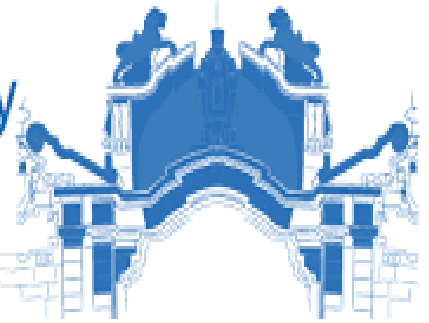




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## **THE PRACTICE OF CUSTOMER RELATIONSHIP MANAGEMENT AND ITS IMPACT ON LOYALTY (THE CASE OF DASHEN BANK S.C.)**

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**By: Emnet Aberra**

Thesis Submitted to the School of Graduate Studies of Addis Ababa University in  
Partial Fulfillment for the Award of the Degree of Master of Arts in Marketing  
Management

**June, 2016  
Addis Ababa**



**THE PRACTICE OF CUSTOMER RELATIONSHIP  
MANAGEMENT AND ITS IMPACT ON LOYALTY  
(THE CASE OF DASHEN BANK S.C.)**

**By: Emnet Aberra**

**Advisor: Temesgen Belayneh (Ph.D.)**

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**June, 2016  
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**Addis Ababa University**  
**School of Commerce**  
**Department of Marketing Management**

**The Practice of Customer Relationship Management**  
**And Its Impact on Loyalty**  
**(The Case of Dashen Bank S.C)**

**By: EmmetAberra**

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## Statement of Certification

This is to certify that **Emnet Aberra** has carried out her research work on the topic entitled “*The Practice of Customer Relationship Management and its Impact on Loyalty: The case of Dashen Bank s.c*” is her original work and is suitable for submission for the award of Masters Degree in Marketing Management.

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**Advisor: Dr. Temesgen Belayneh**

**June, 2016**

## **Declaration**

I, **Emnet Aberra** hereby declare that the thesis entitled “*The Practice of Customer Relationship Management and its Impact on Loyalty: The case of Dashen Bank S.C*)” submitted by me for the award of Master Degree in Marketing Management is my original work and it has not been presented for the award of any other Degree, Diploma, Fellowship or any other similar titles of any other university or institutions.

**Signature**\_\_\_\_\_

**Name: Emnet Aberra**

**Date: June, 2016**

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**EMNET ABERRA**

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## **List of Abbreviations and Acronyms**

ATM: Automatic Teller Machine

DB: Dashen Bank

CRM: Customer Relationship Management

PoS: Point of Sale

SPSS: Statistical Package for Social Science

## Abstract

*Due to fierce competition in today's business environment, many companies are required to build long- term profitable relationship with customers and to achieve competitive advantage. Therefore, CRM has become more and more important since last decade of 20<sup>th</sup> century, especially in the service industry. As a result, this study is aimed to empirically investigate the influence of CRM (key customer focus, customer knowledge management, CRM organization and technology based CRM) on loyalty in banking industry with reference to Dashen Bank. A theoretical framework was used as a guideline to test the influence of CRM on loyalty. A quantitative research approach was implemented. Besides, a descriptive research design was used. A questionnaire derived from previous studies and relevant literature is completed by 384 customers and out of this 280 are returned and used for statistical analysis. Correlation analysis assessed the relationship between CRM and loyalty and multiple regression analysis assessed the influence of CRM on loyalty. The findings confirm all the independent variables have a positive and significant relationship with loyalty in Dashen Bank. Moreover, the study examines a positive and significant influence of CRM on loyalty. Besides, it is found that customer knowledge management underpinning of CRM has the highest influence on loyalty in Dashen bank. Therefore, the selected banks have to implement CRM appropriately and continuously, as an indispensable tool for gaining competitive advantage and building long – lasting and profitable relationships with its customers in order to achieve customer loyalty.*

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**Key words:** *Customer Relationship Management, Key customer focus, Customer knowledge management, CRM organization, Technology based CRM and Loyalty.*

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the study**

One of the basic elements of modern marketing understanding is customer satisfaction. Business can survive as long as they can meet the customers' needs and enable customer satisfaction. Determining the consumer's wishes and needs and a meeting them is one the ways of enabling consumer satisfaction. For this reason, it is pretty important in our intensively competitive environment to be in regular contact with customers and to follow the changes in them closely. One of the sectors in which competition is experienced intensively is the banking sector. Banks are the finance institutions that meet the economic needs of the individuals and businesses and that perform such economic activities as collecting bank deposits, giving credits, providing capital, giving international banking activities and soon.

Customer satisfaction means that customer needs, wishes and expectations are met or overcome during the product/service period giving a way to repurchasing and customer loyalty (Anton 1996). According to Kotler (2000) a highly satisfied customer is the one who continues his shopping for a long time, who buys more as long as the firm produces new products, who speaks of the firm and its products/services with praise, who keeps indifferent to the trade marks that are in competition with and who offers the firm suggestions and ideas about products and services.

Customer access to various channels of information and data distribution and presenting goods for selecting a product in a highly competitive environment in the market, have a reduced their loyalty towards suppliers. For this reason, the question of how to effectively communicate with customers and their survival is one of the most important issues in durability and stability of companies in the area of competitiveness and profitability (Kotler, 2002). Also, given that in recent years, customer expectations have increased in today's customer-oriented business conditions, customer relationship management is a necessity (Thompson, 2006).

Given the challenges the prevailing business environment, organizations are not only trying to attract new customers but also adopted the strategy of keeping existing customers but also adopted the strategy of keeping existing customers and improved their loyalty to the

organization. Thus, the customer satisfaction is not enough and marketing should provide the improvement of customer loyalty more than ever.

Customer loyalty is defined with consideration paid to the amount of buying for a given trade mark and it is measured by the watching of the frequency of buying (Javalgi and Moberg1997). Customers are aware of the power they have on the market and that every activity is realized for them. As the alternatives increased customer loyalty is decreased (Kotler 2000). As a result most of the firms have entered into an effort that can meet the customers' wishes and expectations so that they can render customers more loyal.

In the modern day marketing there has been a shift from a transaction to relationship focus. Customers become partner and the firm must make long term commitment to maintaining those relationships with quality, service and innovation. Relationship marketing is a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transaction. Relationship marketing differs from other forms of marketing in that it recognizes the long term value of customer relationship and extends communication beyond advertising and sales promotional messages.

Customer relationship management is the most important concept. Some marketers define it narrowly as customer data management activity that is manage detailed information about individual customers and carefully manage customer touch points to maximize customer loyalty. However, most marketers give customer relationship management a broader meaning that is it is the overall practice of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction (Kotler 2005).

Entirely, customer relationship management is a philosophy which has recently become one of the most debatable issues in the business field. It is value stating that customer relationship management is mostly based on the belief that establishing a sustainable relationship with customer is the basis for obtaining loyal customers who are much more profitable than non loyal. In this concern, the successful implementation of CRM philosophy were of great benefit to the organizations, adopting it, such organizations can secure the benefit of increasing sales through better market segregation, modifying products and services, attaining higher quality products,

gaining access to information and employee satisfaction, and above all, warranting ongoing customer-retention and loyalty (Verma and Chandhuri,2009).

Recently, more than ever before, strong competition, fragmentation of markets, short life cycles of products and increasing customer awareness and complexity are the big challenges to the banking sector (Tsegay, 2011). In such situation, banks can use the CRM strategy to create, maintain, and enhance strong relationships with their customers to create customer loyalty and be profitable.

### **1.1.1 History of Banking in Ethiopia**

One can trace the history of using modern money in Ethiopia to more than 2000 years. This had flourished in what is called the Axumite era which can stretch from 1000BC to around 975 AD. Modern banking in Ethiopia started in 1905 with the establishment of Abyssinian Bank based on a 50 years agreement with the Anglo-Egyptian National Bank. In 1908 a new development bank (named Societe Nationale' Ethiope Pour le Development de l' Agriculture et du Commerce) and two other foreign banks (Banque de l'Indochine and the Compagnie de l' AfriqueOreintale) were also established. These banks were criticized for being wholly foreign owned. In 1931 the Ethiopian government purchased the Abyssinian Bank, which was the dominant bank, and renamed it the 'Bank of Ethiopia' – the first nationally owned bank on African continent.

During the five-years of Italian occupation there was an expansion of banking activity. In particular the Italian banks were active. After independence from Italy's brief occupation (of 1933-1941) where the role of British was paramount owing to its strategic consideration in World War II, Barclay's bank had established and was in business in Ethiopia from 1941 to 1943.

Following this, in 1943, the Ethiopian government established the 'State Bank of Ethiopia'. This bank was operating both as commercial and central bank until 1963 when it was dissolved into today's National Bank of Ethiopia (the central bank, reestablished in 1976) and 'The Commercial Bank of Ethiopia', CBE henceforth. After this period many other banks were established; and just before the 1974 revolution the following banks were in operation.

All privately owned financial institutions including three commercial banks, thirteen insurance companies and two non-bank financial intermediaries were nationalized on 1 January 1975. The

nationalized banks were reorganized and one commercial bank (the Commercial Bank of Ethiopia), a National Bank (recreated in 1976), two specialized banks (the Agricultural and Industrial Bank renamed recently as the Development Bank of Ethiopia; and a Housing and Saving Bank renamed recently as the Construction and Business Bank) as well as one insurance company Ethiopian Insurance Company were formed. Following the regime change in 1991 and the liberalization policy in 1992, these financial institutions were reorganized to work on market-oriented policy framework. Besides, new privately owned financial institutions were also allowed to work along the publicly owned ones.

### **1.1.2 Background of the Bank**

After the economy liberalization of the sector in 1991 formations and expansion of private banks is started. Dashen Bank is the second private bank that is established next to Awash International Bank which is the first private bank in the country. The bank got its name from the highest mountain in the country which is mount Dashen. It is one of the biggest private bank in the country. It operates through its head office in Addis Ababa and 220 branches, 5 foreign exchange bureaus, 873 Point of Sale (PoS) terminals and 350 Automatic Teller Machines (ATMs) located in and outside of Addis Ababa. It also has established correspondent banking relationship with more than 450 banks across the world. It also works in partnership with leading brands in the e-payment industry like American Express, Visa, Master Card & Union Pay cards and also with prominent money transfer operators. It is one of the most reputable brand in the domestic banking industry.

Currently there are 3 government owned and 16 private banks operating in the country. And these banks put into a lot of pressures due to increased and intense competition. The service provided by these banks is almost the same and new products developed by each bank are easily copied by its competitors which make the competition harder each year and make it difficult for the banks to retain their customers. Therefore in order to win this intense competition the bank needs to apply CRM in full dimension.

## **Vision**

In as much as Mount Dashen excels all other mountains in Ethiopia, Dashen Bank continues to prove unparalleled in banking services.

## **Mission**

Provide efficient and customer focused domestic and international banking services by overcoming the continuous challenges for excellence through the application of appropriate technology.

## **Values**

- Develop banking habit in the community
- Assist continuous growth of customers
- Sustainable growth and stability
- High integrity and accountability
- Esteemed customers satisfaction
- Non-stop openness for community access
- Brightened and Trained employees
- Attend customers' constructive outlook
- Normative confidentiality
- Keen to build professionalism and service quality

## **1.2 Statement of the Problem**

According to Parvatiyar and Sheth (2002), the implementation of CRM as a tool of competitive advantage is increasing in the worldwide. However, there is no doubt that the real implementation and resourceful practice of CRM is important to the successes of a firm. They stated that the majority of the firms applying CRM were so far to well benefit of it in terms of increasing profitability, expanding market share, enhancing sales volume, satisfying customers, retaining customers and reducing customer defection by attracting potential customers, because there are no ground guidelines and procedures on adoption; implementation and practices.

