM means different things to different people." In fact, some even say that "there is little doubt that CRM as a field of study and practice suffers from a lack of scope and definition" (Tanner, 2005). Zablal et al. (2004), in their evaluation of perspectives on CRM, identified more than forty distinct definitions of CRM in literature. They indicate that "CRM literature appears to be inconsistent and is highly fragmented due, primarily, to the lack of a common conceptualization." Based on their evaluation, they propose that "the phenomenon is

The Application of CRM in Awash International Bank

best conceptualized as an ongoing process that involves the development and leveraging of market intelligence for the purpose of building and maintaining a profit-maximizing portfolio of customer relationships.” Similar conclusions, although formulated in various different ways, about the contents and focus of CRM can be found in recent literature. For instance, Mitussis et al. (2006) indicate that the focus of CRM is on managing relationships with the end consumer. Or, as Kamakura et al. (2005) formulate it: “Customer relationship management (CRM) typically involves tracking individual customer behaviour over time, and using this knowledge to configure solutions precisely tailored to the customers’ and vendors’ needs.” Overall, the key words seem to be: maximising profit by recognising, knowing, addressing and serving your customers. As such, CRM is usually seen as a process. However, as indicated by Zablah et al. (2004), “when viewed as a process, CRM has been defined at two different levels of aggregation.” These two levels refer to either CRM as a strategy, or CRM as a philosophy.

If you address CRM as a strategy, supported with technology, it is all about high level processes dedicated to assessing and prioritising customers based on their life time value. The focus of this type of CRM programs/efforts is on building the most profitable types of relationships with specific categories of customers. For some categories this could even mean not to build a relationship at all (see e.g. the work by Kracklauer et al. 2001; Verhoef and Donkers, 2001).

However, if you address CRM as a philosophy, it is all about creating customer value. This can only be done if interactions are viewed within the context of an ongoing relationship (Zablah et al. 2004). Building and maintaining these relationships can be quite a complex process. As indicated by Tanner (2005), “in some cases, the seller’s propensity to relate is much stronger than that of the buyer, and in other situations, the opposite is true.”

Successful CRM, from the perspective of addressing it as a philosophy at the (tactical) process level, requires more than assessing and prioritising. And it is certainly more than simply a technological tool that enables firms to build and maintain customer relationships. In fact, the philosophy, or capability, perspective on CRM “suggests that to build long-term, profitable relationships, it is critical that firms’ day-to-day activities be driven by an understanding of customers’ evolving needs” (Zablah et al. 2004). The consensus in recent literature clearly is that you cannot do that only with technology (see e.g. the work by Day and Van den Bulte, 2002; Reinartz et al. 2003; Chen and Popovich 2003). Key concepts from relationship marketing, such

The Application of CRM in Awash International Bank

as trust, mutuality, promise keeping and dialogue (Grönroos, 1994) cannot be handled completely and incorporated in CRM programs with only databases and smart manipulation of the data as your tools (O'Malley and Mitussis, 2002).

Sheth, Parvatiyar and Shainesh (2001:6) defined the Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer.

Anton, in 1996, defined the customer relationship management as “a business strategy that aims to create in enterprise the information technologies which will help the management system listen to the customers, be customer-based and offer the customers perfect products and service, and aims to make the whole staff in the enterprise able to conduct customer-based team work.

To Clay and Maite (1999: 6), customer relationship management is a concept that aims at making long-term customer relationships and profitability, and this concept serves as a bridge between marketing strategies and information technologies. To Kathleen (2000: 21), “customer relationship management is an enterprise strategy necessary to secure a proper, useful and consistent communication with each customer irrespective of the means of communication.” To Odabaşı (2000: 3), “customer relationship management is a process by which to obtain enough information about the existing customers, use this information for incentive of the sales to be repeated, and enable a relationship that will be continuous.” Cirik, (2001: 100): “Customer relationship management means following all the information about the customers through special software and seeing all that information with just one key at will.” Doug, (2002: 40): “Customer relationship management is a business strategy that allows the enterprise to follow its customers, revenues and expenses, also enabling it to focus on target market opportunities.” Demirel, (2003: 7): “Customer relationship management is a philosophy of working that should be extended to the whole of the firm.” Bozgeyik, (2005: 1): “Customer relationship management is a customer-based relationship management philosophy that enables the coordination and cooperation between all the departments, customers and business associates as a front office practice (marketing, selling and customer service) and back office practice (accounting, production and logistics).

2.2 Objective of CRM

The Application of CRM in Awash International Bank

The basic objective of the customer relationship management is to create customer loyalty. Besides, the objectives of customer relationship management can be listed as follows: to make the customer relationships profitable; to form and preserve long-term and profitable relationships with customers; to increase the productivity of the firm; to create differentiation; to meet the customer demands; to enable cost minimization and harmonious activities. (Ergunda, 2003: 2)

As a result, customer relationship management is an approach that makes it necessary to form long-term relationships with customers for the purpose of increasing the profitability and productivity of the enterprise and to make use of technology for this purpose. The enterprises should pay attention to the following issues so as to improve their relationships with customers: (Holloway, 2002: 80)

- ✚ Recognizing the customers,
- ✚ Distinguishing the customers,
- ✚ Listening to the customers,
- ✚ Making all sorts of contacts with the customers,
- ✚ Enterprise identifying itself with the customer,
- ✚ Adapting to the customers.

Creating maximum benefit from customer relationship management depends on its right management. A consistent customer relationship management may also bring about the following benefits: (Odabaşı, 2000: 22).

- ✚ Increase in the cross-sales,
- ✚ Reduction in customer disagreements,
- ✚ High level of customer satisfaction and loyalty,
- ✚ Reduction in procedure costs,
- ✚ Ability to form close contacts and relationships with customers in terms of technologic, informatics and social terms.
- ✚ Offering a big advantage of competition to the enterprises,

The Application of CRM in Awash International Bank

- ✦ Forming a learning relationship with each customer provides the enterprises the opportunity to find new products/service for their customers. Thus, the enterprise may have the ability to perceive and meet the needs of its customers before its rivals.
- ✦ Loyal customers may be a reference for the potential customers.
- ✦ The cost of gaining a new customer is higher than that of retaining the existing customer.
- ✦ Improvement of customer loyalty increases the rate of staff's loyalty.

Customer relationship management is grounded on the idea of establishing a learning relationship with each customer. As a result of the learning relationship with each customer, the enterprise may learn the expectations and needs of its customers more easily and meet these expectations just in time, also acquiring an advantage of competition. In a learning relationship, the customer tells the enterprise his/her needs and expectations, and the enterprise may be able to meet these needs and expectations through its products and services. The enterprise may be offering its customers a similar kind of consumption and interaction with its rivals. Since the enterprise will have better information about its customers through the learning relationship it has developed, it will differentiate the enterprise from its rivals. (Peppers, 1999: 152)

2.3 Evolution of CRM

Customer relationship management itself is not a new concept but is now practical due to recent advances in enterprise software technology.

An outgrowth of sales force automation (SFA) tools, CRM is often referred to in the literature as one-to-one marketing (Peppers and Rogers, 1999). SFA software automates routine tasks such as tracking customer contacts and forecasting.

The goal of SFA is to allow the sales force to concentrate more on selling and less on administrative tasks. It should be noted, however, that CRM also has roots in relationship marketing which is aimed at improving long run profitability by shifting from transaction-based marketing, with its emphasis on winning new customers, to customer retention through effective management of customer relationships (Christopher et al., 1991).

The Application of CRM in Awash International Bank

Thus, CRM is a more complex and sophisticated application that mines customer data that has been pulled from all customer touch points, creating a single a comprehensive view of a customer while uncovering profiles of key custom and predicting their purchasing patterns. Technology that tracks and analyzes customer behavior allows companies to easily identify the best customers a focus marketing efforts and reward those who are likely to buy often.

Acquiring a better understanding of existing customers allows companies interact, respond, and communicate more effectively to significantly improve retention rates. Innovations in technology, competitive environments, and the Internet are just several factors that make one-to-one initiatives a reality. Companies can develop these relationships to customize the shopping experience, better predict online buying patterns, entice customers with special offers or services, evaluate the economic advantage of each customer, and build long-term mutually beneficial relationships.

2.4 Dimensions of CRM

Undoubtedly, CRM has recently become one of the most controversial issues and a focal-point in the business field (Balaram and Adhikari, 2010; Becker et al., 2009; Dimitriadis and Steven, 2008; Ozgener and Iraz, 2006).

It is worth mentioning that CRM is mainly based on the belief that establishing a sustainable relationship with customers is the cornerstone for obtaining loyal customers who are much more profitable than non -loyal ones (Dowling, 2002).

In this regard, the successful implementation of CRM strategy will be of great benefit to the organizations, adopting it, as such organizations can reap the benefit of increasing sales through better market segmentation, customizing products and services, obtaining higher quality products, gaining access to information and employee satisfaction, and above all, ensuring long-lasting customer-retention and loyalty (Alomtairi, 2009; Ozgener and Iraz, 2006; Stockdale,

The Application of CRM in Awash International Bank

2007; Verma and Chandhuri, 2009). Moreover, we have to bear in mind that recent studies on the CRM selectively focus on some service sectors, such as banking (e.g. Akroush et al., 2011; Becker, Greve, and Albers 2009; Eid, 2007; Hussain et al., 2009; Krasnikov et al., 2009; Sin, Tse and Yim 2005), telecommunication (e.g. Almotairi, 2009; Beldi et al., 2010), healthcare (e.g. Bunthuwun et al., 2011; Hung et al., 2010), and contact center (Abdullatif et al., 2010).

It is a proven fact that the multi- dimensions concept of CRM can be considered relatively new, because of the only few studies, which are made on the CRM dimensions of some service sectors such as banking (Akroush et al., 2011; Sadek et al., 2011; Sin et al., 2005; Yim, Anderson, and Swaminathan, 2005) and contact centers (Abdullateef et al., 2010), thus the range of information on this concept is quite limited. To drive the point home, it can be said that CRM consists of four broad behavioral dimensions (Sin et al., 2005; Yim et al., 2005).

These behavioral dimensions are: key customer focus, CRM organizations, Knowledge management and technology -based CRM. It is essential that all of these dimensions must work systematically in an organization to guarantee its improved performance (Fox and Stead, 2001; Sin et al., 2005).

2.4.1 Key customer focus (Customer Orientation)

It is important in the first instance to confirm that the main purpose behind customer -oriented behaviors is to increase customer long-lasting satisfaction and to create customer-loyalty. Therefore, studies have demonstrated that good customer-oriented behaviors, in an organization, definitely ensures a tremendously positive impact on its performance (Kim, 2008; Yilmaz et al., 2005). Similarly, King and Burgess (2008) reach the conclusion that customer orientation is a crucial factor in the successful implementation of CRM.