As world has become a global village, competition become tough and stiff between organizations and formed a climate of constant change, achieving and holding a customer has become vital for the success of any organization and Ethiopia is no exception. However, in today's world customers have more awareness and choice of various products and services due to modern and sophisticated channels of communication like Internet than ever before. Hence due to increased customer awareness, customers are more demanding, and those banks having strong relationships with their customers have strong competitive advantage in terms of increasing profitability, market share, customer retention and attracting new and potential customers over other banks. However, in a competitive market place customers are easily lost through in different services (Oracle, 2002). Customers are becoming solidier to please, they are smarter, more price sensitive, more challenging, less sympathetic, and they are approached by many more competitors with equal or better offers (Kotler, 2007).

According to Umesh (2006), the magnitude and structure of banking transaction is a mirror reflection of the economic growth and recession in the country. As well as, it is an established fact that banking industry by networking the spread savings to productive uses and providing mobility to the capital plays a significant role in achieving the desired socio-economic development of a country. Accordingly, the achievement and attainment of the banking industry is a necessary condition for the economic development of a country. However, customers are the vital for business in general and banking industry in particular in Ethiopia has to go a long way in meeting the changing needs and demands of customers.

The banking industry is dominated by the three state owned banks and 16 private banks. Competition among the private banks themselves and with public banks became very strong and stiff. Public banks are the most dominant banks in the country. Thus, the private banks have faced challenges to attract and retain customers.

In order to combat this intense competition and be profitable the bank must create a customer who is loyal and one of the ways to achieve this is by applying customer relationship management in terms of Key Customer Focus, CRM Organization, Knowledge Management and Technology Based CRM.

According to many studies, the practice of CRM is in infant state in Ethiopia. Even in the cases where little attempts have being made to implement CRM, the practices are found to be misunderstood and are not paid attention to.

Different studies in banking industries have been conducted in different countries of the world mainly focused on the impact of customer relationship management on customer satisfaction and customer loyalty. When we come to Ethiopia there are little studies conducted in the area of customer relationship management and its impact on customer satisfaction and loyalty. However, in the area of its applicability and its possible impacts on loyalty there are no in-depth studies conducted.

So, this study tries to investigate the practice of CRM in Dashen Bank and to analyze and measure its possible impact on loyalty. And furthermore from the stated dimensions it tries to see which dimension has strong impact on loyalty.

### **1.3 Research Questions**

To deal with the problem established above, the following basic research questions were attempted to answer in the course of the study.

- 1) What is the relationship between CRM (Key Customer Focus, CRM organization, Knowledge management and Technology based CRM) and Loyalty?
- 2) What is the effect of CRM (Key Customer Focus, CRM organization, Knowledge management and Technology based CRM) on Loyalty?
- 3) Which CRM dimension has the strongest impact on Loyalty?

### **1.4 Objective of the Study**

#### **1.4.1 General Objective**

The main purpose of this study it to assess the practice of Customer Relationship Management and to examine its effects on loyalty.

### **1.4.2 Specific Objectives**

- To analyze the relationship between CRM and loyalty.
- To analyze the effect of each dimension on loyalty.
- To investigate which dimension has the strongest impact on loyalty.
- To forward possible suggestions to management of the bank to give due attention to the practice of CRM which has a greater impact on customer loyalty.

### **1.5 Research Hypothesis**

**H1:** Key Customer Focus has a significant effect on customer loyalty.

**H2:** CRM organization has a significant effect on customer loyalty.

**H3:** Knowledge based CRM has a significant effect on customer loyalty.

**H4:** Technology based CRM has a significant effect on customer loyalty.

### **1.6 Significance of the Study**

Conducting a study on customer relationship management is believed to be an important approach. The research results would provide assistance to the bank's management to better satisfy its customers, respond to their needs efficiently and on timely manners.

Furthermore, implementation of CRM in the bank would be the stage for building a good partnership with customers which consequently leads to services development and improvement. Besides, it helps to provide important information for decision makers of the bank. As a result, the findings of this study specifically significant for the following reasons.

The result of this study offer valuable inputs and directions for the bank to consolidate its marketing strategy, organizational productivity, and customer knowledge management in order to increase its customer base and retain loyal and potential customers.

The result of this study provides knowledge how to identify the needs of its customers in delivering advanced technologies to improve the quality of its services.

The study also gives a direction for the bank on how to maintain the existing customer and attracting the new customer by providing technology based service in light of its competitors.

## **1.7 Scope and Limitation of the Study**

Due to time and financial constraints in taking large sample size it is difficult to include all branches of the bank. Therefore geographically the scope of this research is customers of selected branches which are found in the districts of Addis Ababa.

This study is confined to assess only the impact of CRM dimensions (Key Customer Focus, CRM Organization, Knowledge Management and Technology Based CRM) on loyalty. Other forms of financial institutions such as insurance companies and microfinance institutions are not included in the study therefore; the findings of this study cannot be generalized to the financial service industry as a whole. The secondary data utilized for this study only covers up to the year 2014/2015G.C.

## **1.8 Organization of the Study**

This subsection outlines the entire study in a concise manner. The first chapter starts by giving an introduction and background of the study which is followed by a problem statement which identifies the gap between the current literatures the research questions which is followed by the objective of the study, the significance and scope of the study.

The second chapter gives deeper insights on the subject matter under the study which is customer relationship management and loyalty by using theoretical and conceptual frameworks

The third chapter is the methodology of the study which explains about the research design, type, sampling techniques and data collection techniques.

The fourth chapter will deal with the data analysis and will explain the major findings and test the proposed hypothesis.

The fifth and final chapter will summarize, conclude and recommend based on the findings of data analysis.

## CHAPTER TWO

### LITERATURE REVIEW

This chapter provides theoretical foundation of the study, presents a summary of CRM literature such as definitions, assumptions and major concepts regarding CRM and loyalty. Finally, conceptual framework of the study is included by summarizing different literature results.

#### 2.1 Definition of Customer Relationship Management

The aim of this research is not just to familiarize the reader with the techniques and technology of CRM philosophy. The more ambitious goal of this research is to benefit the readers to understand the importance of customer relationship management as necessary and significant elements of managing every successful enterprise. Hence, *“a firm most valuable asset is its customers, and given the new and unfolding technological capabilities to recognize, measure, and manage relationship with each of those customers in order to succeed, a firm must focus in deliberately increasing the value of the customer base”* (Peppers & Rogers, 2004,p.6). Therefore, the competitive advantage for any enterprise can be gained only by leveraging knowledge of customers’ expectations, preferences and behavior, which involve creating an ongoing dialog with customers and manipulating the information and insight obtained at every customers touch points (Payne & Frow, 2005). It's worth mentioning that, building good life time value with customers is not a brief assignment of the marketing department rather it’s an ongoing process which required the involvement of the entire organization. This is true for nonprofit (when the customers may be donors or volunteers), as well as for-profit, large or small, public or as well as for private enterprise (Peppers & Rogers, 2004, p.6).

The case can be more difficult when talking about the concept of CRM philosophy and the new definition of relationship marketing in the public sector. Therefore, the public sector has different objectives and faces different challenges regarding customer management, customer satisfaction, customer retention, customer attraction and acquisition.

In addition to this, the fact that, the public sector organization can't choose the proper people they serve; they oriented to serve the entire customer’s knocking their doors. The segmentation

and targeting process which considers essential requirements for the private sector companies marketing strategy are not valid. Implementing CRM concept on the public and private sector will be measured through this research when employing its effect on the customers of the bank. Linking the working area of banking with the new and developing practice of CRM, in order to measure the effect of adopting the concept on customer loyalty will be the main goal of this study.

However, many scholars give various definitions for customer relationship management, among these definitions technological and relationship aspects of customer relationship management are the fundamental ones. For instance some authors from marketing experience emphasize the marketing side to define customer relationship management while others consider information technology view point to define CRM. However, from marketing point of view, CRM is defined according to (Couldwell, 1998) as *“CRM is a blend of business process and technology that are used to realize a company’s customers from the viewpoint of who they are, what they do, and what they are like”*.

But, according to (Swift, 2000), more emphasis is given for customer relationship management and is defined as *“it is a system of business approach that are thoughtful and manipulating customer behavior by managing relationships via meaningful communication in order to improve customer turnover”*. In these circumstances, customer relationship is defined as a multidimensional construct composed of four behavioral components:-key customer focus, CRM organization, Knowledge management and technology-based CRM in order to implement the CRM in a successful way for increasing customer loyalty (Sadek., 2011).

Kotler& Keller (2005) define CRM as the process of carefully managing detailed information about individual customers and all customer “touch points” to maximize loyalty. These touch points are anything and any occasion that customer approaches the Brand, the Product or Service.

By summarizing the different definitions of CRM raised by different researchers, (Zablah, Bellenger and Johnston 2004) demonstrated that there are five points of view for defining CRM. The points of view are the process, the strategy, the philosophy, the ability and the technology.

As a **process** CRM can be defined as creating and enhancing the engagement and relationships with the external parties, specially the agents and end-consumers.

As a **strategy** it can be defined as the investment of the companies in the customers who are expected to be valuable for the institution, and the reduction of investment in the valueless customers of the company.

As **philosophy** it can be defined as a temporary project, but a work philosophy, which aims at putting the customer in the focus of the attention of the organization.

As **ability** it can be defined as means the desire and ability of the institution to custom its behavior towards every customer, on the basis of the information the customer tells and what the institution knows about that customer.

As a **technology** it can be defined as the technology used to integrate sales systems, marketing systems and information systems to establish relationships with customers.

## **2.2 Evolution of CRM**

Customer relationship management by itself is not a new concept it's often referred as one-to-one marketing in the literature but it is now practical due to the advancement in enterprise software technology.

As customers have grown to be more conscious consumers, enterprises have had to pay the prices of the errors they do in customer relationships. According to (Bose R. 2002) firms had to listen to their customers so as to be able to sustain their presence in the market. Thus, enterprises noticed that they could be successful if they adopted customer based marketing.

Several factors contributed to the rapid development and evolution of CRM. One was the advent of sophisticated computer and telecommunication technologies that allow producers to directly interact with end customers. Another factor was the growth of the service economy. Since

services are typically produced and delivered at the same time and place, it minimized the role of service marketing (Berry & Parsurman 1991).

In addition, the intense competition forced the marketers to be more concerned with customer retention and loyalty (Dick & Basu 1994, Reicheld 1996). As several studies have indicated, retaining customers is less expensive and perhaps a more sustainable competitive advantage than acquiring new ones. Marketers are realizing that it costs than less to retain customers than to compete for new ones (Rosenberg & Czepiel 1984). As a result they rely on CRM to retain their customers.

Fueled by new technology and growing availability of advanced product features and services, customer expectations are changing dynamically. Customers are less willing to make compromises or trade off in product and service quality. In the world of ever changing customer expectations cooperative and collaborative relationship with customers seem to be the most prudent way to keep track of their changing expectations and appropriately influencing it (Sheth & Sisodia, 1995).

## **2.3 Important Elements of CRM**

### **2.3.1 Interaction Management**

According to Prahalad and Ramaswamy(2001), if an organization willing to make a stable relationship with its customers, there are different ways to have an interaction with them. The main purpose is to find out how and when the customers would like to interact with the organization. The interaction activities should be well customized and organized through the available touch points provide in relation to the customer profiles developed by data gathered from the former records of the customers. Peppers and Rogers (2004) stress that the touch points must be used for distribution of different products, service and communication with the customers. According to the works of Lindgreen, Palmer and Vanhamme (2006) and Peppers, Rogers and Dorf (1999) interaction management is implemented by a few methods such as

getting customers feedback and interaction with customers by attractive ways such as using social network.

### **2.3.2. Relationship Development**

Hakansson & Snehota (1995) argue that the relationship development process an interaction where connections have been developed between two parties. The most important activity to achieve relationship development is known as monitoring of the relationship management process such as service or complaint management (Brown & Gulycz, 2002). This relationship process includes procedures, mechanisms, schedules, and activities in which the products and services have been delivered to customers (Christopher, 1991). According to the works of Hanley (2008) and Lindgreen *et al.*(2006), relationship development can be made through commitment to convince customers that their feedback are taken seriously.

### **2.3.3 Quality of Services**

According to Gee, Coats and Nicholson (2008) in an attempt to understand the factors that induce customer satisfaction, the concept of service quality is increasingly common in the literature. Studies show that service quality has a positive effect on consumer satisfaction and also has significant relationship with customer satisfaction and loyalty, and profitability of the firms. According to the works of Hanley (2008), the quality of services could be implemented by a few methods such as;

- 1) Meeting customer expectation of good service level and having many varieties of products
- 2) Provide good quality products/services with reasonable price.
- 3) To handle the customer complaints about the products and services tactfully.

### **2.3.4 Behaviors of the Employees**

An Employee that conforms to organization behavior and value is likely to strengthen the connection between the customer and the firm. Reverse pattern of effects is to be expected when the employee act through his/ her own behavior. In these cases, a consumer may think that the organization actually does not deliver benefits that s/he had expected for and may evaluate the

organization in a negative way. In other words, under circumstances such as the ones described, an employee will probably exert a strong impact on organization reputation and attitudes (Coulter 2002). According to the works of Hanley (2008) and Coulter (2002), the effect of positive employees' behavior could be increasing speed of response to customer and ensure employees are friendly and respectful to customer which enhances customer satisfaction toward the services provided.

### **2.3.5 Physical Environment**

Every customer is expecting that each service giving organization is taking into consideration the importance of physical environment which is represented by decorations, aisles, waiting areas. Air conditioning, lightening, and other facilities that are available for customer convenience. In modern days, especially in the services industry, customers are looking for supplementary services, where the core service is intangible issue to attract and convince customers it is necessary to concentrate on physical issues which can satisfy them. As a result of their facts, physical environment of the service giving organization is a matter of CRM through which customers can have a positive image about the organization which is caring for these issues and finally affect their satisfaction positively.

## **2.4 Dimensions of CRM**

According to Langerak, and Peter, (2003) in marketing management the essence of customer relationship management philosophy originates from three concepts. Those are:-customer orientation, relationship marketing, and database marketing. Due to the advancement of information communication technology, these three marketing views combined together in the paradigm of CRM. However, CRM may be used to express different perspectives at different hierarchical arrangement of management. For instance, at the tactical level of management customer relationship management may be related to data-base marketing or electronic marketing; at the strategic level, customer relationship management may be understood as customer retention or partnering with customers (Peppers and Rogers, 2004); whereas at the theoretical level, it may be seen as developing research paradigm in marketing most often loosely associated to existing perspectives.

According to Sayed H. (2011) CRM is a multidimensional construct consisting of four broad behavioral components; those are: “Key Customer Focus, CRM Organization, Knowledge Management, and Technology-Based CRM”. Also he investigated the four CRM behavioral dimensions on market performance of financial institutions in maintaining current customers, attracting new customers, increasing market share, enhancing the standard of sales growth and adding the net profit standard to sales. Bearing in mind the model, the researcher focuses on the banks among many financial institutions. Performance dimension of CRM considers their performance in terms of combining technology, appropriate handling of key customers, customer knowledge management and organizational efficiency in relation with customer retention and market performance of the selected banks. According to Kotler and Armstrong (2004), the greater customer relationship capability will be achieved when the four dimensions of CRM work in coordination.

#### **2.4.1 Key Customer Focus**

According to Semih and Ibrahim., (2000), Vandermerwe,( 2004), key customer focus involves an overall customer-centric focus and continuously delivering superior and added value through customized offers to the key customers. According to Armstrong and Kotler, (2004), in today’s business environments the ultimate goal of any key customer focus is to achieve a deep customer relationship that makes an organization a necessary partner to its most profitable customers. The overall company understanding and support for key customer focus encourage sales force to foster long-term customer relationships by offering more personalized services.

Evelyn and Hamadallah (1996) stated that firms are engaged in enough amounts of transactions with significantly diverse customers in terms of their needs, preferences and expectations. Also they consider customer relationship management to some extent as challenging. In order to reduce the CRM challenges, most of the firms have option to formal customer relationship management programs. CRM programs are generally classified as either database-driven refers to recognizing profitable segments through statistical techniques or customer-needs-driven refers to the use of database to supply information that benefits in the development and keep of long-term relationships with key customers. Furthermore, Evelyn and Hamadallah (1996), viewed that customer’s needs-driven customer relationship management programs are common with firms that adopt business-to-business marketing strategies because, customers-needs-driven customer

relationship management programs improves inter-firm relationships. In summary, key customer focus can be considered as a function of customer relationship management of a retailer's integrity as well as firms' ability to perform their services, to keep its promises and commitment and in general to do the right things' consistently.

#### **2.4.2 Customer Relationship Management Organization**

The key considerations in order to successfully organize the entire company around customer relationship management are as follows: organizational structure, organization-wide commitment of resources, and human resources management. CRM means indispensable variations in the way that firms are systematized and business progressions are directed. As a result, firms should take into consideration the organizational challenges inherent in any customer relationship management advantage (Agarwal, Harding and Schumacher, 2004).

According to Swaminathan (2004), strong focus on key customers deeply surrounded throughout its CRM system, the whole company should be structured around promoting, encouraging, stimulating these valuable relationships. The organizational arrangement and structure needs to be flexible and, if necessary, reassembled to generate customer-centric values and develop coordination of customer-focused, cross-functional teams in order to attract potential pool of customers. They stated that with meticulous efforts by all organizational functions to constantly provide a stream of value-rich actions and customer outcomes. This enables the organizations and its sales force is secure that they can satisfy customers' needs and enhance customer relationships. The success of CRM programs call for commitment of resources at all levels and functions of the firm. In summary, well organized customer relationship management can be considered as a function of customers' personal attachment to a retailer, as well as their perception of the company in relation to its competitors, and their orientation towards a long-term relationship with the retailer.

#### **2.4.3 Customer Knowledge Management**

According to Salomoun, Kolbe, Dous and Brenner (2005) in today's competitive world, knowledge is well-thought-out as one of the competitive factors in global economy. It is compulsory to think and consider for a business firms in order to attract customer as another

important factor in order to come in today's dynamic market successfully. Despite of this customer knowledge management can be defined as the system of attaining, allocating, and increasing the customer knowledge among employees for making profit to the organization and customers. With the intention of improving the organizational productivity and value, assure from delivering required products and services to the customers and acquire their satisfaction, it is compulsory to manage the organization's knowledge about customers. Accordingly, it can be decided that knowledge management is an integrative part of CRM.

In today's business environment firms are encouraging towards the implement of customer relationship management applications to trail customer behavior to gain understanding into customer tastes, preferences and evolving needs (Mithas., 2005).

CRM applications help firms to gather and use customer knowledge through CRM applications in order to facilitate customer employees to record relevant information about each customer transaction. Later information is taken from employees can be administered and converted into customer knowledge on the basis of information processing rules and organizational policies and businesses organizations can segment their stored customer knowledge with customers to allow those customers to serve themselves by defining the service and its delivery to suits their needs. However, a firm cannot be customer focused without knowing the needs and preferences of customers. Customer needs and preferences driven CRM strategies require unrecognized customer needs and preferences through the analysis of customer information.

Customer knowledge management is the system used to provide firms with market intelligence that can be used to retain and build profitable portfolios of customer relationships in order to build customer life value. The value of knowledge management is improved by its level of accessibility in order to address customer's current and anticipated needs by providing an offer and services as per their needs and expectations. Successful dissemination of knowledge management requires firms to develop both information technology systems, such as marketing management support systems to spread explicit knowledge and other processes and procedures to encourage the distribution of implicit knowledge (Ryals and Knox, 2001).

#### **2.4.4 Technology-Based CRM**

According to Abbott, Stone and Buttle, (2001) to measure the CRM performance successfully, relevant and reliable customer data is necessary. Therefore, to accurately gather customer data technology has a vital role in CRM in addition to firm intelligence. Indeed, the development and improvement of information technology provide the ability to gather, investigate, and share customer information which will lead to a customer satisfaction, customer loyalty and retaining customers (Bulter, 2009).

The CRM demands for “information-wide strategies” which exploit computer technologies in maintaining relationships (Harding, 2004) such as: computer-aided design or manufacturing, data warehouses, data mining and CRM application systems that allow the firms to offer maximum customization with better quality at lower cost.

Moreover, it helps the staff at all contact points or touch points to serve the customers in a better way. Hence, many customer focus activities would be impossible without the use of an appropriate technology (Sin *et al.*, 2005).

According to Zeblah, (2004), knowledge management is considered as one of CRM oriented activities which cannot be optimized without influencing the latest technology. And also CRM technology considered as one of the organizational resources commitments that serves as an input into the CRM process and is intended to enhance firms’ ability to successfully build and maintain a maximum profit portfolio for relationships with customer.

According to Osborne & Ballantyne, (2012), as cited by Robinson,(1999), CRM tools are particularly designed to support sales in order to outlook management, developing marketing management campaign, and service and support tasks in order to develop case management, and serve to either support the coordination of tasks within a process or across functions, systematize routine tasks, offer detailed insight regarding organizational and individual employee performance, or standardize common tasks and processes. They noted that the expansion of sophisticated information management tools, such as database marketing, data warehousing, data mining, and push technology keep firms in a continuous such for the latest technology that

could be built-in into their CRM systems. With the right customer relationship management technology, firms are able to collect, analyze, and distribute information firm-wide.

According to Yim A. and Swaminathan (2005), firms will be in the position to enhance prospecting, improve communication and sales presentations, and able to customize their product configurations by using appropriate customer relationship management technology for data collection and distribution.

## **2.5 The Goals of CRM**

The business approach of CRM uses the latest information technologies to maintain intense communication with customers, as well as to gather and utilize data regarding their needs and desires. By doing this CRM identifies new opportunities for organizational expansion and improvement of customer value which creates satisfaction and retention.

The main areas of focus are as the name suggests customer relationship and the management of relationship and the main goals to implement CRM in the business strategy are:

- Using existing relationships to grow revenue. This means preparing a comprehensive view of the customer to maximize his or her relationship with the company through up-selling and cross-selling and, at the same time, enhancing profitability by identifying, attracting, and attaining the best customers.
- Using integrated information for excellent service. By using customer's information to better serve his or her needs, by doing this it can save the customer time and ease any frustration. For example, customers should not have to repeat information to various departments again and again. Customers should be surprised by how well you know them.
- Introducing consistent, replicable, channel process and procedures. With the proliferation of customer contact channels, many more employees are involved in sales transactions. Regardless of size or complexity, companies must improve process and procedural consistency in account management and selling.

As a result CRM 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. According to (Holloway 2002) an organization should pay attention to the following issues so as to improve their relationships with customers

Recognizing the customers

Distinguishing the customers

Listening to the customers

Making all sorts of contacts with the customer

The company should identify itself with the customer

Adopting to the customers

## **2.6 Customer Relationship Management and Information Technology**

According to Buttle, F., (2009), customer relationship management puts more attention on the improvement of quality service and marketing function, and then worries about cross-selling and providing product or service indeed at right time for the right customers. Distinguished information technology applications are the central point and sales force automation in this extent. Information technology in customer relationship management deployed issues related to business sales programs and effectiveness, campaign management, channel assimilation and increasing product and services, management devotion and retention, cost minimization, customer service, and after-sales support. Nowadays, CRM-based information technology with its categories like operational, analytical, and collaborative support systems complements the processes involved in all aspects of customer-facing interactions. It incorporates marketing, customer services, and various contact channels and offers personalized services by modeling a customer's behavior so as to maximize the value of the enterprise. Information technology through the Internet has not only provided a completely new communications channel, but has forever changed the role and function of customer interaction.