Research has supported that customer orientation leads to increase organizational performance (Asikhia, 2010; Liu et al., 2003; Zhou et al, 2009). Furthermore customer orientation is also one of the market beneficial sources, it helps organization to understand customer, and hence it helps in delivering an appropriate plan to satisfy customer needs (Liu et al., 2003) Furthermore, several studies revealed that there is a relationship between customer orientation and marketing planning capabilities (Morgan, Vorhies, and Mason, 2009; Pulendran and Speed, 1996).

The Application of CRM in Awash International Bank

Besides this, the beneficial influence of customer orientation strategy on marketing-planning capabilities, this strategy also influences the successful implementations of marketing actions or innovations (Slater and Narver, 1998).

2.4.2 CRM Organization

First and foremost, to enhance service employees to conduct customer-oriented behaviors, organizations have to develop an appropriate working environment for service in work, for instance, providing staff with the modern tools, and technology, customer-satisfaction tracking and complaints management systems, inspirational leadership, and appropriate rewards systems. As a result of the previous supportive working conditions, organizations can ensure the required customer-oriented behaviors of their employees (Mechinda and Patterson, 2011)

The researchers also argue that CRM cannot be successful even if the organizations enjoy the most advanced technology and adapt a customer-oriented approach, unless the project is completely integrated by them (Sin et al., 2005; Yim et al., 2005)

Further, as a confirmation for this point Ku (2010) stress that CRM success does not only require technological quality or systems, but it also requires an effective service concept as well as suitable operation procedures. Thus, the success of CRM implementation relies on the active involvement of the employees in the organization itself (Boulding, Staelin, Ehret, and Johnston, 2005; Payne, 2006; Tamilarasan, 2011). Therefore, we can say that CRM organization has to be an essential means through which firms effect fundamental changes in the way they organize their actual business processes for employees and customers (Sin et al 2005; Yim et al., 2005). Inevitably, all the organization resources (such as marketing capabilities, policies, culture, and organization structure) have to be integrated in order to implement CRM successfully and, in turn, to improve organizations performance. Previous studies also declare the positive impact of CRM organization on customer retention (Yim et al., 2005), financial and marketing performance (Akrouch et al., 2011; Sin et al., 2005).

Moreover, Richards and Jones (2008) argue that CRM organization may influence future marketing decisions, such as brand differentiation, price, communication, and distribution.

It goes without saying that Knowledge about customers plays a vital role in CRM, taking into our consideration the fact that the main purpose behind collecting data about customers is to get

The Application of CRM in Awash International Bank

a clear image about them from different perspectives (Sin et al., 2005). Therefore, organizations can authenticate such data to be able to establish and develop beneficial relationship with their customers (Zahay and Griffin, 2004).

2.4.3 Knowledge Management

Needless to say that useful information about customers can be gathered through interactions with them or from different touch points within the organization itself (Brohman et al., 2003), and the criterion for deciding whether CRM is successful or not, is to effectively transform customer information into customer knowledge (Plessis and Boon, 2004; Stringfellow et al., 2004). In this connection, we can say that managing knowledge effectively can greatly help an organization to have success in building better customer relationship, resulting in a positive impact on organization performance (Abdulateef et al., 2010; Akroush et al., 2011; Sin et al., 2005; Yim et al., 2005). We have to take into our account that the success of relationship management is heavily dependent on collecting and analyzing customers' information, as such information is used for developing highly personalized offerings (Sigala, 2005).

Moreover, Fan and Ku (2010) indicate that customer knowledge management is firmly associated with marketing capabilities, and it greatly enables organizations to take strategic managerial decisions for improving their performance.

2.4.4 Technology Based CRM

CRM based technology enables organizations to plan and implement successful marketing actions for retaining customers long-last and making them more profitable, because of the customer database and other information-storing systems (Roberts, Liu, and Hazard, 2005). Additionally, Chang, Park, and Chaiy (2010) confirm that CRM technology improves marketing capabilities by providing valuable information about customers, which, in turn, will help both managers and employees to achieve specific marketing goals much more effectively.

Furthermore, several studies, made about the impact of information technology on organization performance report similar findings about the positive role of information technology in CRM strategy. In other words, these studies revealed that many customer-centric strategies cannot

The Application of CRM in Awash International Bank

achieve their goals, without the help of information technology (Abdullateef et al., 2010; Eid, 2007; Ozgener and Iraz, 2006; Sigala, 2005; Sin et al., 2005; Yeh et al., 2010).

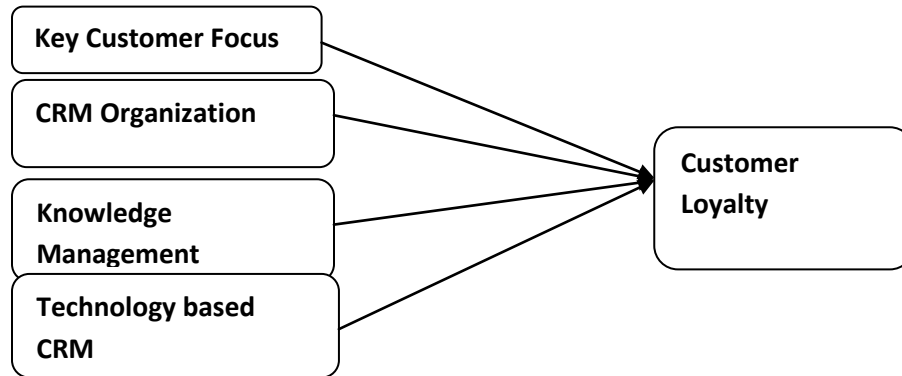


Fig.2.1 A conceptual model for measuring the relations between the four CRM measurement constructs (Key customer focus, knowledge management, CRM organization & technology based CRM) and on customer Loyalty. Adopted from (Ergunda, 2003: 2)

2.5 CRM and Banking Industry

Globalization and technology improvements have exposed companies to a situation with tough competition. In this new era companies are focusing on managing customer relationships in order to efficiently maximize revenues. Today marketing is not just developing, delivering and selling, it is moving towards developing and maintaining long term relationships with customers. Relationship marketing is becoming important in financial services. Managers really need to look at areas where opportunities lie, because industry consolidation, virtual delivery channels and the ability to move money around with a click of a mouse are making it easier for customers to leave one bank for another. In this situation CRM (Customer Relationship Management) is an opportunity that banks can avail to rise above minor advantages by developing actual relationships with their customers.

CRM in banking industry entirely different from other sectors, because banking industry purely related to financial services, which needs to create the trust among the people.

Establishing customer care support during on and off official hours, making timely information about interest payments, maturity of time deposit, issuing credit and debit ATM card, creating

The Application of CRM in Awash International Bank

awareness regarding online and e-banking, adopting mobile request etc are required to keep regular relationship with customers.

Customer relationship management in financial services industry is a cyclical process which starts with definition of customer actions (Panda T, 2003). Panda T described customer expectations are difficult to manage but are often the cause of dissonance which results in loss of existing customer base. So understanding of customer expectations with regard to service delivery levels and product quality is essential for establishing a long term symbolic value relationship.

CRM, which is becoming a topic of increasing importance in marketing, is concerned with using information technology in implementing relationship marketing strategies (Ryals L, et al, 2001).

Customer service is the primary end of any bank. A customer always wants something and expects that the bank should come up to the level to fulfill those needs. Again, the more you provide, still more the consumer needs. Service quality is about meeting customer needs and requirements, and how well the service level delivered matches customer expectations.

In today's competition in Indian banking industry, customers have to make a choice among various service providers by making a trade-off between relationships and economies, trust and products, or service and efficiency (Sachdev et al, 2004). Hallowell Roger (1996) conducted a research on customer satisfaction, loyalty, and profitability and found that as compared to public sector, private sector bank customers' level of satisfaction is comparatively higher.

2.6 Banking Business in Ethiopia

Ethiopian banking history, in its modern sense, began in 1905 with the Bank of Abyssinia, a private company controlled by the Bank of Egypt. In the years that followed, the fate of the banks varied with the style of the government regime. In 1931 Bank of Egypt was liquidated and replaced by the Bank of Ethiopia which was the bank of issue until the Italian invasion of 1936. In 1943, the State Bank of Ethiopia was established, in 1963, the National Bank of Ethiopia (the central and issuing bank) and the Commercial Bank of Ethiopia were formed. (Mauri, 1971). In the period to 1974, several other financial institutions emerged. Then the shift to Marxist government in 1975 brought several changes to the banking system, and saw the nationalization of private banks and insurance companies. After the fall of the socialist regime in

The Application of CRM in Awash International Bank

1991 the financial sector of the country witnessed a major shift of paradigm. Numerous private banks, insurances and micro financial institutions were established. (Deribie, 2012). Currently, the number of Ethiopian owned commercial banks has reached nineteen, sixteen private owned and three governments owned. And the national bank of Ethiopia has the mandate to License, supervise and regulate the operations of banks, insurance companies and other financial institutions. (www.nbe.gov.et)

2.7 Benefits of CRM strategy in Banking Industry

Benefits of CRM can be categorized into three groups namely: Benefits for customers, benefits for employees and benefits for banks.

Benefits for Customers

- ✚ Coordinated and professional approach to customer contact.
- ✚ Up-to-date customer information, Banks can offer more personalized services.
- ✚ Customers feel empowered if they have greater access to products and services. For example 24 hours banking.
- ✚ Targeted product and service offerings can be timed to coincide with customer events and requirements e.g., Education Loans and Tourism Loans.
- ✚ Develop better communication channels.
- ✚ Collect vital data, like customer details and order histories
- ✚ Create detailed profiles such as customer preferences
- ✚ Deliver instant, company-wide access to customer histories
- ✚ Identify new selling opportunities

The Application of CRM in Awash International Bank

Benefits for Employees

- ✚ Employees are empowered with the information to deliver high quality service and meet customer expectations
- ✚ Employees have more time to serve customers.
- ✚ Employees have higher satisfaction ratings.

Benefits for Banks

- ✚ Managers are empowered with information that can help them manage customer relationships and make better decisions.
- ✚ Optimum use of bank resources.
- ✚ Customer satisfaction and increased loyalty.
- ✚ CRM permits businesses to leverage information from their databases to achieve customer retention and to cross-sell new products and services to existing customers.
- ✚ It helps in capitalizing on short windows of opportunities in the market.
- ✚ Significant reduction in and limitation of operational costs through system automation and standardization.

2.8 Obstacles to CRM Implementation

As it is mentioned above in this paper, customer relationship management should certainly not be restricted to a single project that will soon after the completion fall into oblivion. On the contrary, success in this area can be ensured only by a continuous process, or better yet, a comprehensive strategy. Since each strategy has a duty to provide certain benefits to business subjects that will have a decisive influence on the final out-come of the market game, Customer Relationship Management is no exception as well.

Therefore CRM is a continuous business process on all organizational levels, aimed to attract and retain customers. Basically, CRM is a synthesis of business processes, human resources and software. The quality of such a synthesis will enable the establishment of strong mechanisms for managing the relationship with customers, whose results will be: customer satisfaction with

The Application of CRM in Awash International Bank

quality cooperation, this satisfaction will result in customer loyalty, and loyalty will prevent a customer going to the competition. Customers are the most valuable asset of a company, and the wisdom of CRM is contained in two words – long-term and profitable relationships. In contemporary conditions, one of the basic parameters of successful business is a good relationship with customers. Customer satisfaction with a good business cooperation, as well as knowledge of customer needs, habits and desires, are unavoidable factors of increase of customer loyalty to the conditions of dynamic competition. Research has shown that there are many reasons why loyalty, and therefore retention of the existing customers are very important.