## **2.7 Customer Relationship Management in the Banking Industry**

Enterprises product benefits of form, time, place and property that will satisfy the customers' demands through goods and service. Forming and marketing of the goods and services that

satisfy the customer demands is the basis of producing benefit. Whether the customer is satisfied or not depends on whether he compares what is offered to him with his own expectations. If what is offered suits the expectations, the customer is satisfied. If what is offered is above the expectations, the customer is highly satisfied and pleased (Kotler, 2004) for example, if the real performance of a product or service in a bank is below the expectations, the result is dissatisfaction, but if it equal or higher, customers satisfaction is achieved.

In recent years, in such fields as banking, where there is a strong competition, customer satisfaction has gained a good deal of importance. It may be very easy to let another bank capture a displeased customer. To raise the customer satisfaction to the highest level and retain customers, the banks are to attach importance to customer relationship management (CRM).

The advantages provided to the banks by customer relationship management are as followings:

- Picking out the real customers in a bank in the long run and helping to make the relationships effective,

- Making the way of bank management customer-based. Bringing with technology, in the foreground the human relationships based on gathering and using information by institutionalizing the personal sale concepts,

- Reshaping the selling and marketing campaigns of the bank,

- A successful customer relationship management system, providing a permanent advantage of competition,

- Increasing the total productivity of the bank.

Whether the banks gain benefit from the customer relationship management and become successful depends on whether they follow technologic development closely and make investments to this end. Also, their ability to determine right strategies for the purposes that they want to attain in customer relationship management is an important factor that enhances the success chance of banks.

According to Semih and Ibrahim (2000), for CRM to be truly effective and successful primarily, an organization must understand and identify what kind of customer information is allowing for and it is indispensable to select what it intends to do with that information. For instance, most of

banking institutions keep trail of customer life phases in order to market suitable banking products like mortgages to them at the right time to fit their needs. However, the organization must look into all of the various facts about customers into a business, where and how this data is warehoused and how it is currently used. For instance, one organization may have a relationship with customers through mail campaigns, websites, call centers, mobile sales force staff and marketing and promotion efforts.

Mehrota (2006) stated that, before the introduction of internet era, customers most of the time selected their banks based on how appropriate the location of banking branches was to their homes or office. However, with the introduction of new technologies in the business of bank services, such as providing banking services through internet ‘internet banking’ and ‘ATMs’, now customers are more valuable and they can easily choose any bank for their transactions. This phenomena increased customer base of banks, and also has expanded the choices of customers for selecting the different banks as per their interests.

Due to fierce competition in the business environment, public sector banks are also becoming more technology focus and customer oriented. Accordingly, non-traditional competition, market partnership, new equipment, and the conception of the internet are varying the competitive landscape of the retail banking institutions. Through the increased number of banks, offers and services and basically nil switching costs, customers are easily switching banks whenever they find better services.

## **2.8 Benefits of CRM**

Customer relationship management is a philosophy that is providing incredible importance for any businesses particularly for banking industries since the knowledge of CRM enhances how to attract, retain and catch potential and new customers for a business in order to compete and survive in stiff competition. According to Liyun, Keyi, Xiaoshu and Fang (2008) the emphasis of CRM is to focus on keeping and maintaining long-term relationship with customers, leading to customer satisfaction and hence creating business performance in the banking industry.

However, Kalakota and Robinson, (1999); Shani and Chalasani, (1992) emphasize that the companies’ objectives from using customer relationship management is to know their

personalized customers and to offer tailored services, in order to intensify both customer satisfaction and their marketing performance in the long run through keeping customers loyal to them. Nguye, Sherif and Newby (2007), sustained that the customer relationship management if used appropriately, would develop a bank's ability to attain the ultimate goal of holding customers in order to improve a strategic advantage over its competitors.

Accordingly, the successful management of customer relationship can increase customers' satisfaction and loyalty, in order to give optimistic effect on promoting market performance (Liyun *et al.*, 2008). Furthermore, competition is increasing, returns are declining, customers are becoming more challenging and the life-cycles of products and services are shortening dramatically. All these factors make it essential for banks to increase the relationship with their customers and provide them the services they need via the channels they prefer. Furthermore, the implementation of customer relationship management benefits banks to offer a lot of benefits to their customers; some crucial benefits are as follows:

CRM provide businesses to delivery service effectively and efficiently all the way through the entire life cycle of the business customer, from the introduction to the establishment of a close, continuing relationship with profitable clients (Could well ,1998)

CRM enables the organization substantial reduction and constraint of operational costs via system computerization and regulation, offers low maintenance and widening of costs paid for the use of modern administration tools with authorization bank employees to make a widespread range of modifications to the system.

CRM provides organizations particularly banks in order to control flow of information from their databases to achieve customer retention and to cross-sell new products and services to ongoing customers (Forss, and Stone, 2001).

In any business organizations, which implement customer relationship management sustainably, they can improve relationships with their customers; attain loyal customers and a significant payback, increased revenue, market share, attracting new customers and minimized cost (Roh, T.H., *et al*, 2005).

As stated in previous studies, customer relationship management in the business arena, particularly in the banking sector provides convenience of location for customers, fairness of price, endorsements from others and advancements are not important selection criteria for

business firms. However, for a business to be successfully and sustainably implement their activities they can use criteria's like account and transaction, accuracy and suspicion, competence in correcting mistakes and sociability and helpfulness of personnel on the customer's perspective.

Hence, customer relationship management, superior quality features of the product/service and distinction proved to be the most important factors for customers (Zineldin, 2005).

Furthermore, also other studies are conducted in a European banks emphasis that taking customer relationship management as a frame work, the bank institution was capable to focus on long term customers through efficient segregation according to individual behavior.

The effective implementation of customer relationship management results both in higher revenues and lower costs, making companies more effective and efficient, effective in focusing the right customer base with the right services through the right channels, and efficient in doing this at the lowest costs (Lindgreen and Antiooco, 2005) .

## **2.9 Customer Loyalty and CRM**

Customer loyalty is one of the most important goals of applying CRM in an organization. (Oliver, 1997) defined customer loyalty as a deeply held commitment to re-buy a preferred product/service consistently in the future, thereby causing repetitive same brand despite situational influences and marketing efforts having the potential to cause switching behavior.

It is assumed that customers who are behaviorally loyal to a firm display more favorable attributes towards the firm compared to competitors. Customer satisfaction and loyalty are highly correlated. It is the base to loyalty. (Lacey 2009) in his research concluded that customers are vital sources of revenue and marketing intelligence to the firm and loyal customers are willingly share insights about their needs and provide the opportunity for firms to tailor products, pricing, distribution channels and marketing communications. Therefore, in order for a service company to yield desired results; attention should be given to the increasing loyalty of customers.

Today companies are target on developing stronger bonds and loyalty with their ultimate customers. In the past many companies took their customers for granted. This may be due to their customers either did not have many alternatives or the market was growing so fast that the

company did not worry about fully satisfying its customers. But today companies are going out well to retain their customers.

Good CRM creates delight. In turn delighted customers remain loyal and talk favorably to others about the company and its products/services. Studies show big differences in the loyalty of customers who are less satisfied somehow satisfied and completely satisfied (Kotler& Armstrong 2004). Thus, the aim is to create not just customer satisfaction but customer delight and customer loyalty. Companies are now realizing that losing a customer means losing more than a single sale. It means losing the entire stream of purchases that the customer would make over a lifetime of patronage.

## **2.10 Empirical Findings on Customer Relationship Management**

### **2.10.1 Empirical Findings in Developed Countries**

Most of the research conducted on Customer Relationship Management is based on evidence from majority of prior empirical studies that are done in developed countries. Here, in this section a certain empirical findings conducted based on developed countries are reviewed.

According to Swaminathan, (2004), the association of customer relationship management and its customer outcome has been done by considering banks, investment companies, insurance companies and other firms as a sample study which characterized as high degree of relationship orientation and thus well suited for testing CRM framework. Although for the purpose of data collection questionnaire was used and for these case questionnaires were sent directly to general managers and similarly level senior managers.

These senior-level respondents were highly knowledgeable about CRM implementation and practice within their companies as indicated by their ability to answer fully virtually all questions. Accordingly, the results shows that focusing on key customers and managing knowledge have significant effects on market performance in terms of customer satisfaction. However, customer satisfaction is not directly affected by organizing around CRM and incorporating CRM-based technology. Furthermore, organizing around CRM affects customer retention directly. Similarly, managing knowledge has a significant effect on customer retention

and sales growth via customer satisfaction. Incorporating CRM-based technology shows no sign of significant effect on the performance metrics.

Also another research has been conducted on the fundamental role of customer relationship management on customer knowledge and customer satisfaction. For this research the necessary data was gathered from experienced managers of information technology almost from 300 institutions working in United States of America. The finding showed that the applications of CRM have a positive effect as they contribute to improve the knowledge of the customer and enhance the market performance through customer satisfaction (Mithas and Frow, 2005).

Also studies are conducted in Turkey on the customer relationship management process within a business and recommend a tool or customer relationship management measurement. For this matter the research is designed according to scale development literature. The feedbacks from several industries like manufacturing, information technologies, tourism, service, retail, finance, and logistics were collected. The study enables shortages of information about the relationship between the processes and outcomes of CRM such as Customer satisfaction, Customer Loyalty. As a result a wide-ranging model can be assembled and the relationship between CRM results, customer relationship management processes and other organizational factors can be investigated. The effect of organizational philosophy, arrangement and other organizational features on CRM processes and results can be analyzed (Oztaysi, 2011).

### **2.10.2 Empirical Findings in Developing Countries**

In developing countries most of the studies on customer relationship management have been done on the basis of data obtained from developed countries.

For instance, a research was conducted on customer relationship management and customer orientation on the Hotel industry. Accordingly the study tried to classify hotels in Ashanti region of Ghana into a category of low, middle, or high customer relationship management conscious. The result of the findings suggests that significantly majority of the hotels have low orientation to CRM (Hamdallah and Evelyn, 1996).

According to Sayed (2011) research was conducted on exploring the hypothetical bases of customer relationship management and its relationship to the marketing performance from the

several perspectives. However, the population of the study includes all the financial institutions working in the Arab Republic of Egypt.

The Result of the research shows that there is a significant correlation between marketing performance and focus on the main customers, organizational efficiency and customer knowledge management.

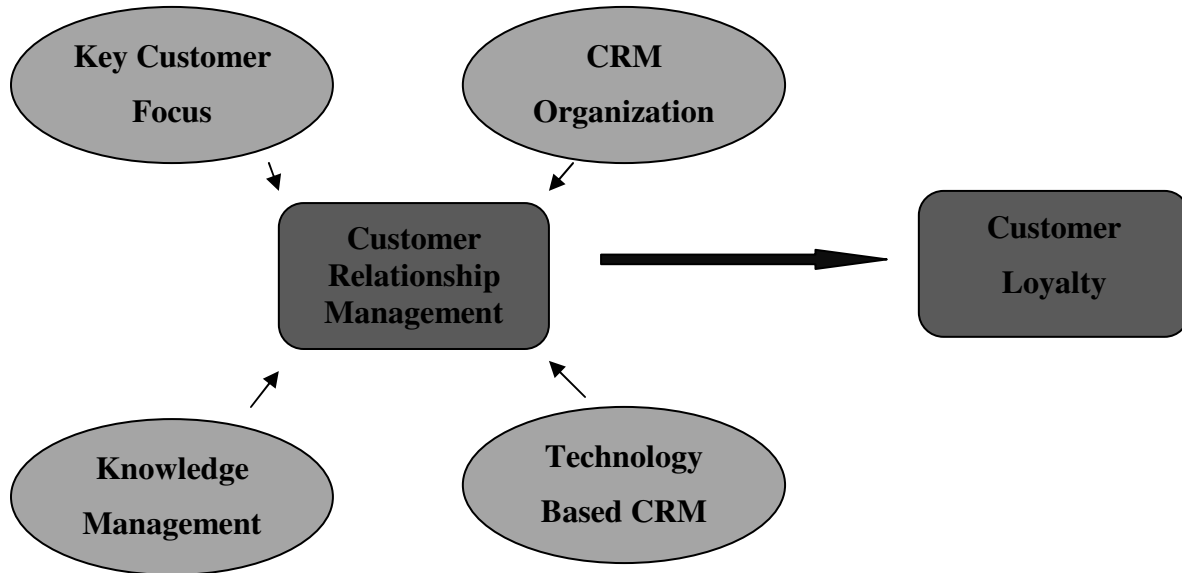
Furthermore, the research was conducted on how information technology could enhance firm performance in the organizations that are providing services for the customers and in order to enhance profitability in the Nigerian insurance industries (Oghojafor *et al*, 2011). Accordingly, the researcher was used survey methods to collect data among insurance companies in Nigeria. Also the researcher was selected a sample from Lagos state, the commercial center of the country. Finally according to the result of the finding shows, despite the fact that all most all organizations have a widespread data base of their customers, but not almost make provisions for their customers to make major businesses online because they have not fully incorporated their customer relationship management with information technology.

Furthermore, another research has been done by Hamid et.al (2009). Hence the research was not only taking a non-traditional method of evaluating success; by approaches stakeholders' expectations as an evaluation criterion but also concentrating a case study from Pakistan, wherever ICT industry and specifically CRM is in the initial stages of adoption. The only suggestion the researcher would like to make is that instead of reinventing the wheel, stakeholders should learn from the mistakes of the western companies. Having all the above studies conducted by various scholars, the measurement of CRM earning can be different form researchers to researchers, some studies measured them through the customer's satisfaction and market performance, others studies measured them through the return rate on investment and others measured it through increasing sales and profits. According to the result of different researchers, there was less interest in the customer loyalty.

## 2.11 Conceptual Framework

As shown in the figure below, Key Customer Focus, CRM Organization, Knowledge Management and Technology Based CRM are the independent variables that are believed to have an impact on the dependent variable customer loyalty.

**Fig 2.1 Conceptual Framework**



Source: Amir, Yousof and Asma, (2014)

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Research Methodology is a systematic way to solve a problem. It is a science of studying how research is to be carried out. The procedure by which researchers go about their work of describing, explaining and predicting phenomena are called research methodology. It is also defined as the study of methods by which knowledge is gained. Its aim is to give the work plan of research.

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 and validity of the study and the method of data analysis are discussed.

#### **3.2 Research Approach**

Logically there are two broad methods of reasoning known as the deductive and inductive approaches. The deductive approach works from the more general to the more specific; a research study might begin with a theory about the topic of interest, then narrow that down into more specific hypotheses that can be tested, narrowing down even further by collecting observations to address the hypotheses. This ultimately leads to testing the hypotheses with specific data to confirm or not confirm the original theories (Trochim, 1998-2000).

The inductive approach works the other way, moving from specific observations to broader generalizations and theories. Inductive reasoning begins with specific observations and measures detect patterns and regularities, formulates some tentative hypotheses that can be explored and finally ends up developing general conclusions or theories (Trochim, 1998-2000).

Accordingly, in line with the study objectives and strategy, the study follows the deductive approach.

In research two kinds of analysis are used these are qualitative 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 hypothesis 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 hypothesis or statements with a view to infer from the particular to the general.

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

### **3.3 Research Type**

The research can be classified into descriptive, explanatory and exploratory. Descriptive research sets out to describe and to interpret what it is. It aims to describe the state of affairs as it exists. 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. The desire to know why to explain is the purpose of explanatory research. 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. It 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 Dashen Bank to describe the application on this bank across four dimensions. So the researcher used descriptive research and 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 and this makes the research both descriptive and explanatory.

### **3.4 Sampling and Target Population**

The target population of study comprises customers of Dashen Bank in selected branches. When using this survey, one criterion that needs to be met in defining the qualified respondents is respondents who have had service encounters with various branches of Dashen bank. Sample size is selected based on the Table for sample size determination given by <http://research-advisors.com> which is based on a 5% margin error and 95% confidence level which states that if the number of population under study were more than 100,000, then it is sufficient to draw 384 as sample size. Since the number of customers is more than the stated criteria, the total sample size was 384, which was distributed to the customers in each branch.

### **3.5 Sampling Techniques**

Regarding the sampling technique, a stratified non probability sampling is used and number of 8 branches is selected to distribute the questionnaire. A total of 384 questionnaires were distributed to potential respondents. However, the total amount of usable questionnaires obtained were 280, that is a response rate of 72.9%. The sample is representative because a rule of thumb, a sample size of 200–300 should be considered to be adequate for a proper analysis (Gaur A. and Gaur, 2009).

The questionnaire was distributed to the following 8 branches of Dashen Bank Addis Ababa Branches (see table 3.1.). The branches of Dashen Bank S.C. are grouped as Grade I, II, III & IV in accordance to their performance. As of April 2016, Dashen Bank has 23 Grade I, 8 Grade II, 7 Grade III and 7 Grade IV branches.

**Table 3.1. List of branches the questionnaire was distributed**

<b>Name of Branch</b>	<b>Grade of Branch</b>	<b>Number of sample distributed</b>
Airport	I	48
Adwa Adebabay	I	48
Kolfe	II	48
Wuhalimat	II	48
Yerer	III	48
Kality	III	48
Bole	IV	48
Africa Andinet	IV	48
<b>Total</b>		<b>384</b>

### **3.6 Sources 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. 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 is used through conducting questionnaire regarding CRM. Secondary data is used through a theoretical study comprised of books, research thesis, articles journals, internet and annual reports.

### **3.7 Data Collection Technique**

As indicated above a self-administered questionnaire will be used to collect the primary data. The first section of the questionnaire will comprise demographic information of the respondents. The second section accesses the CRM practices of Dashen bank on five point Likert scale. The third section measures the loyalty of the customers to bank.

The questionnaire is translated into Amharic for those people who may not understand the English version and the questionnaire is handed out to the respondents by the researcher. As indicated above secondary data is also utilized from magazines, annual reports, publications, etc which are related to the financial service sector of the economy.

The collected questionnaire will then be proved for its reliability and validity through pilot study. It is a small scale trial run of all the procedures planned for use in the main study. According to Simon, 2011 a sample size of 10-20% of the sample size for the actual study is a reasonable number of participants to consider enrolling in a pilot.

### **3.8 Reliability and Validity of the Research**

**Reliability** is the consistency of a set of measurements or measuring instrument, often used to describe a test. One of the most commonly used is called Cronbach's Alpha. The Cronbach Alpha coefficient is an indicator of internal consistency of the scale. A high value of the Cronbach Alpha coefficient suggests that the items that make up the scale "hang together" and measure the same underlying construct. A value of Cronbach alpha above 0.70 can be used as a reasonable test of scale reliability (Gaur A. and Gaur S., 2009).

Therefore all the four dimensions of measuring CRM were found to be high in their internal consistency and thereby in measuring the dimensions of interest (Cronbach Alpha >0.7 good).

**Validity** is concerned with whether the findings are really about what they appear to be about. Validity defined as the extent to which data collection method or methods accurately measure what they were intended to measure. Numbers of different steps were taken to ensure the validity of the study:

- Data was collected from the reliable sources, from respondent who have experiences in using the service of the bank.
- Survey question were made based on literature review and frame of reference to ensure result validity.

### 3.9 Data Analysis

After the data was collected from primary source it was checked and in-house editing was undertaken to detect errors that had been committed by the respondents. Then, the edited data were coded and manually entered in to statistical package for social science (SPSS) version 16 computer software. Moreover, both qualitative and quantitative methods of data analysis techniques were employed. Analysis of data in this research was done by using descriptive statistical tools like: frequency, mean, standard deviation and inferential statistical tools such as: correlation and regression. The regression analyses were conducted to determine by how much percent the independent variable i.e. customer relationship management dimensions explain the dependent variable which is loyalty. Correlation analysis was conducted to test the proposed hypothesis whether there is a positive significant relationship between the customer relationship management dimensions and loyalty.

### 3.10 Model Specification

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + \epsilon$$

Where, Y = Loyalty

a = y intercept

b<sub>1</sub> = the regression coefficient of Key customer Focus

x<sub>1</sub> = Key Customer Focus

b<sub>2</sub> = the regression coefficient of CRM Organization

x<sub>2</sub> = CRM Organization

b<sub>3</sub> = the regression coefficient of Customer Knowledge Management

x<sub>3</sub> = Knowledge Management

b<sub>4</sub> = the regression coefficient of Technology Based CRM

x<sub>4</sub> = Technology Based CRM

ε = error term

### **3.11 Ethical Considerations**

In order to keep the confidentiality of the data given by respondents, the respondents did not required to write their name and assured that their responses were treated in strict confidentiality. The purposes of the study were disclosed in the introductory part of the questionnaire. Furthermore, the researcher has tried to avoid misleading or deceptive statements in the questionnaire. Lastly, the questionnaires were distributed only to voluntary participants.

# **CHAPTER FOUR**

## **RESULTS AND DISCUSSIONS**

### **4.1 Introduction**

In this chapter the data collected from respondents were analyzed and interpreted using quantitative analysis which involves analysis of the demographical information of respondents and the descriptive and inferential statistics employed to test the hypothesis and to investigate the influence of independent variables on dependent variable. To analyze the collected data in line with the overall objective of the research undertaking, statistical procedures were carried out using SPSS version 16.

### **4.2 Reliability Test Result**

The reliability test is an important instrument to measure the degree of consistency of an attribute which is supposed to measure. As stated by Mahon and Yarcheski (2002) the less variation of the instruments produces in repeated measurements of an attribute the higher its reliability. Reliability can be equated with the stability, consistency, or dependability of a measuring tool.

Cronbach's alpha is one of the most commonly accepted measures of reliability. It measures the internal consistency of the items in a scale. It indicates that the extent to which the items in a questionnaire are related to each other. It also indicates that whether a scale is one-dimensional or multidimensional. The normal range of Cronbach's coefficient alpha value ranges between 0-1 and the higher values reflects a higher degree of internal consistency. Different authors accept different values of this test in order to achieve internal reliability, but the most commonly accepted value is 0.70 as it should be equal to or higher than to reach internal reliability (Hair *et al.*, 2003).

The variables were tested for reliability by using Cronbach's Coefficient Alpha and the overall reliability of the measurement constructs is found to be 0.869 which shows the measure has internal consistency.

### **4.3 Sample and Response rate**

After distributing 384 questionnaires for customers, a total of 328 answered questionnaires were retrieved, which is 85.1% of the total distributed questionnaires. After checking the retrieved questionnaires, the 280 questionnaires were valid for statistical analysis. Ultimately, 72.7% of the total questionnaires distributed entered the analysis.

### **4.4. Missing Data**

Missing data frequently occurs in a situation in which a respondent cannot respond to one or more questions of a survey (Hair *et al.*, 1998). Missing data is a problem because nearly all standard statistical methods presume complete information for all the variables included in the analysis. A relatively few absent observations on some variables can dramatically shrink the sample size. As a result, the precision of confidence intervals is harmed, statistical power weakens and the parameter estimates may be biased.

Following the above statement, this work has rejected 48 responses from the collected data due to incomplete information given by respondents on both the demographic questions and basic research questions on the distributed questionnaires. Responses were also rejected due to impractical response patterns followed by respondents.

### **4.5 Descriptive Statistics**

In the questionnaire, Part I was designed to collect demographic information of respondents, Part II is designed to collect information about the four dimensions of CRM and Part III is designed to gather information regarding loyalty.

#### **4.5.1 Demographic Analysis of Respondents**

Before starting the analysis of the data background information such as demographic data is useful in order to make the analysis more meaningful for the readers.