Advantages that enable the acceptance and implementation of this strategy come from the fact that provided activities cover all three time dimensions:

- ✚ The past – the company acquired the ability to learn from past events, enabling it to avoid repeating past mistakes;
- ✚ Present – businesses are coming to the possibility to quickly analyze current events, so that way they can adapt their behavior in real-time maneuvering;
- ✚ The future – the subject acquires knowledge and ability to predict future events, which opens the door for better preparation for upcoming opportunities.

In other words, by providing employees, in accordance with the concepts of CRM, access to large amounts of information about customers, products and sales partners, the company makes them able to learn from the past and adapt to present and establish them-selves in the future. Those businesses that observe and understand CRM in this way will have a guaranteed success in the efforts to improve relations with customers, suppliers, other business partners and even competitors.

The availability of updated information at the right place at the right time will bring many positive effects in the business. Hundreds of times each day employees will be in a position to easily upgrade their knowledge, share it with each other, interact and influence each other, solve problems, make business decisions and control their part of the business process.

While defining CRM it is necessary to face the dilemma of how to properly select the structural elements that will show the existence of the system and guarantee its implementation. First of all for a successful CRM project there must be a set of criteria.

The Application of CRM in Awash International Bank

Choosing a reliable and flexible solution is one of the key success factors. The recommendation is to focus on solutions that are highly acceptable for use. If the system is not accepted and used, there will not be a return on investment. Many small companies do not see CRM as a key criterion for the success of future operations, but CRM can play an important role in gaining competitive advantage of organizations of different activities. Very little attention is devoted to the study of these factors and deficiencies of CRM.

Amongst numerous obstacles to the success of CRM system, the following can be stated:

- ✚ lack of skills - lack of skills in building and using the new IT-based CRM system is a major obstacle to implementation of CRM systems; analytical skills in asking the right questions for a CRM system are of special importance to investing in CRM;
- ✚ inadequate research – obtaining adequate means for the requirements of CRM systems is an important issue for organizations, especially as more and more projects have dramatically increased the costs and size;
- ✚ poor quality and quantity of data – organizations at various stages of development of CRM system have different problems with the quality and quantity of data, and for organizations in the early stages of the development of CRM, data quality is a key problem; the size of the problem, and the amount of work needed to correct these problems, surprised many managers and many organizations have started the cleaning and removing duplicate data; for these organizations the amount of data is a greater problem than their quality;
- ✚ failure to understand the business benefits – low initial awareness of the database among the top management is also an obstacle to the less advanced organizations in the implementation of CRM systems, and this problem can be overcome when the data warehouse begins to produce results; CRM managers pointed out that the data warehouse is considered expensive and therefore top management is not able to understand the potential financial benefits in the earlier stages of the CRM project;

The Application of CRM in Awash International Bank

- ✦ functional limitations – managers on the functional and business level can be reluctant to cooperate in the early stages of the CRM project and may require additional organizational effort to make these managers aware of the advantages of greater cooperation and communication;
- ✦ lack of leadership and involvement of senior management – lack of management involvement in the activities of the CRM is the next obstacle to the success of CRM systems;
- ✦ Inadequate assessment systems – CRM managers often point out how weak assessment systems can slow down the fulfillment and implementation of CRM projects. Assessments of the success of CRM projects are often considered inadequate and sometimes the problem is that organizations are not clear about their goals and their objectives are not connected with employees; any organization that accepts CRM needs to understand these barriers and any potential problem areas important for business organization and fulfillment of customer needs.

An important reason for CRM failure lies in the fact that the organization that conducted the implementation was not aware of the complexity that the implementation of the CRM system possesses.

2.9 Success Factors for CRM Implementation

- ✦ To motivate customers to initiate revenue generating contacts. To understand customer's needs even before themselves. To decrease customer churn by increasing customer's satisfaction.
- ✦ To use technology to improve customer's service enables a greater degree of customer differentiation in order to deliver unique customer interaction.
- ✦ To make customer and employee friendly through CRM.
- ✦ To ensure that employees at all levels are accurately collecting the information of the CRM system.

2.10 Loyalty

The Application of CRM in Awash International Bank

Customer loyalty has been defined and measured in many various ways over the past decades. Oliver (1997) defines customer loyalty as “a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, despite situation influences and marketing efforts having the potential to cause switching behaviors”.

According to the literature on loyalty, customer loyalty has several distinct dimensions. The two most important dimensions are the behavioral and attitudinal components (Day 1969; Yi 1991). Earlier research conceptualized customer loyalty as a behavior (Dick and Basu 1994). Behavioral loyalty signifies actual repeat purchasing behavior, or the likelihood of repeat product/service purchases from the same supplier. Yet, recent research seems to measure loyalty attitudinally (including cognitive and/or affective components). Using this perspective, customer loyalty is perceived as future intention-to-repurchase or commitment that reflects the cognitive and emotional attachment associated with customer loyalty.

Each of these dimensions has pros and cons. Academics find fault with the behavior-based loyalty measure, so far as it can fail to distinguish between true and spurious loyalty. Dick and Basu (1994) assert that if behaviorally loyal customers with spurious loyalty locate a superior alternative, they will probably switch to the alternative.

Day (1969) blames behavior loyalty by stating, “These spuriously loyal buyers lack any attachment to brand attributes, and they can be immediately captured by another brand that offers a better deal,” which means that actual repurchase behavior is not always due to a psychological and/or emotional commitment with respect to a product or service (i.e., true loyalty). Bowen and Chen (2001) state that an individual may reside at a hotel because it has the most convenient location, Nevertheless, an individual may also change to a new hotel when it is located across the street and provides better deals. As this example illustrates, repeat purchase behavior does not always indicate commitment; rather, it may signify a random actual repeat purchase, or spurious loyalty. Yet, this spurious loyalty can be disregarded when attitudinal loyalty is the construct of interest.

Shankar and his colleagues (2003) also maintain that attitudinally loyal customers are not likely to change to an incrementally more attractive alternative, in that they have a certain degree of attachment or commitment to the product or service. Hence, attitudinal loyalty (or true loyalty)

The Application of CRM in Awash International Bank

signifies both higher repurchase intention and refusal to consider counter-persuasion and negative expert opinion.

Hence, this study will adopt loyalty by combine both behavior and attitude. Oliver (1997) defines loyalty as ‘a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing,

Dick and Basu (1994) suggest that relative attitude drives repeat patronage, subject to antecedent and situational constraints, and that an attitude-behavior association leads to further loyalty behaviors. “Customer loyalty is viewed as the strength of the relationship between an individual’s relative attitude (liking) and their repeat patronage”. (By relative they mean compared with available alternatives because it is the contrast between alternatives that is likely to motivate behavior such as recommendation) .two behavioral dimension of customer loyalty identified by relation marketing literature are repeat purchase/use and positive word of communication. Henning-Tharaugh et al, (2003) customers who perceive high quality with service provider are likely to repeat usage and likely will communicate their experience to others within social network.

Interaction of attitude and behavior such that the behavior (loyalty) is determined by the strength of relationship between relative attitude and repeat patronage. Extending this, the loyalty dimensions or concepts are to include behavioral, attitudinal and cognitive processes. The attitudinal dimensions of loyalty were to include attributes such as word-of-mouth, complaining behavior and purchase intentions . The behavioral loyalty measures include attributes such as brand allegiance, price elasticity, share of category (number of times a brand is purchased in a given period) and price until switching. The cognitive loyalty component includes attributes like preference to the service organization, the belief that the service organization provides best offer and suiting customer needs.

Dick and Basu (1994) Customer loyalty is one of the most important customer metrics in marketing due to the profit impact of maintaining a loyal customer base (Oliver 1997). The literature points out that customer loyalty leads to firm profitability because customer loyalty positively influences firm product-marketplace performance and financial performance and creates shareholder wealth. The literature explains this positive loyalty-firm profitability link for

The Application of CRM in Awash International Bank

several reasons. First of all, according to Pfeifer (2005), loyalty reduces customer acquisition costs, which in turn, reduces firm costs or expenses. Second, customer loyalty indicates customer retention, the most important customer metric for firm profitability, because loyalty measures customers' intention to repurchase a product or service.

2.11 CRM and customer loyalty

Today the most important thing to do about the reduced customer satisfaction is the customer-centered practices adapted to each customer's needs and values. By treating different customers in different manners, firms can achieve customer loyalty (Tarhan, 2004: 77). Customer loyalty is the long and uninterrupted retention of the relationship by offering service that meets and even goes beyond the customer needs (Acuner, 2001: 89).

Customer loyalty is defined with consideration paid to the amount of buying for a given trademark. The level of loyalty is measured by the watching of the frequency of buying (Javalgi and Moberg, 1997: 165). With the increase in the amount of accessible information in recent years, the conscious level of customers has improved continually. Today's customers are aware of the power they have on the market and that every activity is realized for them. It is now easier to reach the products and services. Before choosing a given trademark, consumers look at the price, newness, accessibility of the product and the additional services offered. As the alternatives increased, consumers' loyalty to the products and services decreased (Tekinay, 2002: 129). Today firms have entered into an effort to present at a lower cost than their rivals the products and services that can meet the customer wishes and expectations fully, so that they can render customers more loyal.

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This chapter deals with the methodology of the study where the research approach, the research type, sample and sampling techniques, source of data collection, data collection instruments, reliability & validity of the study and the method of data analysis are discussed.

3.1 Research approach

The research can be classified in to two research approaches. These are qualitative research and quantitative research.

Qualitative research involves studies that do not attempt to quantify their results through statistical summary or analysis. It seeks to describe various aspects about behavior and other factors in the social sciences and humanities. In this kinds of research data are often in the form of descriptions, not numbers. It typically involves in-depth interviews, group discussions, and observations without formal measurement.

Quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and relationships. The objective of quantitative research is to develop and employ mathematical models, theories and hypotheses pertaining to natural phenomena. It usually starts with a theory or a general statement proposing a general relationship between variables. Quantitative researchers favor methods such as surveys and experiments, and will attempt to test hypotheses or statements with a view to infer from the particular to the general.

Therefore the researcher chose quantitative research to describe CRM application in Awash International Bank by collecting quantitative data from customers of the bank. In addition the effect of the independent variables (CRM dimensions) on the dependent variable customer loyalty is quantitatively measured by this study.

The Application of CRM in Awash International Bank

3.2 Research type

The research can be classified in to three as descriptive, explanatory and exploratory. Descriptive research sets out to describe & to interpret what is. It aims to describe the state of affairs as it exists. It is concerned with conditions or relationships that exist, practices that prevail, beliefs, points of view or attitudes that are held, processes or that are developing. The major purpose of descriptive research is describing the state of affairs as it exists at present.