As indicated in Table 4.1 below the male respondents constituted the largest share of the gender composition representing 57.1% of the respondents while 42.9% were females.

The age groups were distributed as shown in figure 4.1. As it shown in the figure 40.7% were from 18-30 age group, 36.1% were from 30-40 and the remaining are from 40-50 and above 50.

Regarding the service rendered by the bank, 60.7% of the respondents were found to be using the services for personal purpose; the other 22.1% and 17.1% of the respondents use the bank service for commercial purposes and both for personal & commercial purposes respectively.

Concerning the length of relationship with the bank either for personal or commercial purpose, 42.5% were found to be using DB's services for years that range from 5-10 or the other 38.6% & 18.9% of respondents used the bank service for years < 5 and years > 10 respectively.

As to the services that are used in DB, Current account & Saving account users take the highest share that is 53.9% and 31.1% respectively. Other services of the bank used by the respondent constitute 15%. This implies that most of the respondents use Current account & Saving account service of the bank.

Table 4.1 Demographic Characteristics of Respondents

Demographics	Categories	Frequency	Percentage
<b>Gender</b>	Male	160	57.1
	Female	120	42.9
	<b>Total</b>	<b>280</b>	<b>100</b>
<b>Age</b>	18-30	114	40.7
	31-40	101	36.1
	41-50	46	16.4
	>51	19	6.8
	<b>Total</b>	<b>280</b>	<b>100</b>
<b>Purpose of use of Bank Service</b>	Personal	170	60.7
	Commercial	62	22.1
	Both	48	17.1
	<b>Total</b>	<b>280</b>	<b>100</b>
<b>Length of relationship with DB</b>	<5 Years	108	38.6
	5-10 Years	119	42.5
	>10 Years	53	18.9
	<b>Total</b>	<b>280</b>	<b>100</b>
<b>Services Used</b>	Saving Account	151	53.9
	Current Account	87	31.1
	Others	42	15
	<b>Total</b>	<b>280</b>	<b>100</b>

Source: Survey Result, SPSS (2016)

#### 4.6 Descriptive Analysis of variables

In this part descriptive statistics in the form of mean and standard deviation were presented to illustrate the level of agreement of the respondents. The main objective of the study is to access the practice of CRM in DB and measure the effect of the four dimensions on loyalty. To do so, customers of DB were asked to rate the level of CRM practices on a five point Likert scale with: 1= strongly disagree, 2= disagree, 3 = neutral, 4= agree and 5= strongly agree.

Table 4.2 Descriptive Statistics of CRM Dimensions

**Descriptive Statistics**

	N	Mean	Std. Deviation
Key Customer Focus	280	3.6589	.66714
CRM Organization	280	3.6888	.65796
Knowledge Management	280	3.6657	.66211
Technology Based CRM	280	3.8741	.60092
Valid N (listwise)	280		

*Source: Survey Result, SPSS (2016)*

As it can be seen from table 4.2 above the mean score values of customer relationship management ranges between 3.65 (mean score value of Key Customer Focus) with standard deviation of 0.65 and 3.87 (mean score value of Technology Based CRM) with standard deviation of 0.60. These scores are also the minimum and maximum mean score values of customer relationship management dimensions respectively.

**4.6.1 Descriptive Statistics of Key Customer Focus**

Key customer focus is one of the most important dimensions of customer relationship management that involves an overall customer-centric focus and continuously delivering superior and added value through customized offers to the key customers. In today’s business environments, the ultimate goal of any key customer focus is to achieve a deep customer relationship that makes an organization a necessary partner to its most profitable customers. The overall company understanding and support for key customer focus encourages sales force to foster long-term customer relationships by offering more personalized services (Armstrong and Kotler, 2004).

The mean scores have been computed for all the four sub constructs of key customer focus dimensions that are , customized service to its key customers, emotional bonds with its key customers, constantly strives to delight its key customers and delivering superior and added value for key customers. The result is presented in Table 4.3 below.

Table 4.3 Key Customer Focus Descriptive Statistics

**Descriptive Statistics**

	N	Mean	Std. Deviation
Customized service to its key customers	280	3.8536	.89402
Emotional bonds with its key customers	280	3.6286	.83681
Constantly strives to delight its key customers	280	3.5143	.88788
Delivering superior and added value for key customers	280	3.6393	.86046
Valid N (listwise)	280		

*Source: Survey Result, SPSS (2016)*

As indicated in the above table the mean scores of key customer focus dimension of DB for all the four items ranges from 3.5143 to 3.8536 which indicates that customized service given by the bank to its key customers has got the highest mean score 3.85 with Sd=0.894; whereas the bank strives to constantly surprise and delight its key customers has got the least mean score value of 3.51 with Sd=0.887.

**4.6.2 Descriptive Statistics of 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., 2005). According to Yim et al. (2005) this calls for an organizational structure that is flexible and, if necessary, reconstructed to generate customer centric value.

To assess DB`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.

Table 4.4 CRM Organization Descriptive Statistics

**Descriptive Statistics**

	N	Mean	Std. Deviation
Employees encourage customers to use more service of the bank	280	3.7750	.81391
Bank give all the needed service	280	3.7179	.91328
Employees are professionals	280	4.1071	2.55041
Employees go beyond their responsibility to serve customers	280	3.6107	.94768
Top management accepts customer relationships as a major goal	280	3.6393	.88104
Bank commits time and resource in managing customer relationships	280	3.6893	.81643
Bank policy is fast and reliable	280	3.5107	.90393
CRM responsibilities are clearly defined, assigned and understood	280	3.4607	.77498
Valid N (listwise)	280		

*Source: Survey Result, SPSS (2016)*

The output of the sample statistics shows that having professional employees score highest mean of 4.1071 and having CRM responsibilities defined, assigned and understood has the lowest mean score of 3.4607. The overall mean score of CRM organization was calculated to be 3.68.

#### **4.6.3 Descriptive Statistics of Knowledge Management**

Knowledge is well-thought-out as one of the competitive factors in global economy. It is compulsory to think and consider for a business firms in order to attract customer in today's dynamic market successfully. Despite of this customer knowledge management can be defined as the system of attaining, allocating, and increasing the customer knowledge among employees for making profit to the organization and customers. With the purpose of improving the organizational productivity and value, assure from delivering required products and services to the customers and acquire their satisfaction, it is necessary to manage the organization's knowledge about customers (Salomoun et al, 2005).

The assessment to evaluate to what extent DB 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 as shown in the table below.

Table 4.5 Knowledge Management Descriptive Statistics

**Descriptive Statistics**

	N	Mean	Std. Deviation
Bank ensure confidentiality of data	280	3.8929	.84409
Use information from customers to improve service	280	3.6857	.86415
Bank has effective customer recovery strategies for service failure	280	3.5143	.82075
Bank takes customer feedback and replies to them	280	3.7393	.93511
Bank has a reward system to customers	280	3.4964	.90001
Valid N (listwise)	280		

*Source: Survey Result, SPSS (2016)*

As shown in the table above, knowledge management was measured by four items the mean score of which ranged between respondents who said the bank ensure confidentiality of data 3.89 and respondents who believed the bank has a reward system to customers with a mean score of 3.49 respectively. The overall mean score of knowledge management was calculated to be 3.66.

Therefore from the analyzed data it is possible to say that customers perceive that DB is a bank that ensures confidentiality of customer data but the practice of rewarding and recognizing key customers through their contribution do not done properly.

**4.6.4 Descriptive Statistics of Technology Based CRM**

Technology and the Web has changed the way companies approach CRM strategies because advances in technology have also changed consumer buying behavior and offers new ways for companies to communicate with customers and collect data about them. With each new advance

in technology especially the proliferation of self-service channels like the Web and smart phones, customer relationships are being managed electronically.

The development and improvement of information technology provide the ability to gather, investigate, and share customer information which will lead to a customer satisfaction, customer loyalty and retaining customers (Bulter, 2000). The CRM demands for “information-wide strategies” which exploit computer technologies in maintaining relationships (Harding *et al.*, 2004) such as: computer-aided design or manufacturing, data warehouses, data mining and CRM application systems that allow the firms to offer maximum customization with better quality at lower cost. Moreover, it helps the staff at all touch points to serve the customers in a better way. Hence, many customer focus activities would be impossible without the use of an appropriate technology (Sin *et al.*, 2005).

Table 4.6 Technology Based CRM Descriptive Statistics

**Descriptive Statistics**

	N	Mean	Std. Deviation
Bank gives technology based service	280	4.2786	.81269
Bank IS give comprehensive data about all aspects of its customers	280	3.8714	.89076
Bank uses latest technology to offer quality service	280	4.3929	.75914
Valid N (listwise)	280		

*Source: Survey Result, SPSS (2016)*

The above descriptive statistics shows that Technology based CRM was measured by three items whose mean value was found to be between 3.87 and 4.39 and the totals mean score value 3.87 which is the highest among the other dimensions.

#### 4.6.5 Descriptive statistics of Level of Loyalty

In the following section the level of loyalty is analyzed. The level of agreement and disagreement of customer loyalty is presented below.

Table 4.7 Loyalty Descriptive Statistics

		Customer Loyalty			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	0.7	0.7	0.7
	Disagree	17	6.1	6.1	6.8
	Neutral	79	28.2	28.2	35.0
	Agree	141	50.4	50.4	85.4
	Strongly Agree	41	14.6	14.6	100.0
	Total	280	100.0	100.0	

*Source: Survey Result, SPSS (2016)*

From the above table 78.6% of respondents are agree and strongly agree with the question (are you loyal to DB) and the rest 21.4% of respondents chose neutral, disagree and strongly disagree.

#### 4.7 Correlation Analysis

Like the demographic factors, the scale typed questionnaire entered to the SPSS software version 16 to process correlation analysis. Based on the questionnaires which were filled by the customers of Dashen Bank, the following correlation analysis was made.

Table 4.8 Correlation Matrix

**Correlations**

		Customer Loyalty	Key Customer Focus	CRM Organization	Knowledge Management	Technology based CRM
Customer Loyalty	Pearson Correlation	1	.693**	.726**	.686**	.519**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	280	280	280	280	280
Key Customer Focus	Pearson Correlation	.693**	1	.756**	.577**	.562**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	280	280	280	280	280
CRM Organization	Pearson Correlation	.726**	.756**	1	.673**	.639**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	280	280	280	280	280
Knowledge Management	Pearson Correlation	.686**	.577**	.673**	1	.488**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	280	280	280	280	280
Technology based CRM	Pearson Correlation	.519**	.562**	.639**	.488**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	280	280	280	280	280

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

Source: Survey Result, SPSS (2016)

To determine the existence and level of association, the researcher used bivariate correlation. Pearsons 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 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. The bivariate correlation of a two-tailed test confirms the presence of statistically significant difference at probability level  $p < 0.01$  i.e. assuming 99% confidence interval on statistical analysis.

The results of correlation analysis in the table 4.7 shows that all the independent variables were positively and significantly correlated with the dependent variable i.e. customer loyalty at 99 percent confidence level ( $P < 0.01$ ). The highest correlation is signified by CRM Organization ( $r = 0.726$ ), followed by Key Customer Focus ( $r = 0.693$ ), customer Knowledge Management ( $r = 0.686$ ) and Technology Based CRM ( $r = 0.519$ ). Hence all the dimensions have a strong positive relationships to loyalty which is significant even at the  $p < 0.01$  level.

## **4.8 Regression Analysis**

Regression analysis is a way of predicting an outcome variable from one predictor variable (simple regression) or several predictor variables (multiple regressions). But before carrying out a regression analysis, there are a few assumptions of linear regression analysis that must be maintained.

### **4.8.1 Assumptions of Linear Regression Analysis**

#### **4.8.1.1 Multicollinearity**

One should check for the problem of multicollinearity 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 variables on the precision of regression estimates. The VIF factor should not exceed 10, and should ideally be close to one.

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 4.9 Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Key Customer Focus	.412	2.429
CRM Organization	.307	3.261
Knowledge Management	.532	1.879
Technology based CRM	.573	1.744

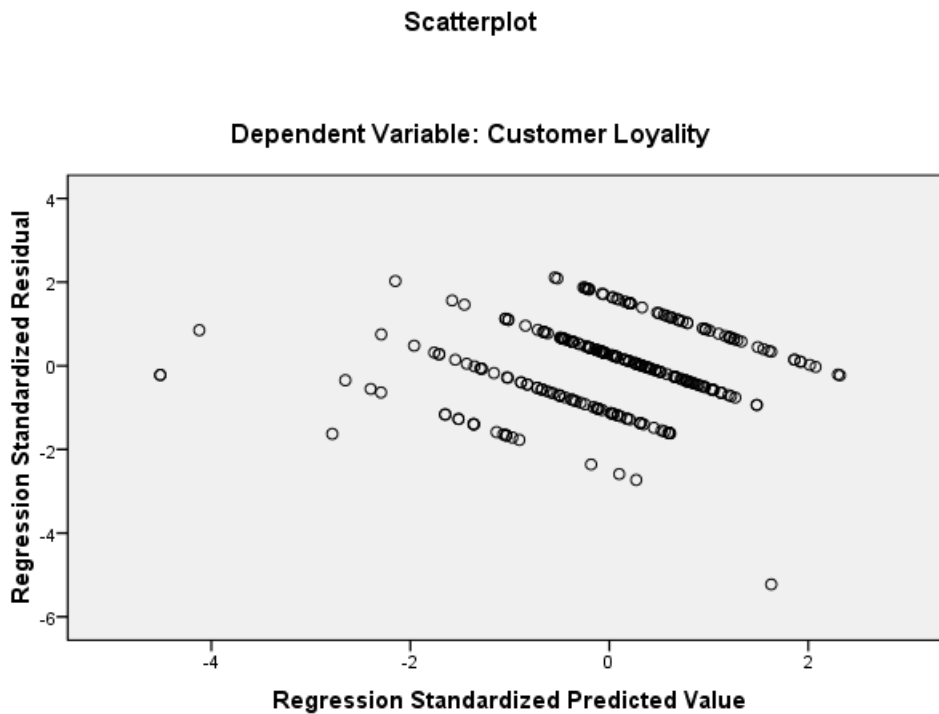
a. Dependent Variable: Customer Loyalty

Source: Survey Result, SPSS (2016)

#### 4.8.1.2 Homoscedasticity

Homoscedasticity is an assumption in regression analysis that the residuals at each level of the predictor variables have similar variances. That is, at each point along any predictor variable, the spread of residuals should be fairly constant. For a basic analysis we first plot \*ZRESID (Y-axis) against \*ZPRED (X-axis) on SPSS because this plot is useful to determine whether the assumptions of random errors and homoscedasticity have been met. The graph of \*ZRESID and \*ZPRED should look like a random array of dots evenly dispersed around zero. If this graph funnels out, then the chances are that there is heteroscedasticity in the data. If there is any sort of curve in this graph then the chances are that the data have broken the assumption of linearity.

Figure 4.1 Scatter Plot



#### **4.8.1.3 Linearity**

The linearity of the relationship between the dependent and independent variable represented the degree to which the change in the dependent variable is associated with the independent variable (Hair et al., 1998). In a simple sense, linear models predict values falling in a straight line by having a constant unit change (slope) of the dependent variable for a constant unit change of the independent variable (Hair et al., 1998). The study checks for patterns in scatter plots of CRM against customer loyalty weather they have linear relation and the assumption have met. From the graph below it can be seen that customer loyalty and CRM have linear relation.

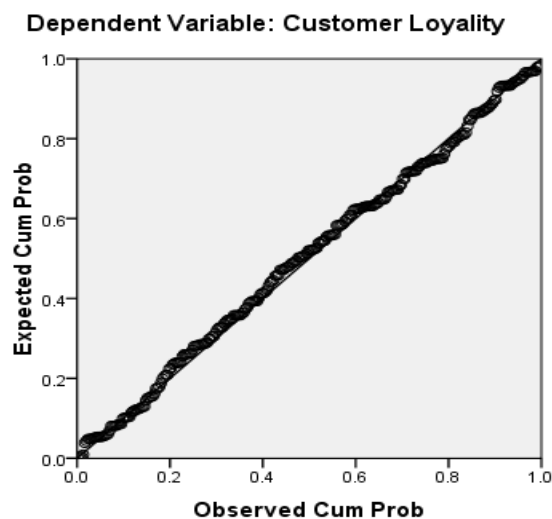
#### **4.8.1.4 Normality of the Error Term Distribution**

It is assumed that the residuals in the model are random, normally distributed variables with a mean of 0. This assumption simply means that the differences between the model and the observed data are most frequently zero or very close to zero and that differences much greater

than zero happen only occasionally. In general, the normal distribution makes a straight diagonal line, and the plotted residuals are compared with the diagonal. If a distribution is normal, the residual line will closely follow the diagonal (Field, 2009).

Figure 4.2 P-P Plot

Normal P-P Plot of Regression Standardized Residual



#### 4.9 Multiple Regression of CRM dimensions on Loyalty

The multiple regression analysis was conducted using the hierarchical regression method. It is conducted to investigate the influence of independent variable on the dependent variable and identify the relative significant influencer; i.e., independent variable (Key Customer Focus, Knowledge Management, CRM Organization and Technology Based CRM) to the dependent variable; i.e. Loyalty. The proposed hypotheses were tested using multiple regression analysis.

The result of regression analysis of the independent variables (Key customer focus, knowledge management, CRM organization & technology based CRM) on the dependent variable customer loyalty indicates existence of positive and statistically significant effect on loyalty. The model summary table R-Square value is 0.632 which means that 63.2% of the customer loyalty was

explained by the variation of the four CRM dimensions. In other words, this means that 36.8% of the dependent variable i.e. customer loyalty cannot be explained by these four dimensions and that there must be other variables that have an influence on the outcome.

Table 4.10 Model Summary

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795 <sup>a</sup>	.632	.627	.49635

a. Predictors: (Constant), Technology based CRM, Knowledge Management, Key Customer Focus, CRM Organization

b. Dependent Variable: Loyalty

*Source: Survey Result, SPSS (2016)*

Table 4.11 ANOVA Table

**ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	116.521	4	29.130	118.240	.000 <sup>a</sup>
	Residual	67.750	275	.246		
	Total	184.271	279			

a. Predictors: (Constant), Technology based CRM, Knowledge Management, Key Customer Focus, CRM Organization

b. Dependent Variable: Loyalty

*Source: Survey Result, SPSS (2016)*

Table 4.12 shows the sums of squares and the degrees of freedom associated with each. As it can be noticed in the table F value of 118.240 is significant at 0.000 level. Therefore, from the result, it can be concluded that with 63.2 % of the variance (R-Square) is significant and the model appropriately measures the construct.

Table 4.12 Coefficient Matrix

**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.528	.209		-2.526	.012
	Key Customer Focus	.344	.069	.283	4.958	.000
	CRM Organization	.386	.091	.279	4.224	.000
	Knowledge Management	.396	.062	.323	6.435	.000
	Technology based CRM	.329	.056	.250	4.514	.001

Dependent Variable: Customer Loyalty

*Source: Survey Result, SPSS (2016)*

Table 4.13 presents the result of regression analysis which is based on the four independent variables (Key Customer Focus, CRM organization, Knowledge Management and Technology Based CRM).The independent variables that contribute to variance of the dependent variable are explained by the standardized Beta coefficient.

The beta value on the coefficient table indicates level of effect each dimension has on the dependent variable which is loyalty. We can see from the above table that the beta coefficient for Key customer focus is 0.283 which indicates if other things remain constant an increase in key customer focus by 1unit will result increased loyalty by 28.3%. The same is true for the CRM Organization, Knowledge Management and Technology Based CRM.

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

The regression model of this study can now be properly written in an equation form as the following.

**Y (Loyalty) = a (y intercept) + (0.283) Key Customer Focus+ (0.279) CRM Organization+ (0.323) Knowledge Management+ (0.250) Technology Based CRM+  $\epsilon$  (Error Term)**

#### **4.10 Hypothesis Testing**

##### **Hypothesis 1: Key customer focus has a positive and significance influence on loyalty in DB**

The result of multiple regression analysis of the table 4.11 above clearly indicates that in DB key customer focus has significant influence on loyalty p value of 0.000. Besides, the value of beta ( $\beta=0.283$ ) shows that the positive influence of key customer focus on loyalty. This implies that a one percent increase in key customer focus results in 28.3 percent increase in loyalty. Hence, the above proposed hypothesis is accepted.

##### **Hypothesis 2: CRM Organization has a positive and significance influence on loyalty in DB**

The result of multiple regression analysis in the table above indicates that in DB CRM Organization has significant influence on loyalty at p value of 0.000. And also, the value of beta ( $\beta=0.279$ ) demonstrates that the positive influence of CRM Organization on loyalty. This implies that a one percent increase in CRM Organization results in 27.9 percent increase in loyalty. Thus, the above proposed hypothesis is accepted.

##### **Hypothesis 3: Knowledge Management has a positive and significance influence on loyalty in DB**

As shown in the table above the coefficient Knowledge Management was computed to be 0.323 at p value of 0.000 which means that a unit change in Knowledge Management has the influence to increase loyalty by 32.3% assuming all other variables constant. Therefore, the above proposed hypothesis is accepted.

##### **Hypothesis 4: Technology based CRM has a positive and significance influence on loyalty in DB**

The coefficient of Technology based CRM was 0.250 which tells us a unit increase of the variable will result an increase in loyalty by 25 percent at p value of 0.000 assuming all other variables constant. As a result the above hypothesis is accepted.

In general, the multiple regression analysis of the table 4.11 clearly demonstrates that the independent variable; customer relationship management has a positive and significant influence on the dependent variable loyalty in DB. Besides, when we see the relative influence of the independent variables on dependent variable, customer knowledge management dimension of CRM has the highest influence on loyalty by 32.3 percent.

#### **4.11 Discussions**

According to the study by Swaminathan, 2004, out of the four dimensions of CRM the three dimensions (Key customer focus, Organizing around CRM- and Knowledge Management) directly and indirectly affected the performance, customer's satisfaction and customer retention. However, the fourth dimension (Technology based CRM) did not lead to increasing the customer's satisfaction and loyalty in the long run. But the result of this study indicates that all the four dimensions including Technology Based CRM have a positive impact on Customer Loyalty.

Ndubisi & Wah, 2005 in their study tries to show the relationship between CRM and customer's satisfaction and loyalty concluded that concluded that all dimensions were related to the customer's satisfaction and loyalty and that the dimension of the strongest relationship was represented in key customer focus. According to this study the as indicated in the results knowledge management has the strongest impact on loyalty.

The study of Colgate & Danaher, 2000, on the effect of implementing the strategy of customer relationship in banks on the customer's satisfaction and loyalty found out that the presence of both positive and negative effects of CRM that is positive effects appear when the strategy of CRM is carried out in a highly skilful way, resulting in enhancing the customer's satisfaction and loyalty, while the negative effects appear when the execution of such strategy is deficient, resulting in the customer's dissatisfaction and disloyalty. While carrying out this research the results show that CRM is not applied in its full dimension there are areas of CRM which the bank needs to work in order to attract potential customers and retain the existing ones to combat the existing competition.

Coltman, 2007, indicates in his study the extent to which CRM contributes to improving the performance and the results show that applying CRM leads to a greater performance and in this study as discussed in the results CRM has a positive impact on Loyalty which makes the bank competitive in the market and makes it profitable.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATION**

In this chapter summary, conclusions of the research findings that have been analyzed and discussed in the previous chapter are briefly presented. Furthermore, based on the findings of the study possible recommendations are made.