Explanatory research is conducted when we encounter an issue that is already known and have a description of it, we might begin to wonder why things are the way they are. The desire to know “why”, to explain, is the purpose of explanatory research. The researcher goes beyond merely describing the characteristics, to analyze and explain why and how something is happening. Thus explanatory research aims to understand phenomena by discovering and measuring casual relations among them.

Exploratory research is conducted when there are few or no earlier studies to which references can be made for information. It provides insights into and comprehension of an issue or situation for more rigorous investigation later. Exploratory research is a type of research conducted because a problem has not been clearly defined. Its purpose is to gain background information and better understand and clarify a problem.

Most research projects designed in the fields of social sciences and business are based on descriptive research studies. In descriptive research you have no control over the variables but you can only report what has happened or what is happening.

This researcher collects data on four dimensions of CRM from customers of Awash International Bank to describe the present condition of CRM application on this bank across four dimensions. So the researcher used descriptive research for her purpose. In addition the researcher will analyze the casual relations between the dependent variable (loyalty) and the independent variables (CRM dimensions) using correlation and regression, which makes the research explanatory. Therefore this study is both descriptive and explanatory.

3.3 Sample and sampling methodology

3.3.1 Target population

The target population of study comprises of all customers of Awash International Bank. All personal and/or commercial customers who use Awash International Bank were included in the study. Total number of the customers of Awash International Bank is about 837,894 and all of these are considered to be included in the study. (Report of the Bank, 2006)

3.3.2 Sampling method

The selection of the sample was through non-probabilistic sampling technique of convenience sampling because all the population of the bank cannot be available at the same time. Convenience sampling also called accidental or opportunity sampling is a technique in which a sample is drawn from that part of the population that is close to hand, readily available, or convenient. The questionnaires are distributed to customers of the bank.

The researcher prefers Awash International Bank because of its accessibility. The researcher chose first class branches (Adama, Dire Dawa, Merkato, Legehar, Gofasefer, kolfe, Stadium, Addis Ketema, Hayahulet mazori) but the necessary data will be collected from first grade branches which are located in Addis Ababa because of money and time constraint. Collection of data only from first class branches located in Addis Ababa has not significant effect on the data collected because the bank use the same CRM strategies for all branches which have the same grade.

3.3.3 Sample size

The sample size for this study is determined by using the formula developed by Cochran (1963:75). Sample size from the customers is calculated as follows:

$$n_0 = \frac{Z^2 pq}{e^2} \quad \text{Where: } n_0 = \text{the sample size}$$

Z^2 = the abscissa of the normal curve that cuts off an area α at the tails ($1 - \alpha$ equals the desired confidence level, i.e. 95%)

e = the desired level of precision

The Application of CRM in Awash International Bank

p = the estimated proportion (standard deviation) of an attribute that is present in the population, and q is $1-p$.

The value for Z is found in statistical tables which contain the area under the normal curve.

$$n_0 = \frac{(1.96)^2 (0.5)(0.5)}{(0.05)^2} = 385.$$

The above sample size is the representative sample proportion at 95% confidence level and $\pm 5\%$ precision when the population is large and unknown.

If the population is small, then the sample size can be reduced slightly. This is because a given sample size provides proportionately more information for a small population than for a large population. As a result, the sample size (n_0) can be adjusted (Cochran 1963:75).

Since the population for this study is finite, the sample size (n_0) can be adjusted as follows:

$$n = \frac{n_0}{1 + \frac{(n_0-1)}{N}}$$

Where n is the sample size and N is population of the study.

$$n = \frac{385}{1 + \frac{(385-1)}{837894}} \quad n = \frac{385}{1 + 0.000458292}$$

$$n = 384.8236384 \approx \mathbf{385}$$

3.4 Source of data collection

There are two types of sources when collecting data; primary and secondary data sources. Primary sources are directly related to the study purpose. Primary data consists of all the data collected throughout the study that directly can be related to the study purpose, both personally gathered as well as data from a third party that has been collected with equivalent purpose. Secondary data on the other hand, contains relevant data that has been collected for a different purpose, but from which the conclusion is valuable for the purpose.

The researcher uses both primary and secondary data sources. Primary data, directly related to the purpose, collected through an empirical study. The empirical study was made through conducting a questionnaire regarding CRM. Secondary data, indirectly relating to the purpose is

The Application of CRM in Awash International Bank

collected through a theoretical study comprised of; books, research thesis, articles, internet, manuals and annual reports.

3.5 .Data collection Instrument

The questionnaire contains statements that are specifically designed to measure CRM practices of firms in relation to the four behavioral dimensions of CRM – Key Customer focus, CRM organization, Knowledge Management and Technology-based CRM

The questionnaires are composed of three sections. The first section contains questionnaire items used to collect demographic data of respondents and the second section on five point Likert scale to assess the CRM practices of Awash International Bank. The third section measures the loyalty of customers of AIB.

The Structured questionnaires are used to collect primary data from customers of the bank. The questionnaire handed to customer is translated in to Amharic for those who may not understand the English version. As secondary sources of data published journal articles, publications, books, websites and others used as an appropriate to solidify the premises of the study.

3.6 Reliability of the study

Reliability concerns the extent to which an experiment, test or any measuring procedure yields the same results on repeated trials (Carmines and Zeller 1979, p 11). It is clear that whenever we measure anything there is always a chance for errors. In fact, the goal of error-free measurement is never attained in any area of scientific investigation. Two sets of measurements may not duplicate each other exactly even if we repeated the same study with the same sample. Reliability is defined as the ratio of variance of the true score to the variance of the actual measured score. The result lies between zero and one and most of the widely used scales have reliabilities between 0.65 and 0.8. In general we can say that reliability of a study is a pre-requirement for the results to be interpretable and generalizable. The method used to estimate reliability should be in line with the ways in which the scores are to be used (Ghiselli 1981 quoted in Flynn 2001, p 417).

Internal consistency reliability is used to assess the consistency of results across items within a test and the method for assessing reliability of the current study. Typically this is done either by using Cronbach`s alpha or by split-halves method - where total set of items is divided into halves

The Application of CRM in Awash International Bank

and scores of the halves are correlated to obtain an estimate of reliability (Carmines and Zeller 1979, p 11). The advantage of the internal consistency measures is that there is no need for a second test, and thus they are also widely used in practice. On this regards Nunnally has given guidelines for the accepted alpha levels : Early stage of research $\alpha=0.5-0.6$, Basic research $\alpha=0.7-0.8$ and Applied settings $\alpha=0.8-0.9$.and The alphas for the current study were presented together with the research results in order to make the presentation more logical.

3.7 Validity of the study

The CRM best practices scale comprises best practices that are limited to the domain of CRM as explained by well- known researchers such as Sin et al.,2005, each of which is different from any other. Since the statements have been generated from an extensive review of academic and practitioner`s literatures, it is assumed that the construct validity will hold.

3.8 Data analysis

The survey is designed to examine the extent of the application of CRM in Awash International Bank and its effect on loyalty. The data is analyzed using the Statistical Package for Social Science (SPSS) version 16.0 software using graphs, tables and other descriptive statistics (Mean, standard deviation) as found appropriate. Then correlation and regression analysis will be performed to determine the relationship and effect of the independent variables (CRM dimensions) and dependent variable (loyalty).

3.9 Model specification

$$Y = \alpha_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4$$

Where,

Y = Loyalty; X_1 = Key Customer Focus; X_2 =CRM Organization; X_3 = Knowledge Management; X_4 = Technology Based CRM; e= error

CHAPTER FOUR

FINDINGS AND DISCUSSION

In this chapter, the collected data from the customers of the seven branches of Awash International Bank are summarized and analyzed in order to realize the ultimate objective of the study. Accordingly, the demographic profile of the respondents and the level of CRM practice

The Application of CRM in Awash International Bank

and its effect on customer loyalty as perceived by its customers are discussed. At last, summary of the findings are presented.

A total of 385 questionnaires were distributed to customers of AIB in seven branches that are located in Addis Ababa. Out of the 385 questionnaires 285(74%) were returned.

4.1 Reliability

Higher Alpha coefficients indicate higher scale reliability (Santos, 1999: as cited in Eze et al., 2008). Specifically, Nunnally (1978): as cited in Eze et al., (2008) suggests that scales with 0.60 Alpha coefficients and above are considered to be acceptable. Some other literatures suggest a benchmark Alpha of 0.7 to be an acceptable measure of reliability (Cronbach, 1951)

The variables were tested for reliability by using Cronbach's Coefficient Alpha and the overall reliability of the measurement constructs is found to be 0.942 which shows the measure has internal consistency.

4.2 Background of the Respondents

Results of the demographic characteristics of respondents are shown in table 4.1 below. As observed from the table the gender composition of the respondents is dominated by male respondents, which constituted 69.5% of the respondents while the rest 30.5% are female respondents.

Concerning the purpose for which the customers use the services rendered by AIB, 39.3% of the respondents were found to be using the services for personal purpose; the other 55.1% and 5.6% of the respondents use the bank service for commercial purposes and both for personal & commercial purposes respectively.

For the inquiry regarding the length of relationship with the bank either for personal or commercial purpose, most of the respondents (50.2%) were found to be using AIB's services for years that range from 5-10 and the other 22.1% & 27.7% of respondents used the bank service for years < 5 and years > 10 respectively.

As to the services that are used in AIB, current account & saving account users take the highest share that is 40.4% and 29.5% respectively. Other services of the bank used by the respondent

The Application of CRM in Awash International Bank

constitute 30.1%. This implies that most of the respondents use current account & saving account service of the bank.

Table 4.1 Background Characteristics of the customer respondents

Variable	Categories	Frequency	Percent
Gender	Male	198	69.5
	Female	87	30.5
	Total	285	100
Purpose used	Personal	112	39.3
	Commercial	157	55.1
	Both	16	5.6
	Total	285	100
Length of relationship with AIB	< 5 Years	63	22.1
	5-10 Years	143	50.2
	> 10 Years	79	27.7
	Total	285	100
Service used	Saving Account	84	29.5
	Current account	115	40.4
	Loan	53	18.6
	Remittance	33	11.6
	Total	285	100

The Application of CRM in Awash International Bank

Source: Own survey, 2014

4.3 Level of CRM Practices

The main objective of the study is to determine to what extent AIB practice CRM as measured by four dimensions and its effect on customer loyalty. To do so, customers of AIB were asked to rate the level of CRM practices on a Likert scale of 1 through 5. In the following section the data collected is analyzed.

Table 4.2 Level of practice of the dimensions of CRM- Customer`s Perception

CRM Dimensions	N	Mean	Std. Dev.
Key customer Focus	284	3.8803	0.74851
CRM organization	271	3.4534	1.04890
Knowledge Management	271	3.2772	1.02572
Technology Based CRM	284	3.2711	0.90175

Source: Own survey, 2014

As it can be seen from table 4.2 above AIB has been doing well in the key customer dimension as compared to the other dimensions with the mean score of 3.8803 while it is of at the lowest performance level in the technology based CRM dimension of mean score of 3.2711.

4.3.1 Key Customer Focus

The Application of CRM in Awash International Bank

Key customer focus is all about developing a strong customer focus and continuously delivering superior value to selected key customers to achieve a deep customer relationship that enable an organization to become a necessary partner to its most profitable customers (Vandermerwe, 2004; Das, 2004; Sheth et al., 2000; Parvatiyar and Sheth, 2001). The most important components of the key customer focus are customer selection and offering of customized or personalized services to those high value customer segments.

A one-sample test was conducted on the four items which were responded on a five item scale with the highest being strongly agree and the lowest- strongly disagree. The result of the sample statistics show to what extent customers perceive AIB as a bank that focus on its key customers. The highest mean figure shows high level of agreement with the scale item while the lowest indicate high level of disagreement with the particular item being tested.

Table 4.3 Sample statistics - Key Customer Focus

Item	N	Mean	Std. Deviation
Provides customized service to key customers	285	3.8175	1.05235
Strive to constantly surprise and delight its key customers	285	4.2281	.86026

The Application of CRM in Awash International Bank

Strengthen emotional bonds with key customers by wishing them on important occasions	285	3.5018	1.40077
Relationship Pricing in pricing different services.	284	3.9718	0.98357
Valid N (listwise)	284		

Source: Own survey, 2014

As can be seen from the table above, the output of the sample statistics reveal that the highest mean was recorded for AIB`s effort to constantly surprise and delight its key customers (4.2281) while Strengthen emotional bonds with key customers by wishing them on important occasions has been found to be latent in the AIB`s relationship building practices with the least mean score of 3.5018.

4.3.2 CRM Organization

CRM organization dimension implies organizing around CRM which leads to considerations like the availability of sales and marketing experts, trained employees on customer relations, evaluation and rewarding of customer performance in customer relations and CRM oriented organizational structure (Sin et al., 2004). According to Yim et al. (2004) this calls for an organizational structure that is flexible and, if necessary, reconstructed to generate customer centric value.

To assess the AIB`s level of organization around CRM from customers perspective a five point Likert scale with eight items to represent the dimension were used. The table below shows the level of agreement depending on the size of the mean figure. The higher the mean figure recorded, the higher the level of agreement; and the lower the mean figure the higher the disagreement with the particular item being tested.

The output of the sample statistics shows that having fast & reliable policy score highest mean of 3.7676 and having professionals employees has the lowest mean score of 3.2827.

Table 4.4 Sample statistics - CRM organization

The Application of CRM in Awash International Bank

Item	N	Mean	Std. Deviation
Employees encourage customers to use more service	279	3.4050	1.23678
Top Management accepts and provide leadership	285	3.3263	1.27635
The bank commits time and resource in managing customer relationship	283	3.6502	1.48559
Bank Policy is fast & reliable	284	3.7676	1.41254
The bank gives all the needed services.	285	3.5123	1.46702
Employees are professionals	283	3.2827	1.17205
Employees go beyond their responsibility	282	3.35461	1.234929
CRM responsibilities of employees are clearly defined	285	3.4	1.21956
Valid N (listwise)	271		

Source: Own survey, 2014

The above mean scores can be interpreted as AIB having a management that believes in the importance of building and managing relationship with customers by having fast & reliable policy but the customers perceive that AIB does not focus more on having professionals employees in the application of the CRM organization dimension.

4.3.3 Knowledge Management

The assessment to evaluate to what extent AIB practice the knowledge management dimension of CRM is done using a five-point scale that measures the level of agreement or disagreement with the respective statements to be measured. The items that are included in this dimension represent practical aspects of knowledge management which is mainly manifested by uncovering customer needs through the analysis of customer information. This involves tactful customer

The Application of CRM in Awash International Bank

information management that is used as a knowledge power to align the products and service of the firm to the dynamic needs of the customers.

Customer's perception of the extent AIB has been deploying the knowledge management aspects of CRM is shown in the sample statistic output of table 4.5 where the mean and standard deviation results are used in a way that analyze the higher level of agreement to have high mean score while the low score representing high level of disagreement with the particular statement to be tested.

Table 4.5 Sample statistics - Knowledge Management

Item	N	Mean	Std. Deviation
Effective recovery strategies	283	3.3357	1.16557
Takes customer feedback seriously	283	3.5018	1.26147
Use information from customers	283	3.3039	1.34199
The bank ensure confidentiality	281	2.9431	1.38498
The bank has reward system for customers	285	3.4098	1.78575

The Application of CRM in Awash International Bank

The bank analyzes causes of customer defection through exit interview	281	3.0178	1.29685
Valid N (listwise)	271		

Source: Own survey, 2014

As observed from the above table 4.5 the highest mean figure 3.5018 is recorded for AIB takes customer feedback seriously while its practice keeping customer data confidentially using a well-developed policy score has least mean figure of 2.9431

Therefore from the analyzed data it is possible to say that customers perceive that AIB is a bank that takes customer feedback seriously but the practice of keeping customer data confidentially using a well-developed policy do not done properly.

4.3.4 Technology-Based CRM

Technology based CRM, as the name indicates, refers to the usage of the latest technology in CRM deployment as an enabler of greater customization and better service at lower cost (Sineta al., 2005). Currently there are various applications that are specifically designed for CRM with the aim of identifying customers' trend of buying behavior to enhance customer satisfaction while increasing customer retention potentials at the same time.

In the sample statistics shown below, the aim is to solicit customers' perception as to AIB's deployment of technology based CRM practices in their dealings with the Bank. To do so, a five point Liket scale was used the highest being strongly disagree and the lowest representing strongly disagree. Accordingly, the two items were tested using the mean and standard deviation sample statistics.

As shown below the provision of technology based service has a mean of 3.4947 and the provision of information system to give comprehensive data about all aspects of customers has a mean score of 3.0493.

Table 4.6 Technology-based CRM

The Application of CRM in Awash International Bank

Item	N	Mean	Std. Deviation
The bank gives technology based service	285	3.4947	1.39824
Information system to give comprehensive data	284	3.0493	0.87629
Valid N (listwise)	284		

Source: Own survey, 2014

From the above data we can say that AIB has done better on the provision of technology based service than the provision of information system to give comprehensive data about all aspects of customers

4.4 Level of customer loyalty

In the following section the level of customer loyalty is analyzed.

Table 4.7 Level of customer loyalty

Item	N	Mean	Std. Deviation
The bank gives technology based service	285	3.4737	1.38535
Valid N (listwise)	285		

Source: Own survey, 2014

The level of agreement and disagreement of customer loyalty is presented below.

Table 4.8 level of agreement and disagreement of customer loyalty

The Application of CRM in Awash International Bank

		Frequency	Percent
Valid	STRONGLY DISAGREE	39	13.5
	DISAGREE	31	10.8
	NEUTRAL	60	20.8
	AGREE	66	22.9
	STONGLY AGREE	89	30.9
	Total	285	99.0
Missing	System	3	1.0
Total		288	100.0

Source: Own survey, 2014

From the above table 53.8% of respondents are agree and strongly agree with the question (are you loyal to AIB) and the rest 45.1% of respondents chose neutral, disagree and strongly disagree.

4.5 The relationship between the study variables

The correlation matrix with the dependent and independent variables allows the researcher to assess the strength of the association between the variables of interest. The correlation matrix for the Overall sample is provided below.

Table 4.9 correlations

Correlations

The Application of CRM in Awash International Bank

	OVERALCUSTO MERLOYALTY CUSTOMER LOYALTY5	KEYCUST OMER	CRMORG ANIZARIO N	KNOWL DGMAN G	TECHNO LOGY
OVERALCUSTO MERLOYALTY CUSTOMER LOYALTY5	Pearson Correlation Sig. (2-tailed) N	1			
	285				
KEYCUSTO MER	Pearson Correlation Sig. (2-tailed) N	.647** .000 284	1 284		
CRMORGANI ZARION	Pearson Correlation Sig. (2-tailed) N	.741** .000 271	.637** .000 271	1 271	
	Sig. (2-tailed) N	.000 271	.000 270	.000 259	
TECHNOLOG Y	Pearson Correlation Sig. (2-tailed) N	.749** .000 284	.664** .000 283	.736** .000 270	.752** .000 270
					1 284

The Application of CRM in Awash International Bank

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

To determine the existence and level of association, the researcher used bivariate correlation. Pearson's correlation coefficient falls between -1.0 and +1.0, indicates the strength and direction of association between the two variables. (Field, 2005) The Pearson's correlation coefficient (r) was used to conduct the correlation analysis to find the level and direction of the relationships between the dimensions of CRM and customer loyalty. The classification of the correlation coefficient (r) is as follows: 0.1 – 0.29 is weak; 0.3 – 0.49 is moderate; and > 0.5 is strong. (Field, 2005) The bivariate correlation of a two-tailed test confirm the presence of statistically significant difference at probability level $p < 0.01$ i.e. assuming 99% confidence interval on statistical analysis. Hence all the dimensions have a strong positive relationships to customer loyalty which is significant even at the $p < 0.01$ level.

Technology based CRM has the highest correlation of $r=0.749$, followed by CRM organization ($r=0.741$), Knowledge management ($r=0.714$) and key customer focus ($r=0.647$). That means, all the service quality indicators have positive correlation effect upon the level of customer loyalty though there degree of effect vary.

Moreover, the inter-correlations between CRM dimensions also show a positive and significant relationship among the CRM dimensions. Hence when the bank makes changes to one CRM dimension the association is likely to positively motivate other CRM dimensions positively too. The highest inter-correlation exists between Knowledge management and CRM organization ($r=0.845$) followed by the inter correlation between Knowledge management and Technology based CRM of ($r=0.752$).

4.6. The effect of CRM dimensions on loyalty

Before running regression, the researcher examined the existence of multicollinearity of data.

4.6.1.1. Multicollinearity

One should check for the problem of multi co linearity which is present if there are high correlations between some of the independent variables. The study checks this with the Variance Inflation Factor (VIF) which calculates the influence of correlations among independent

The Application of CRM in Awash International Bank

variables on the precision of regression estimates. The VIF factor should not exceed 10, and should ideally be close to one. Below table shows there is no multicollinearity exist.

Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is calculated using the formula $1-R^2$ for each variable. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity. This also confirms the absence of multicollinearity according to Collinearity Statistics table below.