#### **5.1 Summary**

The main objective of this study is to investigate the practice of customer relationship management in DB and its possible impacts on loyalty. In this study, quantitative research approaches are implemented and also descriptive research design was used. The target populations of the study were customers of the banks. Out of 101 city branches eight branches are included in this study by using stratified non probability sampling.

In this study, both primary and secondary data were used as source of information. Based on the research objective, English and Amharic version questionnaires were prepared. Three Hundred Eighty Four (384) questionnaires were distributed and out of this 328 of them returned but 48 responses from the collected data are rejected due to incomplete information given by respondents on both the demographic questions and basic research questions on the distributed questionnaires. Responses were also rejected due to impractical response patterns followed by respondents.

The respondents were asked to assess DB's 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 the findings of this study indicated, respondents agreed with the four dimensions of CRM by giving the higher rate scale to CRM based technology followed by CRM Organization, Customer Knowledge Management and Key Customer Focus with average mean of 3.87, 3.68, 3.66 and 3.65 respectively.

From this the study can conclude that the mean results show room for improvement as the result the bank should work to improve all dimensions especially on the lowest scoring dimension Key Customer Focus. The descriptive analysis of the study shows that the customer loyalty level is 67.9% which indicates more than half of the respondents are loyal.

In addition the results of the correlation and regression analysis show that all the independent variables i.e. Key Customer Focus, Customer Knowledge Management, CRM Organization and Technology Based CRM are positively and significantly correlated with the dependent variable i.e. loyalty at 99 percent confidence level ( $P < 0.01$ ). The highest correlation is signified by CRM Organization followed by Key Customer Focus, Customer Knowledge Management and Technology based CRM.

The result of multiple regressions indicates that Customer Knowledge Management is found to have a great impact on customer loyalty with followed by CRM Organization, Key Customer Focus and Technology Based CRM.

## **5.2 Conclusion**

This research has numerous functions in management of bank customers because the bank is interested in obtaining and retaining of customers to achieve competitive advantage through loyalty. During the investigation the researcher used both descriptive and inferential statistics and based on the findings the following conclusions are made.

The promise of CRM as an effective strategy for keeping customer is very captivating. Some of the benefits include better communication with the customer, increased efficiency and effectiveness and in dealing with key customers; the bank needs to integrate CRM operations into a single focused operation which will enables the bank to achieve customer loyalty.

The results show that the concept of CRM is well understood by the bank from the four dimensions point of view. And it is concluded from the analysis that all the four dimensions of CRM have a positive and significant impact on loyalty.

And from the four dimensions Key Customer Focus dimension has the highest correlation and regression results next to CRM Organization. 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.

### **5.3 Recommendations**

This study has demonstrated that the impact of customer relationship management on loyalty in DB. In light of the findings and conclusions made above, the following possible recommendations are suggested as being valuable to the bank for improving customer relationship management activities to assure customer loyalty.

In other words, the activities of customer relationship management (Key Customer Focus, Customer Knowledge Management, CRM Organization and Technology Based CRM) have to be enhanced and reinforced in order to increase customer loyalty. This can be enhanced and developed through the following:

The bank needs to develop CRM program which enables it to gather data about each individual customer in order to treat them while knowing their individual needs.

The bank has to train and orient the employees, especially in the frontline staffs, how important CRM is. This will increase the level of empathy that the employees show to their customers and thereby increase customers' satisfaction, which in turn increases loyalty.

The bank should appear to be trustworthy and show commitment, by providing individualized attention to customers and by resolving conflicts in a manner that will eliminate unnecessary loss and inconvenience to their customers.

The management of the bank needs to incorporate CRM in its organizational culture as a main tool for maintaining its customers.

The bank should develop a mechanism in which it measures all the dimensions of CRM, (Key Customer Focus, CRM Organization, Knowledge Management and Technology Based CRM) and consequently act upon the findings in its CRM program.

The bank has to work hard to increase the loyalty of its customers, by supplying quality products, keeping its promises, listening to customers, considering the individual customers' needs and the like.

The bank must also install a reward mechanism to the staff members, based on their contributions to the success of the CRM program and thereby to the increase they make to the level of customers satisfaction and loyalty.

Generally, the banks needs to implement customer relationship management appropriately and continuously as an indispensable tool for gaining competitive advantage and build long- lasting and profitable relationships with its customers in order to attract potential customers and maintain the existing ones.

#### **5.4 Implications for Future Research**

Although the objectives of this research were met, two limitations were identified in the course of this research. First, the study focuses on only the banking industry. Such concentration could limit generalization of the findings to the entire service industry. Anyway, this limitation creates an opportunity for future research in this area. This future research may replicate this study in other service sectors other than banking, for example tourism, hospitality, health care, education, etc. and additional research is necessary to determine if the relationships identified can be generalized to other banks.

Another limitation of the study is that the scope of this research is limited to the impact of CRM on loyalty but future studies can be made on the impact of CRM on the overall performance of the financial institutions and other service sectors.

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# APPEDICES

**Addis Ababa University School of Commerce**

**Department of Marketing Graduate Program**

**Dear Respondents,**

First of all, I would like to express my gratitude for agreeing to cooperate in filling out this questionnaire. This questionnaire is developed and forwarded to you to assess the application of Customer Relationship Management in Dashen Bank for the partial fulfillment of MA in Marketing Management from Addis Ababa University School of Commerce. Please take a few minutes of your time to answer this questionnaire. Your willingness and cooperation in giving genuine information is well appreciated and the information you provide will be used for academic purpose and will be kept in strict confidentiality

**I. General/Demographic Information (Please do not include your name)**

**Please mark the box ( ) of your correct answer**

1. Gender Male  Female
2. Age 18-30  30-40  40-50  Above 50
3. Use of the Bank Service for  
Personal  Commercial  Both
4. For How many Years you use the bank?  
<5 Years  5-10 Years  >10 Years
5. Which service you need from the bank? (You can indicate more than one)  
Saving Account  Current Account  Loan   
Remittance  ATM  Import and Export

## II. Customer Relationship Management

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 mark accordingly.

Item	Strongly Disagree(1)	Disagree(2)	Neutral(3)	Agree(4)	Strongly Agree(5)
<b>Key Customer Focus</b>					
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. Continuously delivering superior and added value for key customers					
<b>CRM Organization</b>					
5. The bank employees encourage customers to use more services of the bank					
6. The bank gives all the needed services from the bank					
7. The bank employees are professionals					
8. The bank employees go beyond their responsibility to serve customers in a better way					
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 and reliable					
12. CRM responsibilities of customer contact employees are clearly defined, assigned and understood.					
<b>Knowledge Management</b>					
13. The bank has a well-developed privacy policy to ensure confidentiality of data collected from customers.					
14. The bank use information from customers to design or improve the service.					
15. The bank has effective customer recovery strategies including guarantees for service failures.					
16. The bank takes customer feedback seriously and replies to them.					
17. The bank has a different reward system that rewards customers based upon their profit/revenue contribution.					
<b>Technology Based CRM</b>					
18. The bank gives technology based service to its customers.					
19. 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.					
20. The bank uses latest technology (ATMs, mobile banking, and internet banking) to offer quality services.					

**III. Circle the level of agreement of the following sentence**

**“I am a loyal customer of Dashen Bank”**

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree

**Thank you for your cooperation!**

**በአዲስ አበባ ዩኒቨርሲቲ የንግድ ስራ ት/ቤት**  
**የማርኬቲንግ ማኔጅመንት ድህረ-ምረቃ ትምህርት ክፍል**  
**የደንበኞች መጠይቅ**

ይህ መጠይቅ የተዘጋጀው በዳሽን ባንክ የደንበኞች ግንኙነት አገልግሎት አሰጣጥን ለመመዘን ነው። በዚህ መጠይቅ ላይ የሚያሰፍሩት ማንኛውም መረጃ ለትምህርታዊ አገልግሎት ብቻ እንደሚውል እየገለፅኩ፣ ከዚህ በተጨማሪም ግላዊ መረጃዎች በጥቅል ለሚደረግ ምርምር ግብአትነት ብቻ እንደሚውሉ ላረጋግጥልዎ እወዳለሁ።

**ከዚህ በታች ለተዘረዘሩት መግለጫዎች የ ምልክት በማድረግ የሚመርጡትን ያመልክቱ።**  
**ክፍል 1 - መሠረታዊ መረጃዎች**

1. ያታ

ወንድ  ሴት

2. አድሜ 18-30  30-40  40-50  > 50

3. የባንኩን አገልግሎት የሚጠቀሙት፤

ሰግል  ለንግድ ሥራ  ለሁለቱም

4. ከዚህ ባንክ ጋር በደንበኝነት ምን ያህል ዓመት ቆይተዋል?

< 5 ዓመት  ከ 5-10 ዓመት  > 10 ዓመት

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

የተቀማጭ ሂሳብ  ተንቀሳቃሽ ሂሳብ  ብድር

የሃዋላ አገልግሎት  ኤ.ቲ.ኤም  የኢምፖርት ኤክስፖርት አገልግሎት

**ክፍል 2 - የደንበኞች ግንኙነት አገልግሎትን በተመለከተ**

መግለጫ	በጣም አልሰማምም (1)	አልሰማምም (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. ያለማቀረጥ ለተቀዳሚ ደንበኞቹ የላቀ አገልግሎት ይሰጣል።					
5. የባንኩ ሠራተኞች ደንበኞች የባንኩን የተለያዩ አገልግሎቶች እንዲጠቀሙ ያበረታታሉ።					
6. ባንኩ በሁሉም የባንክ አገልግሎት ዘርፎች አስተማማኝ አገልግሎት ይሰጣል።					
7. የባንኩ ሠራተኞች ደንበኛን ለማገልገል የሰለጠኑና ብቁ ናቸው።					
8. የባንኩ ሠራተኞች ከተሰጣቸው ኃላፊነት በተጨማሪ በግል ተነሳሽነት ደንበኛውን የበለጠ ለማገልገል ይጥራሉ።					
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።					
11. የባንኩ አሰራር ቀልጣፋና ምቹ ነው።					
12. የባንኩ የደንበኛ ግንኙነት ሠራተኞች ኃላፊነታቸውን በሚገባ ያውቃሉ።					

መግለጫ	በጣም አልሰማም (1)	አልሰማምም (2)	አስተያየት የለኝም (3)	እሰማለሁ (4)	በጣም እሰማለሁ (5)
13. ባንኩ የደንበኞቼን መረጃ በሚስጥር ይይዛል።					
14. ባንኩ የደንበኞቼ አስተያየት እንደግብአት ተጠቅሞ የሚሰጠውን አገልግሎት ያሻሽላል፤ አዳዲስ አገልግሎቶችንም ያስተዋውቃል።					
15. ባንኩ ለአገልግሎት መጓደል /መቋረጥ ዋስትና ይሰጣል።					
16. ባንኩ የደንበኞችን አስተያየት ተቀብሎ ተገቢውን ምላሽ ይሰጣል።					
17. ባንኩ ለትርፋማነቱ ከፍተኛ አስተዋፅዖ ላደረጉ ደንበኞች ሽልማት ይሰጣል።					
18. ባንኩ በዘመናዊ ቴክኖሎጂ የታገዘ አገልግሎት ይሰጣል።					
19. ባንኩ የደንበኞቼን መረጃ ሁሉን-ዓቀፍ በሆነ መልኩ ስለሚይዝ የደንበኞቼን ፍላጎት የበለጠ መረዳት ይችላል።					
20. ባንኩ-የአግልግሎቱን ጥራት ለማሳደግ ዘመናዊ ቴክኖሎጂዎችን ይጠቀማል።					

**ክፍል 3 በሚከተለው አረፍተ ነገር ላይ ያለዎትን አስተያየት በማክበብ ያመልክቱ**

**“እርሶ የዳሽን ባንክ ታማኝ ደንበኛ ነዎት”**

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

**አመሰግናለሁ!**