Table 4.10 Multi-collinearity

Multi-collinearity			
Model		Collinearity Statistics	
		Tolerance	VIF
1	KEYCUSTOMERFOCUS	.500	1.999
	CRMORGANIZARION	.249	4.018
	TECHNOLOGY	.339	2.954

a. Dependent Variable: CS

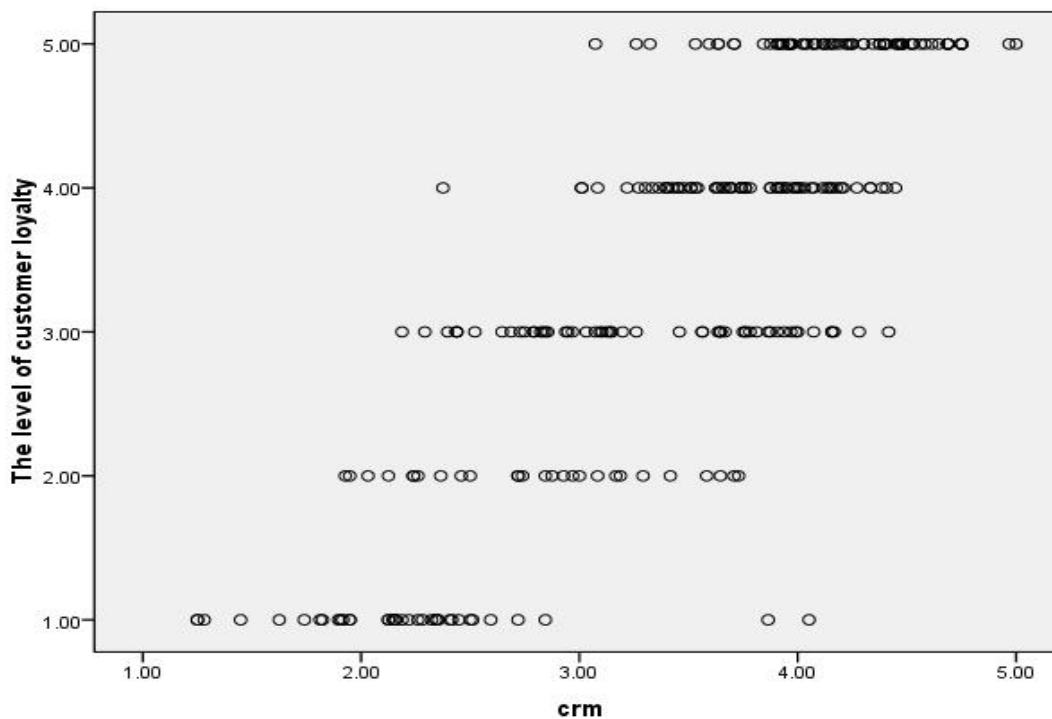
The Application of CRM in Awash International Bank

Source: own survey result, 2014

4.6.1.2 Linearity

The relationship between the variables should be linear and it is a problem if the dispersion of points indicates otherwise (Burns & Burns 2008). The study checks for patterns in scatter plots of CRM against customer loyalty whether they have linear relation and the assumption have met. From the graph below the customer loyalty and CRM have linear relation.

Figure 4.1 Linearity

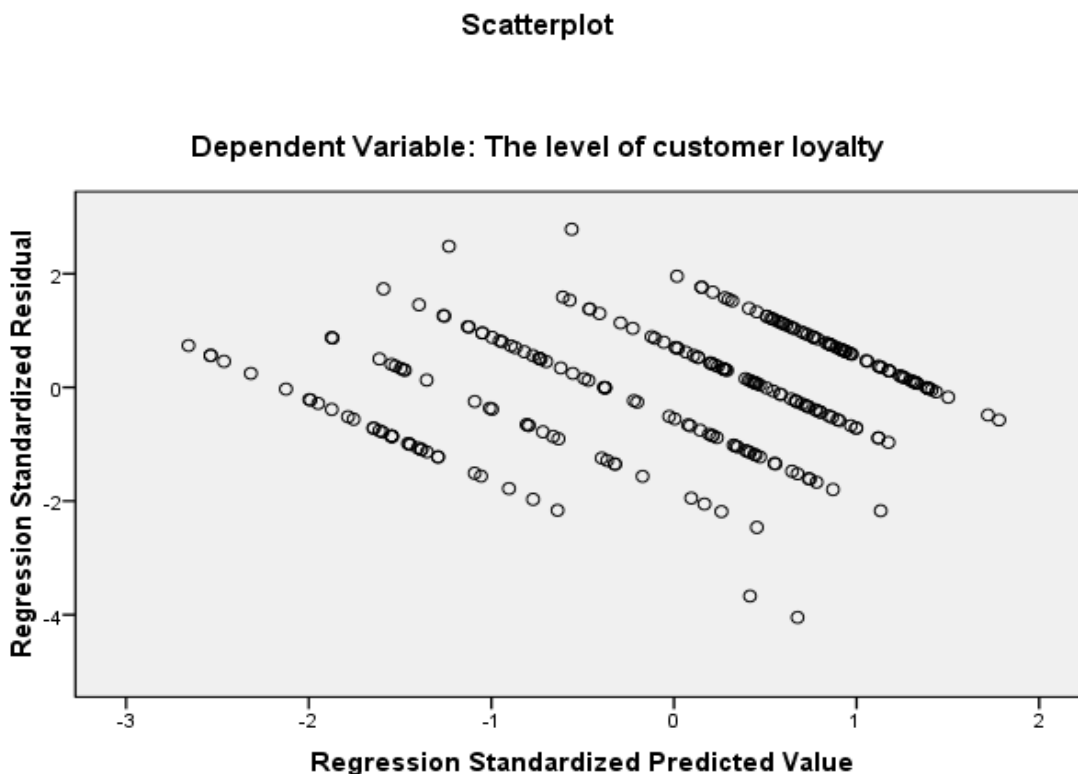


The Application of CRM in Awash International Bank

4.6.1.2 Homoscedasticity

There should be homoscedasticity before running multiple regression analysis, this means that the residuals (the differences between the values of the observed and predicted dependent variable) are normally distributed, and that the residuals have constant variance (Burns & Burns 2008). If the assumption of homoscedasticity is violated (i.e. there is heteroscedasticity). The graph has demonstrated homoscedasticity of the study.

Figure 4.2 Homoscedasticity



The Application of CRM in Awash International Bank

For the sample size above 30 is usually sufficient to ignore the assumption regarding normal distribution (Weinberg & Abramowitz2008). Since samples size of the study exceeds by far the suggested number hence it assumes normality.

4.7 Multiple Regressions of CRM dimensions (independent variables) on loyalty (dependent variable)

After the study met the regression assumption next the researcher examined the effect of CRM dimensions on customer loyalty. The researcher tested the four hypothesis set out to be tested at the beginning based on the regression analysis. The researcher believes that the bank can use the result of the regression analysis for future decision making via identifying which CRM dimension got the highest effect on customer loyalty. This will answer the research question of the effect of each dimension (Key customer focus, knowledge management, CRM organization & technology based CRM) on the dependent variable customer loyalty.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.807 ^a	.651	.646	.82616

a.Predictors: (Constant), TECHNOLOGY, KEYCUSTOMERFOCUS, CRMORGANIZARION, KNOWLDGMANG

Source: own survey result, 2014

The result of regression analysis on the independent variables (Key customer focus, knowledge management, CRM organization & technology based CRM) on the dependent variable customer loyalty (tangibles) on the dependent variable (customer loyalty) indicates existence of positive and statistically significant effect on loyalty. The model summary table R-Square value is 0.651

The Application of CRM in Awash International Bank

which means that 65.10% of the customer loyalty was explained by the variation of the four CRM dimensions.

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	354.623	4	88.656	129.891	.000 ^a
	Residual	190.429	279	.683		
	Total	545.053	283			

a. Predictors: (Constant), TECHNOLOGY, KEYCUSTOMERFOCUS, CRMORGANIZARION, KNOWLDGMANG

b. Dependent Variable: OVERALCUSTOMERLOYALTY CUSTOMER LOYALTY5

The ANOVA tells us whether the model, overall, results in a significantly good degree of prediction of the outcome variable.(Field, 2005) . Since the significance result on the ANOVA table is 0.000 which is $p < 0.05$, the regression analysis proved the presence of a good degree of

The Application of CRM in Awash International Bank

prediction. The contribution of each dimension can be seen from the results of multiple regressions in the coefficient table below.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.339	.260		-5.159	.000		
	KEYCUSTOMERFOCUS	.323	.092	.174	3.513	.001	.509	1.964
	CRMORGANIZATION	.350	.087	.259	4.020	.000	.302	3.309
	TECHNOLOGY	.564	.090	.367	6.262	.000	.365	2.738

a. Dependent Variable: OVERALCUSTOMERLOYALTY
CUSTOMER LOYALTY5

Source: own survey result, 2014

The Application of CRM in Awash International Bank

From the above multiple regression equation one can see that all the dimension of CRM positively affects customer loyalty. Unstandardized coefficient (Beta value) indicates the degree of importance of each CRM dimensions towards customer loyalty; accordingly, the dimensions can be ranked in the following manners on the basis of their contribution.

1. Technology based CRM B=0.564
2. CRM organization B=0.350
3. Key customer focus B=0.323

The beta value on the coefficient table indicates level of effect each dimension has on the dependent variable customer loyalty. The highest beta level is for technology based CRM of B=0.564. This means that the more the bank used technology based CRM methods the more customers become loyal. Hence, if assumed other things being constant and technology based CRM increased by one unit, it increases customer loyalty by 0.564.

The second highest beta value is for CRM organization which means that when other things are constant if CRM organization increased by one unit, customer loyalty increases by 0.35.

Therefore, from among the four dimensions, Technology based CRM has the strongest effect on customer loyalty and should be given the highest focus. And knowledge management has the lowest effect on customer loyalty.

Regression Equation

$$\text{Loyalty} = -1.339 + 0.564 (\text{TECH}) + 0.350 (\text{CRMORG}) + 0.323 (\text{KEYCUST}) + 0.153 (\text{KNOWLEDGE})$$

4.8 Hypothesis testing

The following hypotheses are tested;

H1o: Key customer focus dimension does not have a significant effect on loyalty in AIB.

H1a: Key customer focus dimension has a significant effect on loyalty in AIB.

The Application of CRM in Awash International Bank

As shown from above table the key customer focus dimension , p-value is significant ($p < 0.01$), and the beta value is positive. Therefore, the study accepts the alternate hypothesis that key customer focus has a significant effect on loyalty in AIB.

H2o: Knowledge management dimension does not have a significant effect on loyalty in AIB.

H2a: Knowledge management dimension has a significant effect on loyalty in AIB.

As shown from above table the knowledge management dimension has, p-value is significant ($p < 0.10$), and the beta value is positive. Therefore, the study accepts the alternate hypothesis that knowledge management has a significant effect on loyalty in AIB at 90% confidence interval.

H3o: CRM Organization dimension does not have a significant effect on loyalty in AIB.

H3a: CRM Organization dimension has a significant effect on loyalty in AIB.

As shown from above table the CRM Organization dimension has, p-value significant at ($p < 0.01$), and the beta value is positive. Therefore, the study accepts the alternate hypothesis that CRM Organization has a significant effect on loyalty in AIB at 99% confidence interval.

H4o: Technology based CRM dimension does not have a significant effect on loyalty in AIB.

H4a: Technology based CRM dimension has a significant effect on loyalty in AIB.

As shown from above table the technology based CRM dimension has, p-value significant at ($p < 0.01$), and the beta value is positive. Therefore, the study accepts the alternate hypothesis that technology based CRM has a significant effect on loyalty in AIB at 99% confidence interval.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

Based on the findings this chapter provides the conclusions reached as to AIB's extent of CRM application and its effect on customer loyalty and forward recommendations.

5.1 Conclusions

According to literatures, CRM has four behavioral dimensions. These behavioral dimensions are: key customer focus, CRM organizations, Knowledge management and technology -based CRM. It is essential that all of these dimensions must work systematically in an organization to guarantee its improved performance (Fox and stead, 2001; Sin, L., Tse, A., Yau , O., Lee, J., Chow, R., 2005).

The respondents were asked to assess AIB extent of CRM practice in a five point Likert scale where the extent of its application is derived from the assessments made on the four behavioral dimensions therein. As per the foregoing findings the following conclusions are drawn;

The findings show the mean result of the dimensions show that the key customer focus dimension has the highest mean score (3.8803), followed by CRM organization, and Technology based CRM (lowest 3.274). Since all the mean results show room for improvement the bank can work to improve all dimensions especially on the lowest scoring dimension Technology based CRM. The descriptive analysis of the study shows that the customer loyalty level is at more than 53.8% of customers in agreement and strong agreement. In addition the results of the correlation and regression analysis show that the Technology based CRM dimension has the highest correlation and regression results. Therefore it can be inferred that while the dimension has a high importance to customers' loyalty, the bank is not working on it as meeting to customer expectation. The correlation analysis shows that the technology based CRM has the highest

The Application of CRM in Awash International Bank

correlation coefficient with ($r=0.749$), followed by CRM organization ($r=0.741$), and key customer focus ($r=0.647$). The multiple regression also shows that technology based CRM has the highest effect on customer loyalty with Beta value ($B=0.56$), followed by CRM organization ($B=0.35$), Key customer focus ($B=0.323$).

5.2 Recommendations

Since only 53.8% of the customers agreed on the statement of being a loyal customer of AIB, the bank has areas room for improvement. As per the customers' perception, AIB has not done well in some areas of CRM. Therefore the researcher appreciates the bank's effort to apply CRM in its full dimension and suggest some possible recommendation on relatively less applied areas of CRM.

- ✚ AIB has to establish a mechanism to have professional employees so as to apply CRM organization dimension.
- ✚ AIB has relatively shown less effort on having information system to give comprehensive data about customers therefore it has to work hard to close this gap.
- ✚ AIB has to work hard on strengthening emotional bonds with key customers so as to apply the key customer focus dimension fully.
- ✚ Finally the researcher recommends that even if applying all dimensions of CRM is important, applying technology based CRM dimension has the highest effect on customer loyalty with Beta value ($B=0.56$), so AIB should give priority for the application of this dimension when compared to other dimensions.

The Application of CRM in Awash International Bank

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APPENDIX

The Application of CRM in Awash International Bank



Appendix I

Addis Ababa University School of Commerce

Department Of Marketing Post Graduate Program

Customer Questionnaire

Purpose of the questionnaire

This questionnaire is prepared to collect primary data from the customers of the Awash International Bank to assess the **Level of Customer Relationship Management (CRM) Application in Awash Bank**- for the partial-fulfillment of MA in Marketing Management from Addis Ababa University School of Commerce.

The responses are to be kept confidential and will be used for academic purpose only. In addition, all personal data shall be treated collectively rather than on personal levels.

Part I. General and Demographic Information

1. Please indicate your gender.

Male Female

2. Use the Bank service for

Personal Commercial Both

3. For how many years you use the Bank?

< 5 year 5-10 years >10years

4. Which service you need from the Bank? (You can indicate more than one)

Saving Account Current account Loan
Remittance ATM Credit Card

The Application of CRM in Awash International Bank

Part II. Customer Relationship Management Best Practices

Please indicate the extent to which you agree/disagree with the following statements. Strongly Disagree carries the least weight of 1 while Strongly Agree carries the highest weight of 5. Please put \surd mark accordingly

Item	Strongly Disagree(1)	Disagree(2)	Neutral(3)	Agree(4)	Strongly Agree(5)
1. The Bank provides customized services and products to its key customers.					
2. The Bank strives to constantly surprise and delight its key customers.					
3. The Bank strengthens the emotional bonds with its key customers by wishing them on important occasions.					
4. The Bank uses the concept of 'Relationship Pricing' in pricing its services.					
5. The Bank employees encourage customers to use more services of the Bank.					
6. The Bank has effective customer recovery strategies including guarantees for service failures.					
7. The Bank takes customer feedback seriously and replies to them.					
8. The Bank use information from customers to					

The Application of CRM in Awash International Bank

Item	Strongly Disagree(1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
design or improve our services.					
9. The Bank top management accepts and provides leadership for building and maintaining customer relationships as a major goal of the Bank.					
10. The Bank commits time and resources in managing customer relationships.					
11. The Bank policy is fast & reliable.					
12. The Bank gives all the needed services from the Bank					
13. The Bank employees are professionals.					
14. The Bank employees go beyond their responsibility to serve customers in a better way.					
15. The Bank has a well-developed privacy policy to ensure confidentiality of data collected from customers.					
16. The Bank has a differential reward system that rewards customers based upon their profit/ revenue contribution.					
17. The Bank gives technology based service to its customers.					

The Application of CRM in Awash International Bank

Item	Strongly Disagree(1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
18. The Bank information systems are designed to give comprehensive data about all aspects of its customers, so that the Bank can be responsive to them.					
19. The Bank analyzes the causes of customer defection through exit interviews and lost customer surveys with the aim to win back customers who have strong profit potential.					
20. CRM responsibilities of customer contact employees are clearly defined, assigned and understood.					

Part III Circles the level of agreement of the following sentences

“I am a loyal customer of AIB”

- 1) Strongly disagree
- 2) Disagree
- 3) Neutral
- 4) Agree
- 5) Strongly agree

Thank you for your cooperation!

The Application of CRM in Awash International Bank



በአዲስ አበባ ዩኒቨርሲቲ የንግድ ስራ ት/ቤት

የማርኬቲንግ ማኔጅመንት ድህረ-ምረቃ ትምህርት ክፍል

የደንበኞች መጠይቅ

ይህ መጠይቅ የተዘጋጀው በአዋሽ ኢንተርናሽናል ባንክ የደንበኞች ግንኙነት አገልግሎት አሰጣጥን ለመመዘን ነው።

በዚህ መጠይቅ ላይ የሚያሰፍሩት ማንኛውም መረጃ ለትምህርታዊ አገልግሎት ብቻ እንደሚውል እየገለፁኩ፤ ከዚህ በተጨማሪም ግላዊ መረጃዎች በጥቅል ለሚደረግ ምርምር ግብአትነት ብቻ እንደሚውሉ ላረጋግጥልዎ እወዳለሁ።

ከዚህ በታች ለተዘረዘሩት መግለጫዎች የ $\sqrt{\quad}$ ምልክት በማድረግ የሚመርጡትን ያመልክቱ።

ክፍል 1 - መሠረታዊ መረጃዎች

1. ፆታ፤

ወንድ ሴት

2. የባንኩን አገልግሎት የሚጠቀሙት፤

ለግል ለንግድ ሥራ ለሁለቱም

3. ከዚህ ባንክ ጋር በደንበኝነት ምን ያህል ዓመት ቆይተዋል?

< 5 ዓመት ከ 5-10 ዓመት > 10 ዓመት

4. በባንኩ የሚጠቀሙት አገልግሎት፤ (ከአንድ በላይ ማመልከት ይችላሉ።)

የተቀማጭ ሂሳብ ተንቀሳቃሽ ሂሳብ የብድር አገልግሎት

የሃዋላ አገልግሎት ኤ.ቲ.ኤም የክሬዲት ካርድ አገልግሎት

The Application of CRM in Awash International Bank

ከፍል 2 - የደንበኞች ግንኙነት አገልግሎትን በተመለከተ

መግለጫ	በጣም አልሰማም (1)	አልሰማም ም (2)	አስተያየት የለኝም (3)	እሰማለሁ (4)	በጣም እሰማለሁ (5)
1. ባንኩ ለተቀዳሚ ደንበኞቹ ከፍላጎታቸው ጋር የሚጣጣም አገልግሎት ይሰጣል።					
2. ባንኩ ተቀዳሚ ደንበኞቹን ለማርካት ሁል ጊዜ ይጥራል።					
3. ባንኩ በህዝባዊ በዓላት ለተቀዳሚ ደንበኞቹ የመልካም ምኞት መግለጫ ይሰጣል።					
4. ባንኩ ለሚሰጣቸው አገልግሎቶች ከደንበኛው ጋር ባለው ግንኙነት መሠረት በስምምነት የተለያየ የአገልግሎት ዋጋ ያስቀምጣል።					
5. የባንኩ ሠራተኞች ደንበኞች የባንኩን የተለያዩ አገልግሎቶች እንዲጠቀሙ ያበረታታሉ።					
6. ባንኩ ለአገልግሎት መጓደል /መቋረጥ ዋስትና ይሰጣል።					
7. ባንኩ የደንበኞችን አስተያየት ተቀብሎ ተገቢውን ምላሽ ይሰጣል።					
8. ባንኩ የደንበኞቹ አስተያየት እንደግብአት ተጠቅሞ የሚሰጠውን አገልግሎት ያሻሽላል፤ አዳዲስ አገልግሎቶችንም ያስተዋውቃል።					
9. የባንኩ አመራር ከደንበኞች ጋር መልካም ግንኙነት መገንባት አስፈላጊ እንደሆነ ያምናል፤ ለተግባራዊነቱም ይሰራል።					
10. ባንኩ ያለውን የገንዘብና የሰው ሃይል ተጠቅሞ ከደንበኞቹ ጋር መልካም ግንኙነትን ለመፍጠር ይጥራል።					

The Application of CRM in Awash International Bank

11.የባንኩ አሰራር ቀልጣፋና ምቹ ነው።					
12.ባንኩ በሁሉም የባንክ አገልግሎት ዘርፎች አስተማማኝ አገልግሎት ይሰጣል።					
13.የባንኩ ሠራተኞች ደንበኛን ለማገልገል የሰለጠኑና ብቁ ናቸው።					
14.የባንኩ ሠራተኞች ከተሰጣቸው ኃላፊነት በተጨማሪ በግል ተነሳሽነት ደንበኛውን የበለጠ ለማገልገል ይጥራሉ።					
15.ባንኩ የደንበኞቹን መረጃ በሚስጥር ይይዛል።					
16.ባንኩ ለትርፋማነቱ ከፍተኛ አስተዋፅዖ ላደረጉ ደንበኞች ሽልማት ይሰጣል።					
17.ባንኩ በዘመናዊ ቴክኖሎጂ የታገዘ አገልግሎት ይሰጣል።					
18.ባንኩ የደንበኞቹን መረጃ ሁሉን-ዓቀፍ በሆነ መልኩ ስለሚይዝ የደንበኞቹን ፍላጎት የበለጠ መረዳት ይችላል።					
19. ባንኩ ደንበኝነታቸውን ያቋረጡ ተቀዳሚ ደንበኞችን በማነጋገር ወደ ባንኩ እንዲመለሱ ጥረት ያደርጋል።					
20.የባንኩ የደንበኛ ግንኙነት ሠራተኞች ኃላፊነታቸውን በሚገባ ያውቃሉ።					

ክፍል 3 በሚከተለው አረፍተ ነገር ላይ ያለዎትን አስተያየት በማክበብ ያመልክቱ

“እርሶ የአዋሽ ባንክ ታማኝ ደንበኛ ነዎትት”

- 1) በጣም አልሰማም
- 2) አልሰማም
- 3) አስተያየት የለኝም
- 4) አስማማለሁ
- 5) በጣም አስማማለሁ

አመሰግናለሁ!

The Application of CRM in Awash International Bank

Appendix II

SPSS output

Statistics

		Provides customized service to key customers	Strive to constantly surprise and delight its key customers	Strengthen emotional bonds with key customers by wishing them on important occasions	Relationship Pricing in pricing different services.
N	Valid	285	285	285	284
	Missing	3	3	3	4

Provides customized service to key customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	9	3.1	3.2	3.2
	DISAGREE	35	12.2	12.3	15.4
	NEUTRAL	29	10.1	10.2	25.6
	AGREE	138	47.9	48.4	74.0
	STRONGLY AGREE	74	25.7	26.0	100.0
Total		285	99.0	100.0	
Missing	System	3	1.0		
Total		288	100.0		

The Application of CRM in Awash International Bank

Strive to constantly surprise and delight its key customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	5	1.7	1.8	1.8
	DISAGREE	9	3.1	3.2	4.9
	NEUTRAL	23	8.0	8.1	13.0
	AGREE	127	44.1	44.6	57.5
	STRONGLY AGREE	121	42.0	42.5	100.0
	Total	285	99.0	100.0	
Missing	System	3	1.0		
Total		288	100.0		

Relationship Pricing in pricing different services.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	9	3.1	3.2	3.2
	DISAGREE	16	5.6	5.6	8.8
	NEUTRAL	39	13.5	13.7	22.5
	AGREE	130	45.1	45.8	68.3
	STRONGLY AGREE	90	31.2	31.7	100.0
	Total	284	98.6	100.0	
Missing	99	1	.3		
	System	3	1.0		
	Total	4	1.4		
Total		288	100.0		

The Application of CRM in Awash International Bank

Strengthen emotional bonds with key customers by wishing them on important occasions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	34	11.8	11.9	11.9
	DISAGREE	48	16.7	16.8	28.8
	NEUTRAL	37	12.8	13.0	41.8
	AGREE	73	25.3	25.6	67.4
	STONGLY AGREE	93	32.3	32.6	100.0
	Total	285	99.0	100.0	
Missing	System	3	1.0		
Total		288	100.0		

The Application of CRM in Awash International Bank

		Employees encourage customers to use more service	Top Management accepts and provide leadership	The bank commits time and resource in managing customer relationship	Bank Policy is fast & reliable	The bank gives all the needed services.	Employees are professional	Employees go beyond their responsibility	CRM responsibilities of employees are clearly defined
N	Valid	279	285	283	282	285	283	283	284
	Missing	9	3	5	6	3	5	5	4

Employees encourage customers to use more service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	27	9.4	9.7	9.7
	DISAGREE	42	14.6	15.1	24.7
	NEUTRAL	57	19.8	20.4	45.2
	AGREE	97	33.7	34.8	79.9
	STRONGLY AGREE	56	19.4	20.1	100.0
	Total	279	96.9	100.0	
Missing	99	6	2.1		
	System	3	1.0		
	Total	9	3.1		
Total		288	100.0		

The Application of CRM in Awash International Bank

Top Management accepts and provide leadership

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	33	11.5	11.6	11.6
	DISAGREE	49	17.0	17.2	28.8
	NEUTRAL	36	12.5	12.6	41.4
	AGREE	80	27.8	28.1	69.5
	STONGLY AGREE	86	29.9	30.2	99.6
	12	1	.3	.4	100.0
	Total	285	99.0	100.0	
Missing	System	3	1.0		
Total		288	100.0		

The bank commits time and resource in managing customer relationship

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	19	6.6	6.7	6.7
	DISAGREE	65	22.6	23.0	29.7
	NEUTRAL	59	20.5	20.8	50.5
	AGREE	97	33.7	34.3	84.8
	STRONGLY AGREE	43	14.9	15.2	100.0
	Total	283	98.3	100.0	
Missing	99	2	.7		
	System	3	1.0		
	Total	5	1.7		
Total		288	100.0		

The Application of CRM in Awash International Bank

Bank Policy is fast & reliable

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	23	8.0	8.2	8.2
	DISAGREE	53	18.4	18.8	27.0
	NEUTRAL	67	23.3	23.8	50.7
	AGREE	79	27.4	28.0	78.7
	STRONGLY AGREE	60	20.8	21.3	100.0
	Total	282	97.9	100.0	
Missing	99	3	1.0		
	System	3	1.0		
	Total	6	2.1		
Total		288	100.0		

The bank gives all the needed services.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	29	10.1	10.2	10.2
	DISAGREE	38	13.2	13.3	23.5
	NEUTRAL	60	20.8	21.1	44.6
	AGREE	106	36.8	37.2	81.8
	STRONGLY AGREE	52	18.1	18.2	100.0
	Total	285	99.0	100.0	
Missing	System	3	1.0		
Total		288	100.0		

The Application of CRM in Awash International Bank

Employees are professionals

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	19	6.6	6.7	6.7
	DISAGREE	54	18.8	19.1	25.8
	NEUTRAL	72	25.0	25.4	51.2
	AGREE	89	30.9	31.4	82.7
	STRONGLY AGREE	49	17.0	17.3	100.0
	Total	283	98.3	100.0	
Missing	99	2	.7		
	System	3	1.0		
	Total	5	1.7		
Total		288	100.0		

Employees go beyond their responsibility

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	25	8.7	8.8	8.8
	DISAGREE	42	14.6	14.8	23.7
	NEUTRAL	54	18.8	19.1	42.8
	AGREE	90	31.2	31.8	74.6
	STONGLY AGREE	72	25.0	25.4	100.0
	Total	283	98.3	100.0	
Missing	99	2	.7		
	System	3	1.0		
	Total	5	1.7		
Total		288	100.0		

The Application of CRM in Awash International Bank

CRM responsibilities of employees are clearly defined

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	18	6.2	6.3	6.3
	DISAGREE	31	10.8	10.9	17.3
	NEUTRAL	171	59.4	60.2	77.5
	AGREE	47	16.3	16.5	94.0
	STRONGLY AGREE	17	5.9	6.0	100.0
	Total	284	98.6	100.0	
Missing	99	1	.3		
	System	3	1.0		
	Total	4	1.4		
Total		288	100.0		

Statistics

		Effective recovery strategies	Takes customer feedback seriously	Use information from customers	The bank ensure confidentiality	The bank has reward system for customers	The bank analyzes causes of customer defection through exit interview
N	Valid	285	283	284	283	281	285
	Missing	3	5	4	5	7	3

The Application of CRM in Awash International Bank

Effective recovery strategies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	21	7.3	7.4	7.4
	DISAGREE	63	21.9	22.1	29.5
	NEUTRAL	67	23.3	23.5	53.0
	AGREE	74	25.7	26.0	78.9
	STRONGLY AGREE	59	20.5	20.7	99.6
	9	1	.3	.4	100.0
	Total	285	99.0	100.0	
Missing	System	3	1.0		
Total		288	100.0		

Takes customer feedback seriously

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	42	14.6	14.8	14.8
	DISAGREE	32	11.1	11.3	26.1
	NEUTRAL	30	10.4	10.6	36.7
	AGREE	58	20.1	20.5	57.2
	STONGLY AGREE	121	42.0	42.8	100.0
	Total	283	98.3	100.0	
Missing	99	2	.7		
	System	3	1.0		
	Total	5	1.7		
Total		288	100.0		

The Application of CRM in Awash International Bank

Use information from customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	30	10.4	10.6	10.6
	DISAGREE	39	13.5	13.7	24.3
	NEUTRAL	26	9.0	9.2	33.5
	AGREE	61	21.2	21.5	54.9
	STONGLY AGREE	128	44.4	45.1	100.0
	Total	284	98.6	100.0	
Missing	99	1	.3		
	System	3	1.0		
	Total	4	1.4		
Total		288	100.0		

The bank ensure confidentiality

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	38	13.2	13.4	13.4
	DISAGREE	46	16.0	16.3	29.7
	NEUTRAL	55	19.1	19.4	49.1
	AGREE	80	27.8	28.3	77.4
	STRONGLY AGREE	64	22.2	22.6	100.0
	Total	283	98.3	100.0	
Missing	99	2	.7		
	System	3	1.0		
	Total	5	1.7		
Total		288	100.0		

The Application of CRM in Awash International Bank

The bank has reward system for customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	53	18.4	18.9	18.9
	DISAGREE	67	23.3	23.8	42.7
	NEUTRAL	55	19.1	19.6	62.3
	AGREE	55	19.1	19.6	81.9
	STRONGLY AGREE	51	17.7	18.1	100.0
	Total	281	97.6	100.0	
Missing	99	4	1.4		
	System	3	1.0		
	Total	7	2.4		
Total		288	100.0		

The bank analyzes causes of customer defection through exit interview

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	34	11.8	11.9	11.9
	DISAGREE	48	16.7	16.8	28.8
	NEUTRAL	38	13.2	13.3	42.1
	AGREE	73	25.3	25.6	67.7
	STRONGLY AGREE	92	31.9	32.3	100.0
	Total	285	99.0	100.0	
Missing	System	3	1.0		
Total		288	100.0		

The Application of CRM in Awash International Bank

Statistics

		The bank gives technology based service	Information system to give comprehensive data
N	Valid	285	281
	Missing	3	7

The bank gives technology based service

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0.4	2	.7	.7	.7
	STRONGLY DISAGREE	36	12.5	12.6	13.3
	DISAGREE	46	16.0	16.1	29.5
	NEUTRAL	45	15.6	15.8	45.3
	AGREE	90	31.2	31.6	76.8
	STRONGLY AGREE	65	22.6	22.8	99.6
	23	1	.3	.4	100.0
	Total	285	99.0	100.0	
Missing	System	3	1.0		
Total		288	100.0		

The Application of CRM in Awash International Bank

Information system to give comprehensive data

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	41	14.2	14.6	14.6
	DISAGREE	66	22.9	23.5	38.1
	NEUTRAL	65	22.6	23.1	61.2
	AGREE	65	22.6	23.1	84.3
	STRONGLY AGREE	44	15.3	15.7	100.0
	Total	281	97.6	100.0	
Missing	99	4	1.4		
	System	3	1.0		
	Total	7	2.4		
Total		288	100.0		

- All the above SPSS output results are own survey results of 2014.